NOTICE OF SPECIAL MEETING OF SECURITYHOLDERS

to be held on December 14, 2012

and

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

and

INFORMATION CIRCULAR AND PROXY STATEMENT

with respect to a

PLAN OF ARRANGEMENT

involving

CELTIC EXPLORATION LTD., EXXONMOBIL CANADA LTD.,
EXXONMOBIL CELTIC ULC, KELT EXPLORATION LTD.

and

SHAREHOLDERS AND DEBENTUREHOLDERS OF CELTIC EXPLORATION LTD.

November 16, 2012

These materials are important and require your immediate attention. They require Celtic Securityholders to make important decisions. If you are in doubt as to how to make such decisions please contact your financial, legal, tax or other professional advisors. If you are a holder of Celtic Securities and have any questions or require more information with regard to voting your Celtic Securities, please contact the proxy solicitation agent, Georgeson Shareholder Communications Canada, Inc., at its North American toll-free number: 1-888-605-8409 or by email at askus@georgeson.com.

TABLE OF CONTENTS

APPENDICES

LETTER TO CELTIC SECURITYHOLDERS

November 16, 2012

Dear Celtic Securityholders:

You are invited to attend a special meeting (the "**Meeting**") of holders ("**Celtic Shareholders**") of common shares ("**Celtic Shares**") and holders ("**Celtic Debentureholders**" and, together with the Celtic Shareholders, "**Celtic Securityholders**") of 5.00% convertible unsecured subordinated debentures ("**Celtic Debentures**") of Celtic Exploration Ltd. ("**Celtic**" or the "**Corporation**") to be held at the Metropolitan Centre, located at 333 - 4th Avenue S.W., Calgary, Alberta, Canada on Friday, December 14, 2012 at 9:00 a.m. (Calgary time). At the Meeting, you will be asked to consider and, if deemed advisable, approve a special resolution approving a plan of arrangement (the "**Arrangement**") involving Celtic, ExxonMobil Canada Ltd. ("**ExxonMobil**"), ExxonMobil Celtic ULC, an indirect wholly-owned subsidiary of ExxonMobil (the "**Purchaser**"), Kelt Exploration Ltd. ("**Kelt**"), a wholly-owned subsidiary of Celtic, and the Celtic Securityholders to be carried out pursuant to an arrangement agreement between ExxonMobil, the Purchaser, Celtic and Kelt.

Full details of the Arrangement are set out in the accompanying Notice of Special Meeting of Celtic Securityholders and Information Circular and Proxy Statement (the "**Information Circular**"). The Information Circular contains a detailed description of the Arrangement, including certain risk factors relating to the completion of the Arrangement. You should consider carefully all of the information in the Information Circular. If you require assistance, consult your financial, legal, tax or other professional advisors.

The following is a summary of the relevant terms of the Arrangement for the holders of Celtic Shares and Celtic Debentures (collectively, the "**Celtic Securities**"):

(a) Celtic Shareholders (other than dissenting Celtic Shareholders) will receive for each Celtic Share held: (i) $24.50 in cash; and (ii) one-half (1/2) of one common share of Kelt (each whole share being a "**Kelt Share**"); and

(b) all of the issued and outstanding Celtic Debentures (other than Celtic Debentures held by dissenting Celtic Debentureholders) will be converted into that number of Celtic Shares that a Celtic Debentureholder would be entitled to receive upon the conversion of the Celtic Debentures in accordance with their terms immediately following the effective time of the Arrangement, including the Make Whole Premium (as defined in the debenture indenture dated as of April 12, 2012 between Celtic and Valiant Trust Company (the "**Debenture Indenture**")). The Celtic Debentureholders will then receive, for each Celtic Share received upon such conversion: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share. The Celtic Debentureholders will also receive, for each $1,000 principal amount of Celtic Debentures, a cash amount equal to the sum of: (i) accrued and unpaid interest on such principal amount to, but excluding, the effective date of the Arrangement (the "**Effective Date**"); and (ii) an amount equal to the amount of interest that would otherwise be payable thereon from and including the Effective Date to, but excluding, the date which is 32 days after the Effective Date.

The 32 days of interest is effectively an early prepayment of interest that a Celtic Debentureholder would receive to the anticipated end of the period in which a Celtic Debentureholder could convert its Celtic Debentures and receive the Make Whole Premium following completion of the Arrangement, if the Celtic Debentures do not participate in the Arrangement. The consideration for the Celtic Debentures will vary depending on the date that the Arrangement is completed, as the Make Whole Premium component of the consideration will vary based on the trading price of

Celtic Shares and the date of the Effective Date and the accrued and unpaid interest component of the consideration will vary based on the date of the Effective Date.

Kelt will be a new junior oil and gas exploration and production company led by certain members of the existing management team of Celtic, including David J. Wilson and Sadiq H. Lalani. Kelt will be a growth oriented company with initial production of approximately 3,300 barrels of oil equivalent per day and an initial land position consisting of approximately 53,730 net undeveloped acres in the following three core areas: (a) a natural gas property at Grand Cache, Alberta; (b) a liquids-rich natural gas property at Inga, British Columbia; and (c) an oil prospect at Karr, Alberta. Kelt has applied to list the Kelt Shares on the Toronto Stock Exchange (the "**TSX**"). Listing is subject to Kelt fulfilling all of the requirements of the TSX. If listing approval is ultimately obtained, trading in the Kelt Shares is expected to commence concurrently with the delisting of the Celtic Shares from the TSX. The completion of the Arrangement is not conditional upon the listing of the Kelt Shares.

For additional details about the Arrangement, see "*The Arrangement*" and "*The Arrangement Agreement*" in the Information Circular which accompanies this letter.

The Arrangement is subject to customary conditions for a transaction of this nature, which include court and regulatory approvals, and the approval of at least 66⅔% of the votes cast in favour of the Arrangement by the Celtic Shareholders present in person or represented by proxy at the Meeting. Celtic Debentureholder approval will also be sought at the Meeting to allow the Celtic Debentureholders to participate in the Arrangement in the manner described above. Participation in the Arrangement by the Celtic Debentureholders will require the approval of the Arrangement by a majority in number of registered Celtic Debentureholders whose holdings collectively represent at least 66⅔% of the aggregate principal amount of the Celtic Debentures outstanding as of the record date for the Meeting. However, Celtic Debentureholder approval is not a condition to the completion of the Arrangement.

If the approval of Celtic Debentureholders is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding following closing of the Arrangement. In that case, in accordance with the terms of the Debenture Indenture, Celtic (or its successor) will be required to make an offer to Celtic Debentureholders to purchase the Celtic Debentures, which remain outstanding, for cash consideration equal to 100% of the principal amount thereof, plus accrued and unpaid interest, within 30 days following the Effective Date. In addition, Celtic Debentureholders are also entitled to convert their Celtic Debentures in accordance with the terms and conditions of the Debenture Indenture. After the Effective Date, holders of Celtic Debentures which remain outstanding following the Effective Date who exercise the conversion rights during the Cash Change of Control Conversion Period (as such term is defined in the Information Circular) will receive the amount of cash and number of Kelt Shares that they would have been entitled to receive if they had been the registered holders of the applicable number of Celtic Shares on the Effective Date, plus an additional number of Celtic Shares that they would have been entitled to receive under the Make Whole Premium, together with accrued and unpaid interest to the date of conversion. The Purchaser has advised Celtic that if the Celtic Debentures are not acquired by the Purchaser under the Arrangement, it intends to cause Celtic: (a) to deliver the Change of Control Purchase Offer (as such term is defined in the Information Circular) within two days following the Effective Date such that the Cash Change of Control Conversion Period would end no later than 32 days following the Effective Date; and (b) to pay the accrued and unpaid interest component of the amount payable as a result of any conversion during the Cash Change of Control Conversion Period on the next regularly scheduled interest payment date following the date of conversion, as permitted by the Debenture Indenture, rather than at the time of conversion.

Each of FirstEnergy Capital Corp. and RBC Dominion Securities Inc. has provided the board of directors of Celtic (the "**Celtic Board**") with an opinion to the effect that, as of the date thereof and subject to the assumptions, limitations and qualifications contained therein: (i) the consideration to be received by Celtic Shareholders under the Arrangement is fair, from a financial point of view, to Celtic Shareholders; and (ii) the consideration to be received by Celtic Debentureholders under the Arrangement is fair, from a financial point of view, to Celtic Debentureholders. **The Celtic Board, after consulting with its financial and legal advisors, and after consideration of, among other things, the fairness opinions of each of FirstEnergy Capital Corp. and RBC Dominion Securities Inc., has unanimously determined that the Arrangement is in the best interests of the Corporation, that the Arrangement is fair to Celtic Securityholders and unanimously recommends that Celtic Securityholders vote in favour of the Arrangement.** The directors and officers of Celtic, who own in the aggregate approximately 17.7% of the outstanding Celtic Shares and 0.9% of the outstanding principal amount of Celtic Debentures as of November 15, 2012, have entered into lock-up agreements with ExxonMobil and the

Purchaser pursuant to which they have agreed to, among other things, vote their Celtic Shares and Celtic Debentures in favour of the Arrangement.

In addition, Celtic Shareholders will be asked at the Meeting to consider an ordinary resolution to authorize the private placement of up to 6,000,000 Kelt Shares for aggregate gross proceeds of approximately $13.9 million (the "**Private Placement**"). The Kelt Shares will be issued at a subscription price equal to the estimated net asset value of Kelt on a per share basis following completion of the Arrangement, which has been determined to be $2.32 per Kelt Share, as disclosed in a press release of Celtic issued on October 17, 2012. No finder's fees or commissions will be paid in connection with the Private Placement. The Private Placement will be subject to the approval of the TSX if the Kelt Shares are listed on the TSX. Directors, officers and employees of Kelt, as well as certain other persons, will be entitled to subscribe for all or a portion of the Private Placement. The Private Placement is expected to close immediately following completion of the Arrangement. The purpose of the Private Placement is to provide additional capital for use by Kelt in its exploration and development activities and for general corporate and working capital purposes. The completion of the Arrangement is not conditional upon approval of the Private Placement by the Celtic Shareholders.

Furthermore, Celtic Shareholders will be asked at the Meeting to consider an ordinary resolution to approve a stock option plan for Kelt (the "**Kelt Option Plan**") to be effective upon completion of the Arrangement and a restricted share unit plan for Kelt (the "**Kelt RSU Plan**") to be effective upon completion of the Arrangement. The completion of the Arrangement is not conditional upon approval of the Kelt Option Plan or the Kelt RSU Plan by the Celtic Shareholders.

Your vote is important regardless of the number of Celtic Shares or Celtic Debentures you own. All Celtic Securityholders are encouraged to take the time to complete, sign, date and, in the case of registered Celtic Securityholders, return the enclosed applicable form of proxy in accordance with the instructions set out therein and in the Information Circular so that your Celtic Shares or Celtic Debentures can be voted at the Meeting in accordance with your instructions. If you are a non-registered Celtic Securityholder and hold your Celtic Shares or Celtic Debentures through a broker, custodian, nominee or other intermediary, follow their instructions. If you are a registered Celtic Shareholder, in order to receive the cash consideration and Kelt Shares that you are entitled to upon the completion of the Arrangement, you must complete and sign the enclosed letter of transmittal and return it, together with your share certificate(s) and any other required documents and instruments to Valiant Trust Company, in accordance with the procedures set out in the enclosed letter of transmittal. As all Celtic Debentures are held in book-entry only form in the name of CDS & Co., there is no need for any Celtic Debentureholder, other than CDS & Co., to deliver any certificates representing Celtic Debentures. Registered Celtic Shareholders may also use the internet site at www.valianttrust.com to transmit their voting instructions.

A Celtic Securityholder who has questions or requires more information with regard to the voting of Celtic Securities should contact Celtic's proxy solicitation agent, Georgeson Shareholder Communications Canada, Inc., at its North American toll-free number: 1-888-605-8409 or by email at askus@georgeson.com.

The Information Circular contains a detailed description of the Arrangement. Please give this material your careful consideration and, if you require assistance, consult your financial, legal, tax or other professional advisors. Please complete and deliver the form of proxy which is enclosed in order to ensure your representation at the Meeting.

On behalf of the Celtic Board, I would like to express our gratitude for the ongoing support our Celtic Securityholders have demonstrated with respect to our decision to take part in this important event in the history of the Corporation. We would also like to thank our employees who have worked very hard on this task and for providing their support for the proposed transaction.

Yours truly,

(signed) "*David J. Wilson*"

David J. Wilson
President, Chief Executive Officer and Director
Celtic Exploration Ltd.

CELTIC EXPLORATION LTD.

NOTICE OF SPECIAL MEETING OF CELTIC SECURITYHOLDERS
TO BE HELD ON DECEMBER 14, 2012

NOTICE IS HEREBY GIVEN that, pursuant to an order (the "**Interim Order**") of the Court of Queen's Bench of Alberta dated November 15, 2012, a special meeting (the "**Meeting**") of the holders ("**Celtic Shareholders**") of common shares ("**Celtic Shares**") and holders ("**Celtic Debentureholders**" and, together with the Celtic Shareholders, "**Celtic Securityholders**") of 5.00% convertible unsecured subordinated debentures (the "**Celtic Debentures**" and, together with the Celtic Shares, the "**Celtic Securities**") of Celtic Exploration Ltd. ("**Celtic**" or the "**Corporation**") will be held at the Metropolitan Centre, located at 333-4th Avenue S.W., Calgary, Alberta, Canada on Friday, December 14, 2012, at 9:00 a.m. (Calgary time) for the following purposes:

(a) to consider, pursuant to the Interim Order and, if deemed advisable, to approve, with or without variation, a special resolution (the "**Arrangement Resolution**"), the full text of which is set forth in Appendix A to the accompanying information circular and proxy statement dated November 16, 2012 (the "**Information Circular**"), to approve a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the "**Arrangement**"), all as more particularly described in the Information Circular;

(b) to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth under the heading "*Other Matters of Special Business Relating to Kelt – Kelt Option Plan*" in the Information Circular, to approve a stock option plan (the "**Kelt Option Plan**") for Kelt Exploration Ltd. ("**Kelt**"), all as more particularly described in the Information Circular;

(c) to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth under the heading "*Other Matters of Special Business Relating to Kelt – Kelt RSU Plan*" in the Information Circular, to approve a restricted share unit plan (the "**Kelt RSU Plan**") for Kelt, all as more particularly described in the Information Circular;

(d) to consider and if, deemed advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth under the heading "*Other Matters of Special Business Relating to Kelt – Private Placement*" in the Information Circular, to approve a private placement of up to 6,000,000 common shares of Kelt for gross proceeds of approximately $13.9 million at a price of $2.32 per share (the "**Private Placement**"), all as more particularly described in the Information Circular; and

(e) to transact such other business, including amendments to the foregoing, as may properly be brought before the Meeting or any adjournment or postponement thereof.

Celtic Debentureholders are only entitled to vote upon the Arrangement Resolution.

The completion of the Arrangement is not conditional upon approval of the Kelt Option Plan, the Kelt RSU Plan or the Private Placement by the Celtic Shareholders or the approval of the Arrangement Resolution by the Celtic Debentureholders.

Celtic Securityholders will not vote as a single class, and separate class votes for each of the holders of Celtic Shares and Celtic Debentures will take place at the Meeting. Specific details of the matters to be put before the Meeting are set forth in the accompanying Information Circular.

The record date for determination of Celtic Securityholders entitled to receive notice of and to vote at the Meeting is November 14, 2012 (the "**Record Date**").

Only Celtic Shareholders whose names have been entered in the register of the holders of Celtic Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting in respect of Celtic Shares, provided that, to the extent a Celtic Shareholder transfers ownership of any Celtic Shares after the Record Date and the transferee of those Celtic Shares produces properly endorsed certificates evidencing such Celtic Shares or otherwise establishes ownership of such shares and demands, not later than 10 days before the Meeting, to be included in the list of Celtic Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Celtic Shares at the Meeting.

The Celtic Debentures have been issued in the form of a global certificate in the name of CDS & Co. and, as such, CDS & Co. is the sole registered holder of the Celtic Debentures. CDS & Co. may only vote the Celtic Debentures in accordance with instructions received from the beneficial holders of the Celtic Debentures. Beneficial holders of Celtic Debentures as of the Record Date wishing to vote their Celtic Debentures at the Meeting must provide instructions to the broker, dealer, bank, trust company or other nominee through which they hold their Celtic Debentures in sufficient time prior to the holding of the Meeting to permit the broker, dealer, bank, trust company or other nominee to instruct CDS & Co. as how to vote the Celtic Debentures at the Meeting.

Registered holders of Celtic Shares and Celtic Debentures have the right to dissent with respect to the Arrangement Resolution and, if the Arrangement Resolution is passed, to be paid the fair value of their securities in accordance with the provisions of Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order. A Celtic Shareholder's and Celtic Debentureholder's right to dissent is more particularly described in the accompanying Information Circular. **Failure to strictly comply with the requirements set forth in Section 191 of the *Business Corporations Act* (Alberta), as modified by the Interim Order, may result in the loss of any right of dissent. A dissenting registered Celtic Shareholder or Celtic Debentureholder must send to Celtic a written objection to the Arrangement Resolution, which written objection must be received by Celtic, c/o Borden Ladner Gervais LLP, Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary Alberta T2P 0R3, Attention: David Madsen, by 5:00 p.m. (Calgary time) on December 12, 2012 (or the business day that is two business days prior to the date of the Meeting if it is not held on December 14, 2012). Persons who are beneficial owners of Celtic Shares and/or Celtic Debentures registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only registered holders of Celtic Shares and Celtic Debentures are entitled to dissent. As noted above, the Celtic Debentures and some, but not all, of the Celtic Shares have been issued in the form of a global certificate in the name of CDS & Co. and, as such, CDS & Co. is the sole registered holder of the Celtic Debentures and some, but not all, of the Celtic Shares. Accordingly, a beneficial owner of Celtic Shares or Celtic Debentures who desires to exercise the right of dissent must make arrangements for the registered holder of such Celtic Shares or Celtic Debentures to dissent on the holder's behalf. Alternatively, in the case of Celtic Shares, the beneficial owner could make arrangements for the Celtic Shares to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Corporation.**

A Celtic Shareholder or Celtic Debentureholder may attend the Meeting in person or may be represented by proxy. Registered Celtic Shareholders and registered Celtic Debentureholders are requested to date, sign and return the accompanying form of proxy (white for holders of Celtic Shares, green for holders of Celtic Debentures) for use at the Meeting or any adjournment or postponement thereof. To be effective, the enclosed proxy must be received by Valiant Trust Company, Suite 310, 606-4th Street S.W., Calgary, Alberta T2P 1T1, Attention: Proxy Department, at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Meeting or any adjournment or postponement thereof. The time limit for the deposit of proxies may be waived by the Chairman of the Meeting at his discretion, without notice. Beneficial Celtic Shareholders and Celtic Debentureholders must complete and return the voting instruction form provided to them and return it in accordance with the instructions accompanying such voting instruction form. Registered Celtic Shareholders may also use the internet site at www.valianttrust.com to transmit their voting instructions.

A Celtic Securityholder who has questions or requires more information with regard to the voting of Celtic Securities should contact Celtic's proxy solicitation agent, Georgeson Shareholder Communications Canada, Inc., at its North American toll-free number: 1-888-605-8409 or by email at askus@georgeson.com.

Dated at the City of Calgary, in the Province of Alberta, this 16th day of November, 2012.

BY ORDER OF THE BOARD OF DIRECTORS OF CELTIC EXPLORATION LTD.

(signed) "*David J. Wilson*"

David J. Wilson

President, Chief Executive Officer and Director
Celtic Exploration Ltd.

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE OF CALGARY

IN THE MATTER OF SECTION 193 OF THE *BUSINESS CORPORATIONS ACT*, R.S.A. 2000, c. B-9, AS AMENDED

AND IN THE MATTER OF A PROPOSED ARRANGEMENT INVOLVING CELTIC EXPLORATION LTD., EXXONMOBIL CANADA LTD., EXXONMOBIL CELTIC ULC, KELT EXPLORATION LTD. AND THE SHAREHOLDERS AND DEBENTUREHOLDERS OF CELTIC EXPLORATION LTD.

NOTICE OF ORIGINATING APPLICATION

NOTICE IS HEREBY GIVEN that an originating application (the "**Application**") has been filed with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary (the "**Court**") on behalf of Celtic Exploration Ltd. ("**Celtic**") with respect to a proposed arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta), R.S.A. 2000, c. B-9, as amended (the "**ABCA**"), involving Celtic, ExxonMobil Canada Ltd. ("**ExxonMobil**"), ExxonMobil Celtic ULC, Kelt Exploration Ltd. ("**Kelt**"), holders ("**Celtic Shareholders**") of common shares and holders ("**Celtic Debentureholders**" and, together with the Celtic Shareholders, the "**Celtic Securityholders**") of 5.00% convertible unsecured subordinated debentures. The Arrangement is described in greater detail in the information circular and proxy statement of Celtic dated November 16, 2012 (the "**Information Circular**") accompanying this Notice of Originating Application.

At the hearing of the Application, Celtic intends to seek:

(a) an order approving the Arrangement pursuant to the provisions of Section 193 of the ABCA;

(b) a declaration that the terms and conditions of the Arrangement, and the procedures relating thereto, are fair, substantively and procedurally, to the Celtic Securityholders and the other persons affected;

(c) an order declaring that registered Celtic Securityholders shall have the right to dissent in respect of the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by the interim order (the "**Interim Order**") of the Court dated November 15, 2012;

(d) a declaration that the Arrangement will, upon the filing of the Articles of Arrangement and the issuance of the proof of filing of Articles of Arrangement pursuant to the provisions of Section 193 of the ABCA, become effective in accordance with its terms and will be binding on and after the Effective Time, as defined in the plan of arrangement attached as Schedule "B" to the arrangement agreement dated as of October 16, 2012 between ExxonMobil, ExxonMobil Celtic ULC, Celtic and Kelt, which agreement is attached as Appendix C to the Information Circular; and

(e) such other and further orders, declarations and directions as the Court may deem just.

AND NOTICE IS FURTHER GIVEN that the said Application was directed to be heard before a Justice of the Court of Queen's Bench of Alberta, Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta T2P 5P1, on the 14th day of December, 2012 at 2:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard. Any Celtic Securityholder or any other interested party desiring to support or oppose the Application, may appear at the time of hearing in person or by counsel for that purpose. **Any Celtic Securityholder or any other interested party desiring to appear at the hearing for the final order is required to file with the Court of Queen's Bench of Alberta, Judicial Centre of Calgary, and serve upon Celtic on or before 12:00 noon (Calgary time) on December 7, 2012, a notice of intention to appear, including an address for service in the Province of Alberta, indicating whether such Celtic Securityholder or other interested party intends to support or oppose the application or make submissions thereat, together with a summary of the position such Celtic Securityholder or other interested party intends to advocate before the Court and any evidence or materials which are to be presented to the Court by such Celtic Securityholder or other interested party.** Service on Celtic shall be effected by delivery to the solicitors for Celtic at the address below. If any Celtic Securityholder or any other interested party does not attend, either in person or by counsel, at that time, the Court may approve the Arrangement

as presented, may approve it subject to such terms and conditions as the Court shall deem fit, or may refuse to approve the Arrangement, without any further notice.

AND NOTICE IS FURTHER GIVEN that no further notice of the Application will be given by Celtic and that in the event the hearing of the Application is adjourned, only those persons who have appeared before the Court for the application at the hearing, or who have filed a notice of intention to appear as described above, shall be served with notice of the adjourned date.

AND NOTICE IS FURTHER GIVEN that the Court, by the Interim Order, has given directions as to the calling and holding of a special meeting of Celtic Securityholders for the purpose of such Celtic Securityholders voting upon a special resolution to approve the Arrangement and, in particular, has directed that registered Celtic Securityholders shall have the right to dissent with respect to the Arrangement in accordance with the provisions of Section 191 of the ABCA, as modified by such Interim Order.

AND NOTICE IS FURTHER GIVEN that the final order of the Court approving the Arrangement will, if granted, serve as the basis for an exemption from the registration requirements of the United States Securities Act of 1933, as amended, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the Kelt Shares issuable to Celtic Securityholders pursuant to the Arrangement.

AND NOTICE IS FURTHER GIVEN that a copy of the said Application and other documents in the proceedings will be furnished to any Celtic Securityholders or other interested party requesting the same by the undermentioned solicitors for Celtic upon written request delivered to such solicitors as follows:

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3
Attention: David Madsen
Facsimile No.: 403-266-1395

DATED at the City of Calgary, in the Province of Alberta, this 16th day of November, 2012.

BY ORDER OF THE BOARD OF DIRECTORS OF CELTIC EXPLORATION LTD.

(signed) "*David J. Wilson*"

David J. Wilson

President, Chief Executive Officer and Director
Celtic Exploration Ltd.

INFORMATION CIRCULAR AND PROXY STATEMENT

Introduction

This Information Circular and Proxy Statement (the "Information Circular") is furnished in connection with the solicitation of proxies by and on behalf of the management of Celtic for use at the Meeting and any adjournments or postponements thereof. No person has been authorized to give any information or make any representation in connection with the Arrangement or any other matters to be considered at the Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

All summaries of, and references to, the Arrangement in this Information Circular are subject to, and qualified in their entirety by, reference to the complete text of the Plan of Arrangement, a copy of which is attached as Schedule "B" to the Arrangement Agreement, which is attached as Appendix C to this Information Circular. **You are urged to carefully read the full text of the Plan of Arrangement.**

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under "*Glossary of Terms*". Information contained in this Information Circular is given as of November 16, 2012 unless otherwise specifically stated.

The information concerning the Purchaser Parties contained in this Information Circular has been provided by the Purchaser Parties for inclusion in this Information Circular. Although Celtic has no knowledge that any statements contained herein taken from or based on such information provided by the Purchaser Parties are untrue or incomplete, Celtic assumes no responsibility for the accuracy of such information or for any failure by the Purchaser Parties to disclose events which may have occurred or may affect the significance or accuracy of any such information but which are unknown to Celtic.

This Information Circular does not constitute an offer to sell, or a solicitation of an offer to purchase securities in connection with the Arrangement, or the solicitation of a proxy, in any jurisdiction, to or from any person to whom it is unlawful to make such offer, solicitation or an offer or proxy solicitation in such jurisdiction. The delivery of this Information Circular does not, under any circumstances, imply or represent that there has been no change in the information set forth herein since the date of this Information Circular.

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

If you hold Celtic Shares or Celtic Debentures through an intermediary, you should contact your intermediary for instructions and assistance in voting and surrendering the Celtic Shares or Celtic Debentures, as applicable, that you beneficially own.

NO CANADIAN SECURITIES REGULATORY AUTHORITY HAS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

Forward-looking Information and Statements

Certain statements and other information contained in this Information Circular constitute forward-looking information and forward-looking statements (collectively, "**forward-looking statements**"). These forward-looking statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "future", "continue" or similar expressions or the negatives thereof.

In particular, this Information Circular contains forward-looking statements pertaining to:

- the anticipated benefits of the Arrangement;
- the timing of the Meeting and the Final Order;
- the anticipated Effective Date;
- stock exchange delistings and listings and the timing thereof;
- the treatment of Celtic Securityholders under tax laws;
- the making of an offer to purchase the outstanding Celtic Debentures by Celtic or its successor following the Effective Date to the extent that the Arrangement Resolution is not approved at the Meeting by Celtic Debentureholders holding the requisite principal amount of Celtic Debentures;
- the right of conversion of any outstanding Celtic Debentures in the event that the Celtic Debentures do not form part of the Arrangement, and the timing of any such conversion;
- treatment under government regulatory regimes including the receipt of approvals under the Investment Canada Act and the Competition Act;
- the completion, timing, placees and use of proceeds of the Private Placement;
- statements regarding the Kelt Option Plan and the Kelt RSU Plan; and
- the business objectives, capital expenditure, oil and gas reserves and operations of Kelt. See Appendix F – "*Information Regarding Kelt – Forward-Looking Information and Statements*".

Forward-looking statements respecting:

- the anticipated benefits of the Arrangement are based upon a number of factors, including the Fairness Opinions, the terms and conditions of the Arrangement Agreement and current industry, economic and market conditions (see "*The Arrangement – Recommendation of the Celtic Board*");
- the structure and effect of the Arrangement are based upon the terms of the Arrangement Agreement and the transactions contemplated thereby (see "*The Arrangement*" and "*The Arrangement Agreement*");
- the consideration to be received by Celtic Securityholders as a result of the Arrangement is based upon the terms of the Arrangement Agreement and the Plan of Arrangement (see "*The Arrangement*" and "*The Arrangement Agreement*");
- certain steps in, and timing of, the Arrangement are based upon the terms of the Arrangement Agreement and, in respect of the ability and necessary time to receive the required Court, Investment Canada Act and Competition Act approvals, are based upon advice received from counsel to the Corporation (see "*The Arrangement*" and "*The Arrangement Agreement*");
- the completion, timing, placees and use of proceeds of the Private Placement are based upon the assumption that the Celtic Shareholders and the TSX will approve the proposed terms of such transaction;
- the effect of the Arrangement on the Corporation and the making of an offer to purchase any outstanding Celtic Debentures following the Effective Date by Celtic are based on management's current expectations regarding the intentions of ExxonMobil and the Purchaser and the provisions of the Debenture Indenture; and
- the business and operations of Kelt following completion of the Arrangement are based on several assumptions regarding the oil and gas industry, certain price assumptions for oil and gas and the accuracy

of oil and gas reserves estimates. (see Appendix F – "*Information Regarding Kelt – Forward-Looking Information and Statements*").

By their very nature, forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Celtic believes the expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Information Circular should not be unduly relied upon. These statements speak only as of the date of this Information Circular.

Some of the risks that could cause results to differ materially from those expressed in the forward-looking statements include:

- the inability to obtain required consents, permits or approvals, including Court approval of the Arrangement, Celtic Shareholder approval of the Arrangement or the Private Placement, as applicable, and Regulatory Approvals in accordance with the required timelines contained in the Arrangement Agreement;
- the inability to satisfy the other conditions to the Arrangement Agreement prior to the Outside Date;
- the failure to realize anticipated benefits of the Arrangement;
- the other factors discussed under the heading "*Risk Factors*" in this Information Circular; and
- the other factors discussed under the heading "*Risk Factors*" in Appendix F – "*Information Concerning Kelt*".

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward-looking statements contained in this Information Circular are expressly qualified by this cautionary statement. Except as required by law, Celtic does not undertake any obligation to publicly update or revise any forward-looking statements and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in this Information Circular and under the heading "*Risk Factors*" in Appendix F – "*Information Concerning Kelt*".

Information for Celtic Securityholders in the United States

The Kelt Shares issuable to Celtic Securityholders in exchange for their Celtic Securities pursuant to the Arrangement have not been and will not be registered under the U.S. Securities Act, and such securities will be issued in reliance upon the exemption from the registration requirements under the U.S. Securities Act provided by Section 3(a)(10) thereof, on the basis of approval of the Court. The Court will consider, among other things, the fairness of the terms and conditions of the Arrangement to Celtic Securityholders.

The solicitation of proxies for the Meeting is not subject to the requirements applicable to proxy statements under the U.S. Exchange Act. Accordingly, the solicitations and transactions contemplated in this Information Circular are made in the United States for securities of a Canadian issuer in accordance with Canadian corporate and securities laws, and this Information Circular has been prepared solely in accordance with disclosure requirements applicable in Canada. Celtic Securityholders in the United States should be aware that such requirements are different from those of the United States applicable to proxy statements under the U.S. Exchange Act and registration statements under the U.S. Securities Act. Specifically, information concerning the assets and operations of Kelt has been prepared in accordance with Canadian standards and may not be comparable in all respects to similar information for United States companies. In particular, and without limiting the foregoing, information included in this Information Circular regarding oil and gas operations and properties and estimates of oil and gas resources has been prepared in accordance with Canadian disclosure standards, which differ in certain respects from the disclosure standards applicable to information included in reports and other materials filed with the SEC by issuers subject to SEC reporting and disclosure requirements.

All audited and unaudited financial statements and other financial information included in this Information Circular have been prepared in Canadian dollars unless otherwise noted, and in accordance with IFRS, and such financial

statements are subject to Canadian auditing and auditor independence standards, which differ from generally accepted accounting principles as in effect in the United States ("**U.S. GAAP**") and United States auditing and auditor independence standards in certain material respects. Consequently, such financial statements and other financial information are not comparable in all respects to financial statements and other financial information prepared in accordance with U.S. GAAP and financial statements that are subject to United States auditing and auditor independence standards.

The enforcement by Celtic Securityholders of civil liabilities under the United States federal or state securities laws may be affected adversely by the fact that the Corporation and Kelt are organized under the laws of Alberta, Canada, that the officers and directors of Celtic and Kelt are residents of countries other than the United States, that the experts named in this Information Circular are residents of countries other than the United States, and that all of the assets of the Corporation and Kelt and such persons are, or will be, located outside the United States. **In addition, the courts of Canada may not enforce judgments of United States courts obtained in actions against such persons predicated upon civil liabilities under the federal or state securities laws of the United States.**

The Kelt Shares to be received by Celtic Securityholders pursuant to the Arrangement will be freely tradable under the U.S. Securities Act, except by persons who are "affiliates" of Kelt after the Arrangement or were affiliates of Kelt within 90 days prior to completion of the Arrangement. Any resale of such Kelt Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. See "*The Arrangement – Principal Legal Matters – United States Securities Laws Matters*" in this Information Circular.

THE KELT SHARES ISSUABLE PURSUANT TO THE ARRANGEMENT HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES, NOR HAS THE SEC OR THE SECURITIES REGULATORY AUTHORITY OF ANY STATE OF THE UNITED STATES PASSED ON THE ADEQUACY OR ACCURACY OF THIS INFORMATION CIRCULAR. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

GLOSSARY OF TERMS

Unless the context otherwise requires, when used in this Information Circular the following terms shall have the meanings set forth below.

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Acquisition Proposal**" means any inquiry or the making of any offer or proposal, whether or not in writing, from any Person, or group of Persons Acting Jointly or in Concert, prior to the termination of the Arrangement Agreement or consummation of the Arrangement, as applicable, which constitutes, or could reasonably be expected to lead to (in either case whether in one transaction or a series of transactions): (a) any direct or indirect sale, issuance or acquisition of shares or other equity interests (or securities convertible into or exercisable for such shares or interests) in Celtic or any Subsidiary of Celtic that, when taken together with the securities of Celtic held by the proposed acquiror and any Person Acting Jointly or in Concert with such acquiror, represent 20% or more of the voting securities of Celtic or a Subsidiary of Celtic or rights or interests therein or thereto; (b) any direct or indirect acquisition or purchase (or any lease, joint venture, acquisition of royalty interest, farm-in, farm-out, development agreement, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase) of a substantial amount of the Assets; (c) an amalgamation, arrangement, merger, business combination, consolidation or other similar transaction involving Celtic or any Subsidiary of Celtic; (d) a take-over bid, tender offer, issuer bid, exchange offer, share exchange, recapitalization, liquidation, dissolution, reorganization or other similar transaction involving Celtic or any Subsidiary of Celtic; or (e) any other transaction, the consummation of which would or could reasonably be expected to materially impede, interfere with, prevent or delay the transactions contemplated by the Arrangement Agreement or the Arrangement or which would or may reasonably be expected to materially reduce the benefits to ExxonMobil or the Purchaser under the Arrangement Agreement or the Arrangement; except that for the purpose of the definition of "Superior Proposal" below, the references in the definition of Acquisition Proposal to "20% or more of the voting securities" shall be deemed to be references to "50% or more of the voting securities", and the references to "a substantial amount of the Assets" shall be deemed to be references to "all or substantially all of the Assets", and the term Acquisition Proposal shall exclude the Arrangement and the transactions contemplated by the Arrangement Agreement;

"**Acting Jointly or in Concert**" has the meaning ascribed thereto under Applicable Securities Laws of Canada;

"**Affiliate**" has the meaning ascribed thereto in the Securities Act;

"**allowable capital loss**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Capital Gains and Capital Losses*";

"**Applicable Laws**" (in the context that refers to one or more Persons) means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise, and including Applicable Securities Laws), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Entity, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, that is binding upon or applicable to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities, as the same may be amended from time to time prior to the Effective Date;

"**Applicable Securities Laws**" means, collectively, and as the context may require: (a) the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder and the polices and rules of the TSX; and (b) U.S. Securities Laws, as the foregoing may be amended from time to time prior to the Effective Date;

"**ARC**" means an advance ruling certificate under Section 102 of the Competition Act;

"**Arrangement**" means the arrangement under the provisions of Section 193 of the ABCA on the terms and subject to the conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto made in accordance with the provisions of the Plan of Arrangement or made at the direction of the Court in the Final Order;

"**Arrangement Agreement**" means the arrangement agreement dated as of October 16, 2012 between ExxonMobil, the Purchaser, the Corporation and Kelt pursuant to which the parties have proposed to implement the Arrangement, a copy of which agreement is attached as Appendix C to this Information Circular, as such agreement may be amended or restated;

"**Arrangement Resolution**" means the special resolution to approve the Arrangement to be considered at the Meeting by Celtic Securityholders, in substantially the form attached as Appendix A to this Information Circular;

"**Articles of Arrangement**" means the articles of arrangement of the Corporation in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted giving effect to the Arrangement;

"**Assets**" means all of the assets, properties, facilities, Permits (as such term is defined in the Arrangement Agreement), rights or other privileges (whether contractual or otherwise) of, and securities owned by, Celtic and its Subsidiaries and, for greater certainty, including the Leases and the Interests (as such terms are defined in the Arrangement Agreement);

"**associate**" has the meaning ascribed thereto in the Securities Act;

"**Beneficial Shareholder**" has the meaning ascribed thereto under the heading "*General Proxy Matters – Advice for Beneficial Holders – Beneficial Shareholders*";

"**Broadridge**" has the meaning ascribed thereto under the heading "*General Proxy Matters – Advice for Beneficial Holders – Beneficial Shareholders*";

"**Business Day**" means a day on which banks are generally open for the transaction of commercial business in Calgary, Alberta or New York, New York, but does not in any event include a Saturday or Sunday or statutory holiday in Alberta or New York, New York;

"**Cash Change of Control Conversion Period**" means the period beginning 10 trading days before the anticipated Effective Date and ending on the date that is 30 days after the Change of Control Purchase Offer is delivered or mailed to the Celtic Debentureholders, as prescribed by the Debenture Indenture;

"**Celtic**" or the "**Corporation**" means Celtic Exploration Ltd., a corporation existing under the ABCA;

"**Celtic Board**" means the board of directors of Celtic;

"**Celtic Debentureholders**" means the holders of Celtic Debentures;

"**Celtic Debentures**" means the 5.00% convertible unsecured subordinated debentures of Celtic due April 30, 2017;

"**Celtic Optionholders**" means the holders of Celtic Options;

"**Celtic Option Plan**" means the amended stock option plan of Celtic dated effective April 26, 2007 and all option agreements thereunder;

"**Celtic Options**" means the outstanding stock options of Celtic, whether or not vested, granted under the Celtic Option Plan, or any prior stock option plan of Celtic, each of which entitles the holder thereof to acquire one Celtic Share from treasury;

"**Celtic Securities**" means, collectively, the Celtic Shares and the Celtic Debentures;

"**Celtic Securityholders**" means, collectively, the Celtic Shareholders and the Celtic Debentureholders;

"**Celtic Share Consideration**" means $24.50, being the cash consideration to be paid by the Purchaser for each Celtic Share pursuant to the Arrangement;

"**Celtic Shareholders**" means the holders of Celtic Shares;

"**Celtic Shares**" means common shares in the capital of Celtic;

"**Certificate of Arrangement**" means the proof of filing to be issued by the Registrar pursuant to subsections 193(11) and 193(12) of the ABCA in respect of the Articles of Arrangement;

"**Change of Control Purchase Offer**" means the offer in writing to purchase Celtic Debentures required to be provided to Celtic Debentureholders by Celtic upon a "Change of Control" (as such term is defined in the Debenture Indenture);

"**Closing**" means the completion of the transactions contemplated by the Arrangement Agreement;

"**Code**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations*";

"**Commissioner**" means the Commissioner of Competition appointed pursuant to subsection 7(1) of the Competition Act or her or his designee;

"**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

"Competition Act Approval" means the occurrence of one or more of the following: (a) an ARC shall have been issued by the Commissioner in respect of the transactions contemplated by the Arrangement Agreement, which ARC has not been rescinded prior to the Effective Time; or (b) (i) the applicable waiting period under subsection 123(1) of the Competition Act shall have expired or been terminated early under subsection 123(2) of the Competition Act, or the obligation to submit a notification under Part IX of the Competition Act shall have been waived pursuant to subsection 113(c) of the Competition Act; and (ii) the Commissioner shall have confirmed in writing, that he does not, at that time, intend to make an application under Section 92 of the Competition Act in respect of the transactions contemplated by the Arrangement Agreement, on terms and conditions satisfactory to the Parties, each acting reasonably, and such "no action letter" shall not have been rescinded prior to the Effective Time; or (c) in lieu of (a) or (b) above where the Purchaser in its sole discretion elects, the Parties shall have notified the Commissioner under Section 114 of the Competition Act and the waiting period under Section 123 of the Competition Act shall have expired or been terminated and there shall be no threatened or actual application by the Commissioner for an order under Section 92 or 100 of the Competition Act;

"**Confidential Information**" has the meaning ascribed thereto in the Confidentiality Agreement;

"**Confidentiality Agreement**" means the confidentiality agreement dated April 24, 2012 between Celtic and ExxonMobil Upstream Ventures (East) Limited;

"**Conveyance Consideration**" has the meaning ascribed thereto under the heading "*Kelt Conveyance Agreement – The Consideration*";

"**Court**" means the Court of Queen's Bench of Alberta;

"**CRA**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**Credit Facility**" has the meaning ascribed thereto under the heading "*General Development of the Business – General*" in Appendix F – "*Information Concerning Kelt*";

"**Damages Event**" has the meaning ascribed thereto under the heading "*The Arrangement Agreement – Termination Fee in Favour of the Purchaser Parties*";

"**Debentureholders' Vote**" means the requisite approval for the Arrangement Resolution by the Celtic Debentureholders as set forth in the Interim Order, being a majority in number of the registered Celtic

Debentureholders present in person or represented by proxy at the Meeting whose holdings collectively represent at least 66⅔% of the aggregate principal amount of Celtic Debentures outstanding as at the Record Date;

"**Debenture Indenture**" means the debenture indenture dated as of April 12, 2012 between Celtic and the Debenture Trustee establishing and setting forth, among other things, the terms of the Celtic Debentures;

"**Debenture Interest Consideration**" has the meaning ascribed thereto under the heading "*Summary Information – Summary of the Arrangement*";

"**Debenture Share Consideration**" has the meaning ascribed thereto under the heading "*Summary Information – Summary of the Arrangement*";

"**Debenture Trustee**" means Valiant Trust Company, in its capacity as trustee under the Debenture Indenture;

"**Depositary**" means Valiant Trust Company, in its capacity as depositary under the Arrangement;

"**Dissenting Debentureholders**" means registered Celtic Debentureholders who have duly and validly exercised their Dissent Rights pursuant to Section 5.1 of the Plan of Arrangement and the Interim Order and have not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

"**Dissenting Non-Resident Holder**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada – Dissenting Non-Resident Holder*";

"**Dissenting Resident Holder**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Dissenting Resident Holder*";

"**Dissenting Securityholders**" means, collectively, Dissenting Shareholders and Dissenting Debentureholders;

"**Dissenting Shareholders**" means registered Celtic Shareholders who have duly and validly exercised their Dissent Rights pursuant to Section 5.1 of the Plan of Arrangement and the Interim Order and have not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

"**Dissenting U.S. Holder**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations – Tax Consequences to U.S. Holders Relating to the Arrangement – Dissenting U.S. Holders*";

"**Dissent Rights**" means the rights of dissent granted in favour of registered Celtic Securityholders in respect of the Arrangement described in the Plan of Arrangement and the Interim Order;

"**Effective Date**" means the date the Arrangement becomes effective pursuant to the ABCA, being the date shown on the Certificate of Arrangement;

"**Effective Time**" means the time at which the Arrangement becomes effective on the Effective Date pursuant to the ABCA;

"**Employment Agreements**" has the meaning ascribed thereto under the heading "*The Arrangement – Interests of Directors and Executive Officers in the Arrangement – Change of Control*";

"**ExxonMobil**" means ExxonMobil Canada Ltd., a corporation organized under the laws of Canada;

"**Fairness Opinions**" means, collectively, the FirstEnergy Fairness Opinion and the RBC Fairness Opinion;

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 193(9)(a) of the ABCA, in a form acceptable to both Celtic and the Purchaser, each acting reasonably, as such order may be amended by the Court (with the consent of both Celtic and the Purchaser, each acting reasonably) at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended

(provided that any such amendment is acceptable to both Celtic and the Purchaser, each acting reasonably) on appeal;

"**Financial Advisors**" means, collectively, FirstEnergy and RBC;

"**FirstEnergy**" means FirstEnergy Capital Corp.;

"**FirstEnergy Fairness Opinion**" means the verbal opinion of FirstEnergy as of October 16, 2012 and subsequently confirmed in writing as of November 16, 2012, which written opinion is attached as Appendix D to this Information Circular;

"**Form 41-101F1**" has the meaning ascribed thereto under the heading "*Exemption From Instruments*";

"**Founding Kelt Share**" means the one (1) Kelt Share held by Celtic that was issued to Celtic on the incorporation of Kelt;

"**Governmental Entity**" means any: (a) national, international, multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau ministry or agency, domestic or foreign; (b) any subdivision, agent, commission, board or authority of any of the foregoing; (c) any quasi-governmental or private body exercising any regulatory, expropriation or Taxing Authority under or for the account of any of the foregoing; and (d) the TSX;

"**Grande Cache Property**" has the meaning ascribed thereto under the heading "*General Development of the Business – General*" in Appendix F – "*Information Concerning Kelt*";

"**Holder**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**IFRS**" means Canadian generally accepted accounting principles for publicly accountable enterprises, being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board effective for periods beginning on or after January 1, 2011;

"**Indemnified Liabilities**" has the meaning ascribed thereto in the Kelt Conveyance Agreement;

"**Information Circular**" means this information circular and proxy statement of the Corporation dated November 16, 2012, together with all appendices hereto, distributed by Celtic to Celtic Securityholders in connection with the Meeting;

"**Inga Property**" has the meaning ascribed thereto under the heading "*General Development of the Business – General*" in Appendix F – "*Information Concerning Kelt*";

"**Interim Order**" means the interim order of the Court dated November 15, 2012 concerning the Arrangement pursuant to subsection 193(4) of the ABCA containing declarations and directions with respect to the Arrangement and the holding of the Meeting, a copy of which is attached as Appendix B to this Information Circular, as such order may be affirmed, amended or modified by the Court;

"**Investment Canada Act**" means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended;

"**Investment Canada Approval**" means the Minister having sent a notice to ExxonMobil or the Purchaser stating that the Minister is satisfied that the transactions contemplated by the Arrangement Agreement are likely to be of net benefit to Canada, or the Minister having been deemed to be satisfied that the transactions contemplated by the Arrangement Agreement are likely to be of net benefit to Canada;

"**IRS**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations*";

"**Karr Property**" has the meaning ascribed thereto under the heading "*General Development of the Business – General*" in Appendix F – "*Information Concerning Kelt*";

"**Kelt**" means Kelt Exploration Ltd., a wholly-owned Subsidiary of Celtic, incorporated under the ABCA;

"**Kelt Assets**" means the assets and rights generally described under the heading "*General Development of the Business – The Kelt Conveyance Agreement – The Kelt Assets*" in Appendix F – "*Information Concerning Kelt*" and as more particularly defined as the "Kelt Assets" in the Kelt Conveyance Agreement;

"**Kelt Board**" means the board of directors of Kelt;

"**Kelt Conveyance Agreement**" means the agreement to be entered into on the Effective Date between Celtic and Kelt to effect, among other things, the sale and transfer of the Kelt Assets from Celtic to Kelt, substantially in the form attached as Schedule "D" to the Arrangement Agreement;

"**Kelt Option Plan**" means the stock option plan of Kelt to be effective upon completion of the Arrangement providing, among other things, for the issuance of Kelt Options, with each Kelt Option representing a right to receive one Kelt Share, provided that the maximum number of Kelt Shares reserved for issuance at any time pursuant to the Kelt Option Plan and the Kelt RSU Plan shall not exceed 10% of the Kelt Shares issued and outstanding from time to time, substantially in the form attached to this Information Circular as Appendix G;

"**Kelt Options**" means stock options of Kelt to be granted under the Kelt Option Plan, each of which will entitle the holder thereof to acquire one Kelt Share from treasury;

"**Kelt RSU Plan**" means the restricted share unit plan of Kelt to be effective upon completion of the Arrangement providing, among other things, for the award of Kelt RSUs, with each Kelt RSU representing a right to receive one Kelt Share, provided that the maximum number of Kelt Shares reserved for issuance at any time pursuant to the Kelt RSU Plan and the Kelt Option Plan shall not exceed 10% of the Kelt Shares issued and outstanding from time to time, substantially in the form attached to this Information Circular as Appendix H;

"**Kelt RSUs**" means restricted share units of Kelt to be awarded under the Kelt RSU Plan, each of which represents a right to receive one Kelt Share from treasury;

"**Kelt Shareholders**" means the holders of Kelt Shares;

"**Kelt Shares**" means the common shares in the capital of Kelt;

"Kelt Sproule Report" means the report prepared by Sproule dated October 31, 2012 and effective as of September 30, 2012 entitled "*Evaluation of the P&NG Reserves in the Grande Cache and Karr Areas of Alberta and in the Inga Area of British Columbia of Celtic Exploration Ltd.*";

"**Kelt Transaction Expenses**" has the meaning ascribed to the term "Kelt Transaction Expenses" in the Kelt Conveyance Agreement;

"**Letter of Transmittal**" means the letter of transmittal enclosed with this Information Circular pursuant to which a Celtic Shareholder is required to deliver certificates representing Celtic Shares in order to receive the consideration payable in respect of such Celtic Shares under the Arrangement;

"**Lock-Up Agreements**" means the lock-up agreements pursuant to which the directors and officers of Celtic have agreed to, among other things, vote in favour of the Arrangement;

"**Make Whole Premium**" has the meaning ascribed thereto in the Debenture Indenture;

"**Material Adverse Change**" or "**Material Adverse Effect**" means any fact or state of facts, circumstance, change, effect or occurrence that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the condition (financial or otherwise), business, operations, affairs, Assets, liabilities (contingent or

otherwise), capitalization, production, results of operations, prospects or cash flows of Celtic (but excluding Kelt and the Kelt Assets), other than any fact or state of facts, circumstance, change, effect or occurrence resulting from: (a) conditions affecting the oil and gas industry generally in jurisdictions in which Celtic carries on business, and not specifically relating to Celtic, including changes in royalties, Applicable Laws or Taxes (other than any such change in Applicable Laws or Taxes that results in a material increase to the direct acquisition cost of Celtic to the Purchaser, which changes may be taken into account in determining whether there has been a Material Adverse Change or Material Adverse Effect); (b) general economic, financial, currency exchange, securities or commodity prices in Canada or elsewhere (including any decline in crude oil or natural gas prices on a current or forward basis); (c) any action or inaction taken by Celtic that is consented to by the Purchaser or expressly contemplated in the Arrangement Agreement or expressly in writing; (d) any matter which has, prior to October 16, 2012, been disclosed in writing or been publicly disclosed in the Public Disclosure Record (as such term is defined in the Arrangement Agreement); (e) any generally applicable change in Applicable Laws; or (f) a change in the market trading price or trading volume of the Celtic Shares or Celtic Debentures (provided, however, that the causes underlying such changes may be considered to determine whether such causes constitute a Material Adverse Effect); provided, however, that (A) the change or effect referred to in (a), (b) or (e) above does not primarily relate only to (or have the effect of primarily relating only to) Celtic disproportionately or affects Celtic compared to other entities of similar size and operating in the oil and gas industry, in which case, the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect referred to in (a), (b) or (e) above will not be applicable, and (B) references in certain sections of the Arrangement Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a "Material Adverse Change" or a "Material Adverse Effect" has occurred;

"**Meeting**" means the special meeting of Celtic Securityholders to be held on Friday, December 14, 2012, and including any adjournment(s) or postponement(s) thereof, to consider and to vote on the Arrangement Resolution and the other matters referred to in the Notice of Meeting;

"**MI 61–101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*;

"**Minister**" means the responsible Minister under the Investment Canada Act;

"**NAV**" means the net asset value;

"**NI 51–101**" means National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*;

"**NI 51–102**" means National Instrument 51-102 – *Continuous Disclosure Obligations*;

"**Non-Competition and Non-Solicitation Agreements**" means the separate agreements to be entered into on the Effective Date by ExxonMobil, the Purchaser and Celtic with each of Kelt, David J. Wilson, Sadiq H. Lalani, Michael R. Shea, Alan G. Franks and Patrick Miles;

"**Non-Resident Holder**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Not Resident in Canada*";

"**Non-Solicitation Covenants**" has the meaning ascribed thereto under the heading "*The Arrangement Agreement – Covenants of the Corporation Regarding Non-Solicitation*";

"**Non-U.S. Holder**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations*";

"**Notice of Meeting**" means the Notice of Special Meeting that accompanies this Information Circular;

"**Notional Interest**" has the meaning ascribed thereto under the heading "*Summary Information – Summary of the Arrangement*";

"**Operating Statements**" has the meaning ascribed thereto under the heading "*Exemption From Instruments*";

"**Option Exercise Agreements**" means the separate conditional option exercise and cancellation agreements entered into prior to the date hereof between Celtic, Kelt and each Celtic Optionholder;

"**Outside Date**" means February 28, 2013, subject to the right of the Purchaser to postpone the Outside Date for up to an additional 90 days (in 30-day increments) if the Regulatory Approvals have not been obtained and have not been denied by a non-appealable decision of a Governmental Entity, by giving written notice to Celtic to such effect no later than 5:00 p.m. (Calgary time) on the date that is not less than 10 days prior to the original Outside Date (and any subsequent Outside Date), or such later date as may be agreed to in writing by the Purchaser and Celtic;

"**Parties**" means, collectively, ExxonMobil, the Purchaser, Celtic and Kelt, and "**Party**" means any one of them (and where applicable in the context, "**Party**" shall be construed to include both ExxonMobil and the Purchaser, or both Celtic and Kelt);

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

"**PFIC**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations – Tax Consequences to U.S. Holders Relating to the Arrangement – Passive Foreign Investment Companies – Qualification*";

"**Plan of Arrangement**" means the plan of arrangement attached as Schedule "B" to Appendix C to this Information Circular, as such plan of arrangement may be amended or supplemented from time to time in accordance with the terms thereof and the Arrangement Agreement;

"**Private Placement**" means the private placement of up to 6,000,000 Kelt Shares at an issue price per share equal to the estimated NAV of Kelt on a per share basis after giving effect to the Arrangement, amounting to $2.32 per Kelt Share, resulting in aggregate gross proceeds of approximately $13.9 million;

"**Purchaser**" means ExxonMobil Celtic ULC, an unlimited liability corporation existing under the laws of the Province of Alberta and an indirect wholly-owned Subsidiary of ExxonMobil;

"**Purchaser Parties**" means, collectively, the Purchaser and ExxonMobil;

"**Purchaser Promissory Note**" means the unsecured, subordinated demand promissory note of the Purchaser issued pursuant to subsection 3.1(f) of the Plan of Arrangement, which promissory note shall be in a principal amount equal to the fair market value of the Kelt Shares acquired by the Purchaser from Celtic in subsection 3.1(f) of the Plan of Arrangement;

"**QEF**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations – Tax Consequences to U.S. Holders Relating to the Arrangement – Consequences of the Ownership and Disposition of Shares of a PFIC – Default PFIC Rules under Section 1291 of the Code*";

"**RBC Fairness Opinion**" means the verbal opinion of RBC as of October 16, 2012 and subsequently confirmed in writing as of October 16, 2012, which written opinion is attached as Appendix E to this Information Circular;

"**RBC**" means RBC Dominion Securities Inc., a member company of RBC Capital Markets;

"**Record Date**" means the close of business on November 14, 2012;

"**Registrar**" means the Registrar of Corporations or the Deputy Registrar of Corporations duly appointed pursuant to Section 263 of the ABCA;

"**Regulations**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**Regulatory Approvals**" means, collectively: (a) the Competition Act Approval; (b) the Investment Canada Approval; and (c) such other sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under any Applicable Laws that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required in connection with the Plan of Arrangement; except, in the case of (c) only, for those sanctions, rulings, consents, orders, exemptions, permits and other approvals, the failure of which to obtain individually or in the aggregate, would not reasonably be expected to have a material adverse effect on ExxonMobil and its Subsidiaries, taken as a whole, or on Celtic and its Subsidiaries (either before or after giving effect to the Arrangement) or would not materially impede or delay the completion of the Arrangement;

"**Resident Holder**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada*";

"**Reviewable Transaction**" has the meaning ascribed thereto under the heading "*Principal Legal Matters – Other Required Regulatory Approvals – Investment Canada Approval*";

"**Right to Match Period**" has the meaning ascribed thereto under the heading "*The Arrangement Agreement – Covenants of the Corporation Regarding Non-Solicitation*";

"**SEC**" means the United States Securities and Exchange Commission;

"**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

"**Securities Authorities**" means collectively, the securities commissions or similar securities regulatory authorities in each of the provinces or territories of Canada and the TSX;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval;

"**Shareholders' Vote**" means the requisite approval for the Arrangement Resolution by the Celtic Shareholders as set forth in the Interim Order, being at least 66⅔% of the votes cast on the Arrangement Resolution by the Celtic Shareholders present in person or represented by proxy at the Meeting;

"**SIR**" has the meaning ascribed thereto under the heading "*Principal Legal Matters – Other Required Regulatory Approvals – Competition Act Approval*";

"**Sproule**" means Sproule Associates Limited, independent petroleum engineers of Calgary, Alberta;

"**Stock Price**" has the meaning ascribed thereto in the Debenture Indenture;

"**Subsidiary**" has the meaning ascribed thereto in the Securities Act (and in the case of Celtic, for greater certainty, includes Kelt);

"**Subsidiary PFIC**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations – Tax Consequences to U.S. Holders Relating to the Arrangement – Passive Foreign Investment Companies – Qualification*";

"**Superior Proposal**" means an unsolicited written *bona fide* Acquisition Proposal: (a) that is not subject to a financing condition and the funds or other consideration necessary for the consummation of the Acquisition Proposal at the time and on the basis set forth therein are, or are reasonably likely to be (as evidenced by a written financing commitment from one or more reputable and financially sound financial institutions), available, as demonstrated to the satisfaction of the Celtic Board, acting in good faith (after receiving advice from the Financial Advisors and outside legal counsel); (b) that the Celtic Board determines in good faith (after receiving advice from the Financial Advisors and outside legal counsel) is capable of being completed in accordance with its terms without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the Person making such proposal; (c) that did not result from or involve a breach of the Non-Solicitation Covenants or any other agreement between Celtic and the third party making such Acquisition Proposal and that complies with all

Applicable Laws; (d) that is not subject to any due diligence or access condition; and (e) in respect of which the Celtic Board has determined in good faith (after the receipt of advice from its legal counsel in respect of (A) below, and the Financial Advisors in respect of (B) below, in each case as reflected in the minutes of the Celtic Board), that: (A) failure to recommend such Acquisition Proposal would be inconsistent with its fiduciary duty under Applicable Laws; and (B) such Acquisition Proposal, if consummated in accordance with its terms, would result in a transaction more favourable to the Celtic Securityholders from a financial point of view than the transactions contemplated by the Arrangement Agreement (including in each case after taking into account any modifications to the Arrangement Agreement proposed by the Purchaser as contemplated by subsection 3.5(e) of the Arrangement Agreement);

"**Superior Proposal Notice**" has the meaning ascribed thereto under the heading "*The Arrangement Agreement – Covenants of the Corporation Regarding Non-Solicitation*";

"**Tax**" or "**Taxes**" means any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Taxing Authority, whether computed on a separate, consolidated, unitary, combined or other basis, which taxes will include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales and use taxes (including goods and services and provincial (including harmonized) sales taxes), value added taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, environmental taxes, capital taxes, production taxes, recapture, withholding taxes, employee health taxes, surtaxes, customs, import and export taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Celtic is required to pay, withhold, remit or collect;

"**taxable capital gain**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations – Holders Resident in Canada – Capital Gains and Capital Losses*";

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c. 1. (5th Supp), as amended;

"**Tax Proposals**" has the meaning ascribed thereto under the heading "*Certain Canadian Federal Income Tax Considerations*";

"**Taxing Authority**" means any Governmental Entity responsible for the imposition of any tax (domestic or foreign);

"**Termination Fee**" has the meaning ascribed thereto under the heading "*The Arrangement Agreement – Termination Fee in Favour of the Purchaser Parties*";

"**Title and Operating Documents**" has the meaning ascribed to such term in the Kelt Conveyance Agreement;

"**Transfer Agent**" means Valiant Trust Company, in its capacity as transfer agent for the Celtic Shares;

"**TSX**" means the Toronto Stock Exchange;

"**United States**" or "**U.S.**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**U.S. Exchange Act**" means the United States Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;

"**U.S. Holder**" has the meaning ascribed thereto under the heading "*Certain United States Federal Income Tax Considerations*";

"**U.S. Securities Act**" means the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;

"**U.S. Securities Laws**" means the U.S. Securities Act, the U.S. Exchange Act and applicable state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time; and

"**VWAP**" means volume weighted average trading price.

Certain other terms used herein but not defined herein are defined in the Arrangement Agreement and, unless the context otherwise requires, shall have the same meanings herein as in the Arrangement Agreement.

Kelt has adopted the standard of 6 Mcf (thousand cubic feet):1 bbl (barrel) when converting natural gas to BOEs (barrels of oil equivalent). The term "BOE" may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.

CANADIAN / U.S. EXCHANGE RATES

In this Information Circular, dollar amounts are expressed in Canadian dollars. The following table sets forth, for each period indicated, the average exchange rates for one U.S. dollar expressed in Canadian dollars during such periods, and the exchange rate at the end of the period, in each case, based upon the Bank of Canada noon spot rate of exchange.

	Nine Months Ended September 30, 2012	Year Ended December 31		
		2011	2010	2009
Average……	$1.0023	$1.0114	$0.9709	$0.8757
Period End……...	$0.9837	$0.9835	$1.0054	$0.9555

On November 15, 2012, the exchange rate for one U.S. dollar expressed in Canadian dollars was $1.0025 based upon the Bank of Canada noon spot rate of exchange.

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, is provided for convenience only and is subject to, and qualified in its entirety by, reference to the more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. Terms with initial capital letters used in this Summary are defined in the "Glossary of Terms".

Summary of the Arrangement

Celtic entered into the Arrangement Agreement with ExxonMobil, the Purchaser and Kelt on October 16, 2012. A copy of the Arrangement Agreement is attached as Appendix C to this Information Circular. The Arrangement Agreement provides for the implementation of the Plan of Arrangement (a copy of which is attached as Schedule "B" to the Arrangement Agreement) pursuant to which, among other things, the following transactions will occur:

(a) Celtic Shareholders (other than Dissenting Shareholders) will receive for each Celtic Share held: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share; and

(b) all of the issued and outstanding Celtic Debentures (other than Celtic Debentures held by Dissenting Debentureholders) will be converted into that number of Celtic Shares that a Celtic Debentureholder would be entitled to receive upon the conversion of the Celtic Debentures in accordance with their terms immediately following the Effective Time (if the Celtic Debentures were not acquired by Celtic under the Arrangement and without giving effect to Section 6.5 of the Debenture Indenture), including the Make Whole Premium (the "**Debenture Share Consideration**"). The Celtic Debentureholders will then receive, for each Celtic Share received upon such conversion: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share. The Celtic Debentureholders will also receive, for each $1,000 principal amount of Celtic Debentures, a cash amount equal to the sum of (collectively, the "**Debenture Interest Consideration**"): (i) accrued and unpaid interest on such principal amount to, but excluding, the Effective Date; and (ii) an amount equal to the amount of interest that would otherwise be payable thereon from and including the Effective Date to, but excluding, the date which is 32 days after the Effective Date (the "**Notional Interest**").

The 32 days of interest comprising the Notional Interest is effectively an early prepayment of interest that a Celtic Debentureholder would receive to the anticipated end of the period in which a Celtic Debentureholder could convert its Celtic Debentures and receive the Make Whole Premium following completion of the Arrangement, if the Celtic Debentures do not participate in the Arrangement. The consideration for the Celtic Debentures will vary depending on the date that the Arrangement is completed, as the Make Whole Premium component of the consideration will vary based on the trading price of Celtic Shares and the date of the Effective Date and the accrued and unpaid interest component of the consideration will vary based on the date of the Effective Date.

The Arrangement is subject to customary conditions for a transaction of this nature, which include Court and Regulatory Approvals, and the approval of at least 66⅔% of votes cast by the Celtic Shareholders on the Arrangement Resolution present in person or represented by proxy at the Meeting. Celtic Debentureholder approval will also be sought at the Meeting to allow the Celtic Debentureholders to participate in the Arrangement in the manner described above. Participation in the Arrangement by the Celtic Debentureholders will require approval of the Arrangement Resolution by a majority in number of registered Celtic Debentureholders whose holdings collectively represent at least 66⅔% of the aggregate principal amount of the Celtic Debentures outstanding as of the Record Date. However, Celtic Debentureholder approval is not a condition to the completion of the Arrangement. If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding following Closing.

See "*The Arrangement – Summary of the Arrangement*", "*– Arrangement Steps*" and "*– Effects of the Arrangement*".

Celtic Exploration Ltd.

Celtic was incorporated under the ABCA on April 16, 2002 as Desco Exploration Ltd. On September 30, 2002, the Corporation filed Articles of Amendment to change its name from "Desco Exploration Ltd." to "Celtic Exploration

Ltd." On April 22, 2010, the Corporation filed Articles of Amendment whereby the issued and outstanding Celtic Shares were split by changing each Celtic Share into two (2) Celtic Shares.

Celtic is engaged in the exploration for, and the development and production of, oil and natural gas. Celtic's current activities are primarily focused in the Greater Kaybob area, in the Greater Resthaven area and in the Grande Cache area, all in west central Alberta. Other operating areas include the Princess, Bantry, Michichi, Richdale and Drumheller areas in southern Alberta, in east central Alberta in the Ashmont and Figure Lakes areas, in northern Alberta in the Utikuma Lake area and in the Inga area of north east British Columbia.

The Celtic Shares and the Celtic Debentures are listed and traded on the TSX. The trading symbol for the Celtic Shares is "CLT" and the trading symbol for the Celtic Debentures is "CLT.DB".

The head office of the Corporation is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

See "*Information Concerning Celtic*".

Kelt Exploration Ltd.

Kelt was incorporated under the ABCA on October 11, 2012 under the name "1705972 Alberta Ltd." On October 19, 2012, Articles of Amendment were filed to change the name of the company to "Kelt Exploration Ltd." On November 7, 2012, Kelt filed Articles of Amendment to remove private company restrictions on share transfers and to amend the minimum numbers of directors to three (3).

Kelt is currently a wholly-owned subsidiary of Celtic. Kelt was incorporated for the purposes of participating in the Arrangement and acquiring the Kelt Assets and has not carried on any active business other than in connection with the Arrangement and related matters and as discussed in this Information Circular. Pursuant to the Plan of Arrangement and the Kelt Conveyance Agreement, the Kelt Assets will be transferred from Celtic to Kelt.

Kelt has applied to list the Kelt Shares on the TSX. Listing is subject to Kelt fulfilling all of the requirements of the TSX. If listing approval is ultimately obtained, trading in the Kelt Shares is expected to commence concurrently with the delisting of the Celtic Shares from the TSX. The completion of the Arrangement is not conditional upon the listing of the Kelt Shares.

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

See "*Information Concerning Kelt*" and Appendix F – "*Information Concerning Kelt*".

The Purchaser Parties

ExxonMobil is a corporation existing under the laws of Canada. ExxonMobil, directly and through its Subsidiaries, is engaged in the business of the exploration for and development and production of oil and gas in Canada.

The Purchaser (formerly 1690731 Alberta ULC) is an unlimited liability corporation incorporated on July 20, 2012 under the ABCA. The registered office of the Purchaser is located at Suite 3500, 855-2nd Street S.W., Calgary, Alberta T2P 4J8. The Purchaser was incorporated for the sole purpose of completing the Arrangement and is an indirect wholly-owned subsidiary of ExxonMobil.

See "*Information Concerning the Purchaser Parties*".

The Meeting

The Meeting will be held at the Metropolitan Centre, located at 333-4th Avenue S.W., Calgary, Alberta, Canada on Friday, December 14, 2012 at 9:00 a.m. (Calgary time) for the purposes set forth in the accompanying Notice of Meeting. The primary business of the Meeting will be, for each of the Celtic Shareholders and Celtic

Debentureholders, to consider and, if deemed advisable, to approve, with or without variation, the Arrangement Resolution, the full text of which is set forth as Appendix A to this Information Circular. Celtic Shareholders will also be asked to consider and, if deemed advisable, to approve, with or without variation, an ordinary resolution approving the Kelt Option Plan, an ordinary resolution approving the Kelt RSU Plan and an ordinary resolution approving the Private Placement. See "*Other Matters of Special Business Relating to Kelt*".

The Record Date for determining Celtic Securityholders entitled to receive notice of and to vote at the Meeting is November 14, 2012. See "*General Proxy Matters – Appointment and Revocation of Proxies*".

Background to the Arrangement

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

Recommendation of the Celtic Board

The Celtic Board, after consulting with its financial and legal advisors, and after careful consideration of, among other things, the Fairness Opinions: (a) has unanimously determined that the Arrangement is in the best interests of the Corporation; (b) has unanimously determined that the Arrangement is fair to Celtic Securityholders; and (c) unanimously recommends that Celtic Securityholders vote in favour of the Arrangement Resolution.

The directors and officers of Celtic, who, as at November 15, 2012, beneficially owned or exercised control or direction over, an aggregate of 18,718,667 Celtic Shares (representing approximately 17.7% of the issued and outstanding Celtic Shares) and $1,565,000 aggregate principal amount of Celtic Debentures (representing approximately 0.9% of the issued and outstanding principal amount of Celtic Debentures) have entered into Lock-Up Agreements pursuant to which they have agreed to, among other things, vote their Celtic Securities in favour of the Arrangement Resolution at the Meeting.

See "*The Arrangement – Recommendation of the Celtic Board*" and "*The Arrangement – Lock-Up Agreements*".

Reasons for the Arrangement

In unanimously determining that the Arrangement is in the best interests of the Corporation and unanimously recommending to Celtic Securityholders that they approve the Arrangement, the Celtic Board considered and relied upon a number of factors, including, among others, the following:

(a) the Celtic Board's assessment of the current and future state of the credit, debt and equity markets that could be available to the Corporation to provide the Corporation with the full amount of funding it requires to finance its business and operations, including the risk that such funding may not be obtained in a reasonable time or in full or on terms satisfactory to the Corporation, as well as the Celtic Board's assessment of market conditions including commodity prices for oil, natural gas and natural gas liquids;

(b) the value of the cash consideration alone payable under the Arrangement to Celtic Shareholders (including former Celtic Debentureholders who receive Celtic Shares under the Arrangement, if the Celtic Debentures participate in the Arrangement) represents a 35% premium over the closing trading price on the TSX of $18.12 of the Celtic Shares on October 16, 2012 (the last trading price preceding the date Celtic issued a press release announcing the Arrangement), and a 34% premium over the 30-day volume weighted average trading price on the TSX of $18.28 of the Celtic Shares ending on October 16, 2012;

(c) the fair treatment of the Celtic Debentureholders under the Arrangement, including the conversion to a number of Celtic Shares based on the Make Whole Premium and the cash consideration and Kelt Shares

received in exchange for those Celtic Shares, plus the cash payment of accrued and unpaid interest to the Effective Date and the Notional Interest;

(d) through the receipt of the Kelt Shares, Celtic Shareholders, and if the Celtic Debentures participate in the Arrangement, Celtic Debentureholders, will be able to continue to participate in the ongoing development opportunities relating to the Kelt Assets to be held by Kelt upon completion of the Arrangement;

(e) the Fairness Opinions to the effect that, as of the respective dates of the Fairness Opinions, and subject to the assumptions, limitations, and qualifications contained therein: (i) the consideration to be received by Celtic Shareholders under the Arrangement is fair, from a financial point of view, to Celtic Shareholders; and (ii) the consideration to be received by Celtic Debentureholders under the Arrangement is fair, from a financial point of view, to Celtic Debentureholders;

(f) all Celtic Securityholders will have an opportunity to vote on the Arrangement, including the requirement for approval by at least 66⅔% of the votes cast on the Arrangement Resolution by the Celtic Shareholders present in person or represented by proxy at the Meeting;

(g) the fact that, while Celtic Debentureholders will be provided a vote in respect of the Arrangement, the Arrangement is not conditional on Celtic Debentureholder approval;

(h) following the Effective Time, in the event that Celtic Debentures do not participate in the Arrangement and remain outstanding, the Debenture Indenture provides that Celtic will be required to make a Change of Control Purchase Offer to holders of Celtic Debentures;

(i) the Arrangement is subject to a determination of the Court that the terms of the Arrangement and the procedures relating thereto are fair and reasonable, both procedurally and substantively, to the Celtic Securityholders;

(j) the terms and conditions of the Arrangement Agreement, including the conditions to completion of the Arrangement;

(k) the Purchaser Parties' obligation to complete the Arrangement being subject to a limited number of conditions which the Celtic Board believes are reasonable under the circumstances, with Closing not being subject to a financing condition;

(l) Celtic Board's belief that the Arrangement is likely to be completed in accordance with its terms and within a reasonable time, with Closing currently expected in December 2012 or January 2013;

(m) the ability of the Celtic Board, in certain circumstances, to consider and recommend approval of a Superior Proposal;

(n) the appropriateness of the Termination Fee and right to match as an inducement to ExxonMobil to enter into the Arrangement Agreement and the likely impact of such fee and terms upon any potential subsequent Superior Proposal in respect of the Corporation;

(o) if the Arrangement Agreement is terminated in certain circumstances, the Purchaser has agreed to reimburse Celtic for its out-of-pocket expenses incurred directly in connection with the Arrangement to a maximum of $10.0 million; and

(p) registered Celtic Securityholders may, upon compliance with certain conditions and in certain circumstances, exercise Dissent Rights.

See "*The Arrangement – Reasons for the Arrangement*".

Fairness Opinions

The Celtic Board retained FirstEnergy and RBC to provide to the Celtic Board their respective opinions as to the fairness of the consideration to be received by Celtic Securityholders under the Arrangement, from a financial point of view, to Celtic Securityholders. In connection with these mandates, FirstEnergy has prepared the FirstEnergy Fairness Opinion and RBC has prepared the RBC Fairness Opinion. In addition to the delivery of the verbal Fairness Opinions provided to the Celtic Board on October 16, 2012, each of the written FirstEnergy Fairness Opinion and the written RBC Fairness Opinion states that, in the opinion of FirstEnergy as of November 16, 2012 and RBC as of October 16, 2012 and subject to the assumptions, limitations, qualifications contained therein: (a) the consideration to be received by Celtic Shareholders under the Arrangement is fair, from a financial point of view, to Celtic Shareholders; and (b) the consideration to be received by Celtic Debentureholders under the Arrangement is fair, from a financial point of view, to the Celtic Debentureholders. The full text of the FirstEnergy Fairness Opinion and the RBC Fairness Opinion, setting out the assumptions made, matters considered and limitations and qualifications on the review undertaken, are attached as Appendix D and Appendix E, respectively, to this Information Circular and should be read in their entirety. See "*The Arrangement – Fairness Opinions*".

Effects of the Arrangement

Celtic Shares

The Arrangement provides, for among other things, the acquisition of all of the issued and outstanding Celtic Shares by the Purchaser. Celtic Shareholders (other than Dissenting Shareholders) will receive for each Celtic Share held: (i) the Celtic Share Consideration; and (ii) one-half (1/2) of one Kelt Share. Upon completion of the Arrangement, Celtic will become a wholly-owned Subsidiary of the Purchaser. See "*The Arrangement – Effects of the Arrangement – Celtic Shares*".

Celtic Debentures

The Arrangement provides, for among other things, that all of the issued and outstanding Celtic Debentures (other than Celtic Debentures held by Dissenting Debentureholders) will be converted into the Debenture Share Consideration. The Celtic Debentureholder will then receive, for each Celtic Share received upon such conversion: (i) the Celtic Share Consideration; and (ii) one-half (1/2) of one Kelt Share. The Celtic Debentureholders will also receive the Debenture Interest Consideration.

For illustrative purposes, approximately 8.8 million Celtic Shares could be issuable if the Celtic Debentures are converted into the Debenture Share Consideration as described above, assuming that: (i) the Effective Date is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided all other conditions to the Arrangement have been satisfied); (ii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.9607, being the 20-day VWAP for the period from October 19, 2012 until November 15, 2012); (iii) no Dissent Rights are exercised by Celtic Debentureholders; and (iv) $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15, 2012. To the extent the actual factors and circumstances differ from the assumptions set forth herein, the number of Celtic Shares that will be issuable on the conversion of the Celtic Debentures into the Debenture Share Consideration, as described above, will also differ.

The 32 days of interest comprising the Notional Interest is effectively an early prepayment of interest that a Celtic Debentureholder would receive to the anticipated end of the period in which a Celtic Debentureholder could convert its Celtic Debentures and receive the Make Whole Premium following completion of the Arrangement, if the Celtic Debentures do not participate in the Arrangement. The consideration for the Celtic Debentures will vary depending on the date that the Arrangement is completed, as the Make Whole Premium component of the consideration will vary based on the trading price of Celtic Shares and the date of the Effective Date and the accrued and unpaid interest component of the consideration will vary based on the date of the Effective Date.

If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding following Closing. In that case, in accordance with the terms of the Debenture Indenture, Celtic (or its successor) will be required to make a Change of Control Purchase Offer to holders of Celtic Debentures, which remain outstanding, to purchase the Celtic Debentures for cash consideration equal to 100% of

the principal amount thereof, plus accrued and unpaid interest, within 30 days following the Effective Date. If 90% or more in aggregate principal amount of the Celtic Debentures are tendered for purchase pursuant to the Change of Control Purchase Offer, Celtic has the right to redeem all of the Celtic Debentures that remain outstanding.

After the Effective Date, holders of Celtic Debentures which remain outstanding following the Effective Date who exercise the conversion rights during the Cash Change of Control Conversion Period will receive the amount of cash and number of Kelt Shares that they would have been entitled to receive if they had been the registered holders of the applicable number of Celtic Shares on the Effective Date, plus an additional number of Celtic Shares that they would have been entitled to receive under the Make Whole Premium, together with accrued and unpaid interest to the date of conversion. The Purchaser has advised Celtic that if the Celtic Debentures are not acquired by the Purchaser under the Arrangement, it intends to cause Celtic: (a) to deliver the Change of Control Purchase Offer within two days following the Effective Date such that the Cash Change of Control Conversion Period would end no later than 32 days following the Effective Date; and (b) to pay the accrued and unpaid interest component of the amount payable as a result of any conversion during the Cash Change of Control Conversion Period on the next regularly scheduled interest payment date following the date of conversion, as permitted by the Debenture Indenture, rather than at the time of conversion.

Celtic Debentureholders who exercise their conversion rights after the Cash Change of Control Conversion Period has ended will receive the amount of cash and number of Kelt Shares which they would have been entitled to receive if they had been the registered holders of the applicable number of Celtic Shares on the Effective Date, together with accrued and unpaid interest to the date of conversion. Any Celtic Debentures in respect of which the conversion right is exercised after the Cash Change of Control Conversion Period will not be entitled to any payment or other consideration in respect of the Make Whole Premium.

See "*The Arrangement – Effects of the Arrangement – Celtic Debentures*".

Celtic Options

The Arrangement will result in a "change of control" for purposes of the Celtic Option Plan. Pursuant to the Celtic Option Plan, upon consummation of the Arrangement, all of the Celtic Options not previously exercised would become exercisable in full at the time of the change of control.

In order to facilitate the exercise of all Celtic Options upon the Arrangement becoming effective, the Celtic Board has approved the vesting of all outstanding Celtic Options effective immediately before the Effective Time and conditional upon: (i) the subsequent consummation of the Arrangement; and (ii) with respect to each particular Celtic Optionholder, the agreement of such Celtic Optionholder to exercise, and where applicable, terminate such Celtic Options pursuant to (and to execute and deliver) an Option Exercise Agreement, in order that all such outstanding Celtic Options shall be fully vested and will be either exercised immediately before the Effective Time in accordance with their terms and the Option Exercise Agreements or be terminated in accordance with the Option Exercise Agreements or the Plan of Arrangement.

All Celtic Optionholders have entered into Option Exercise Agreements whereby they have agreed to exercise all of their Celtic Options effectively immediately before the Effective Time and conditional upon the Effective Time occurring. Celtic Optionholders who exercise Celtic Options in accordance with their terms and the Option Exercise Agreements will receive Celtic Shares and will participate in the Arrangement in the same manner as the Celtic Shareholders.

See "*The Arrangement – Effects of the Arrangement – Celtic Options*".

The Arrangement Agreement

The following is a summary of certain material terms of the Arrangement Agreement and is subject to, and qualified in its entirety by, the more detailed summary contained elsewhere in this Information Circular. See "*The Arrangement Agreement*". The Arrangement Agreement is attached as Appendix C to this Information Circular.

Covenants, Representations and Warranties

The Arrangement Agreement contains customary covenants, representations and warranties for an agreement of this type. In addition, the Corporation has provided certain non-solicitation covenants in favour of ExxonMobil and the Purchaser. A summary of the covenants, representations and warranties is provided in the main body of this Information Circular under the heading "*The Arrangement Agreement*".

Conditions to the Arrangement

The obligations of the Corporation, Kelt and the Purchaser Parties to complete the Arrangement are subject to the satisfaction or waiver of certain conditions set out in the Arrangement Agreement. These conditions include, among others, the receipt of the Shareholders' Vote, Court approval and receipt of all Regulatory Approvals. A summary of the conditions is provided in the main body of this Information Circular under the heading "*The Arrangement Agreement – Conditions of Closing*".

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated at any time prior to the Effective Date by mutual written agreement of the Purchaser Parties and the Corporation and by either the Purchaser Parties or the Corporation in certain other circumstances.

A summary of the termination provisions is provided in the main body of this Information Circular under the heading "*The Arrangement Agreement – Termination of the Arrangement Agreement*".

Termination Fee and Expense Reimbursement

The Arrangement Agreement requires that Celtic pay the Termination Fee of $90.0 million in certain circumstances, including if the Arrangement is not completed for certain reasons. See "*The Arrangement Agreement – Termination Fee in Favour of the Purchaser Parties*".

Additionally, if the Arrangement Agreement is terminated in certain circumstances, the Purchaser has agreed to reimburse Celtic for its out-of-pocket expenses incurred directly in connection with the Arrangement to a maximum of $10.0 million. See "*The Arrangement Agreement –Expense Reimbursement in Favour of the Corporation*".

Stock Exchange

Celtic Shares and Celtic Debentures

It is intended that the Celtic Shares and, to the extent the Celtic Debentures participate in the Arrangement, the Celtic Debentures will be delisted from the TSX following completion of the Arrangement. If the Debentureholders' Vote is not obtained and as a result the Celtic Debentures do not participate in the Arrangement, the Celtic Debentures will remain listed on the TSX.

Kelt Shares

Kelt has applied to list the Kelt Shares on the TSX. Listing is subject to Kelt fulfilling all of the requirements of the TSX. If listing approval is ultimately obtained, trading in the Kelt Shares is expected to commence concurrently with the delisting of the Celtic Shares from the TSX. The completion of the Arrangement is not conditional upon the listing of the Kelt Shares.

Procedure for the Arrangement to Become Effective

Procedural Steps

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

(a) the Arrangement must be approved by the Celtic Shareholders in the manner set forth in the Interim Order;

(b) the Court must grant the Final Order approving the Arrangement;

(c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate Party;

(d) the Final Order and Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar; and

(e) the Certificate of Arrangement giving effect to the Arrangement must be issued.

Celtic Securityholder Approval

At the Meeting, pursuant to the Interim Order, Celtic Shareholders will be asked to approve the Arrangement Resolution. Each Celtic Shareholder shall be entitled to vote on the Arrangement Resolution, with the Celtic Shareholders entitled to one vote per Celtic Share held. The requisite approval for the Arrangement Resolution is at least 66⅔% of the votes cast on the Arrangement Resolution by the Celtic Shareholders present in person or represented by proxy at the Meeting. The Arrangement Resolution must receive the requisite Celtic Shareholder approval in order for Celtic to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the terms of the Final Order. See "*General Proxy Matters – Procedure and Votes Required*".

In addition, approval will also be sought at the Meeting from the Celtic Debentureholders to allow the Celtic Debentures to participate in the Arrangement in the manner described above. The Celtic Debentureholders will receive one vote for each $1,000 principal amount held. If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding as unsecured debt obligations of Celtic or its successor following completion of the Arrangement. See "*General Proxy Matters – Procedure and Votes Required*".

For information with respect to the procedures for Celtic Securityholders to follow to receive their consideration pursuant to the Arrangement, see "*Procedures for the Surrender of Celtic Shares and Celtic Debentures and Receipt of Consideration*".

See also "*Summary of the Arrangement*" above.

Court Approval

The Arrangement requires the Court's approval of the Final Order. Prior to the mailing of this Information Circular, the Corporation obtained the Interim Order authorizing and directing the Corporation to call, hold and conduct the Meeting and to submit the Arrangement to the Celtic Securityholders for approval. A copy of the Interim Order is attached as Appendix B to this Information Circular. Subject to the terms of the Arrangement Agreement and the approval of the Arrangement Resolution by the Celtic Shareholders, Celtic will make an application to the Court for the Final Order. The hearing in respect of the Final Order is expected to take place on December 14, 2012 at 2:00 p.m. (Calgary time) at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approval*".

Other Required Regulatory Approvals

The completion of the Arrangement is also subject to the receipt of the Competition Act Approval and the Investment Canada Approval, which approvals are described in more detail under "*Principal Legal Matters – Other Required Regulatory Approvals*".

Timing

If the Meeting is held as scheduled and is not adjourned or postponed and the other necessary conditions at that point in time are satisfied or waived, Celtic will apply for the Final Order approving the Arrangement. If the Final

Order is obtained on December 14, 2012 in form and substance satisfactory to the Corporation and the Purchaser Parties, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, including the receipt of all required Regulatory Approvals, the Corporation currently expects the Effective Date to occur in December 2012 or January 2013. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on December 14, 2012 or the failure to obtain all Regulatory Approvals in the time-frames anticipated. See "*The Arrangement – Timing*".

Dissent Rights of Registered Celtic Securityholders

Pursuant to the Interim Order, registered holders of Celtic Shares and Celtic Debentures have Dissent Rights with respect to the Arrangement Resolution if Celtic, c/o Borden Ladner Gervais LLP, Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3, Attention: David Madsen, receives by 5:00 p.m. (Calgary time) on December 12, 2012 (or the business day that is two business days prior to the date of the Meeting if it is not held on December 14, 2012), a written objection to the Arrangement Resolution and such holder complies with Section 191 of the ABCA, as modified by the Interim Order. Provided that the Arrangement becomes effective, each Dissenting Shareholder will be entitled to be paid the fair value of the Celtic Shares in respect of which the holder dissents in accordance with Section 191 of the ABCA, as modified by the Interim Order. In addition, provided that the Arrangement becomes effective and the Celtic Debentures are not excluded from the Arrangement, each Dissenting Debentureholder will be entitled to be paid the fair value of the Celtic Debentures in respect of which the holder dissents in accordance with Section 191 of the ABCA, as modified by the Interim Order. See Appendices B and I for a copy of the Interim Order and the provisions of Section 191 of the ABCA, respectively.

It is a condition to the Purchaser's obligation to complete the Arrangement that Celtic Shareholders holding no more than 5% of the Celtic Shares shall have exercised Dissent Rights that have not been withdrawn as at the Effective Date.

The statutory provisions covering the right to dissent are technical and complex. **Failure to strictly comply with the requirements set forth in Section 191 of the ABCA, as modified by the Interim Order, may result in the loss of any right to dissent. Persons who are beneficial owners of Celtic Shares or Celtic Debentures registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent, should be aware that only the registered holder of such Celtic Shares or Celtic Debentures is entitled to dissent. The Celtic Debentures have been issued in the form of a global certificate in the name of CDS & Co. and, as such, CDS & Co. is the sole registered holder of the Celtic Debentures. In addition, some, but not all, of the Celtic Shares are held through global certificates registered in the name of CDS & Co.** Accordingly, a beneficial owner of Celtic Shares or Celtic Debentures desiring to exercise its Dissent Rights must make arrangements for the registered holder to dissent on such holder's behalf. Alternatively, in the case of Celtic Shares, a Beneficial Shareholder could make arrangements for the Celtic Shares to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Corporation. Pursuant to the Interim Order, a registered Celtic Shareholder may not exercise Dissent Rights in respect of only a portion of such holder's Celtic Shares and CDS & Co., as the sole registered Celtic Debentureholder, may not exercise the right of dissent in respect of only a portion of a beneficial holder's interest in the Celtic Debentures. See "*Rights of Dissent*".

Certain Canadian Federal Income Tax Considerations

Celtic Shareholders and Celtic Debentureholders should carefully read the information under "*Certain Canadian Federal Income Tax Considerations*" in this Information Circular, which qualifies and provides further detail on the information set forth below.

Under the Arrangement, Celtic Debentures will be converted into Celtic Shares and any accrued and unpaid interest, together with the Notional Interest, shall be paid to the Celtic Debentureholders in cash. The conversion of a Celtic Debenture into Celtic Shares under the Arrangement by a Holder will not constitute a disposition of the Celtic Debenture for Canadian federal income tax purposes and will not result in the realization by the Holder of a capital gain (or capital loss). The aggregate cost to a Holder of the Celtic Shares acquired on the conversion of a Celtic Debenture will generally be equal to the adjusted cost base of the Celtic Debentures at the time of the conversion. Such Celtic Shares will then be transferred to the Purchaser under the Arrangement with the consequences described

below. The accrued and unpaid interest and the Notional Interest paid in cash to a Celtic Debentureholder must be included in computing the income of a Resident Holder for the taxation year in which the Arrangement occurs, except to the extent that such interest was otherwise included in the income of the Holder for a previous year. Any interest, including the Notional Interest, paid to a Non-Resident Holder will generally not be subject to Canadian withholding tax.

A Celtic Shareholder (including a Celtic Debentureholder who acquires Celtic Shares upon the conversion of a Celtic Debenture pursuant to the Arrangement) who holds Celtic Shares as capital property will generally realize a capital gain (or capital loss) for Canadian federal income tax purposes equal to the amount by which the cash and the fair market value of the Kelt Shares received for such Celtic Shares under the Arrangement exceed (or are less than) such Holder's adjusted cost base of the Celtic Shares and any reasonable costs of disposition. Any capital gain realized by a Non-Resident Holder upon such Holder's disposition of Celtic Shares generally will not be subject to Canadian federal income taxation unless such Celtic Shares represent taxable Canadian property to such Non-Resident Holder and do not constitute treaty-protected property.

Certain United States Federal Income Tax Considerations

Celtic Shareholders and Celtic Debentureholders should carefully read the information under "*Certain United States Federal Income Tax Considerations*" in this Information Circular, which qualifies and provides further detail on the information set forth below.

Under the Arrangement, Celtic Debentures will be converted into Celtic Shares and any accrued and unpaid interest, together with the Notional Interest, shall be paid to the Celtic Debentureholders in cash. Although not free from doubt, the conversion of a Celtic Debenture into Celtic Shares under the Arrangement by a U.S. Holder should not constitute a disposition of the Celtic Debenture for U.S. federal income tax purposes and should not result in the realization by the U.S. Holder of a capital gain (or capital loss). The aggregate tax basis to a U.S. Holder of the Celtic Shares acquired on the conversion of a Celtic Debenture should generally be equal to the adjusted tax basis of the Celtic Debentures at the time of the conversion. The holding period of a U.S. Holder in the Celtic Shares acquired on the conversion of a Celtic Debenture will generally include such U.S. Holder's holding period for such Celtic Debenture. Such Celtic Shares will then be transferred to the Purchaser under the Arrangement with the consequences described below. Upon the conversion of a Celtic Debenture under the Arrangement, interest accrued and unpaid thereon and paid to the U.S. Holder thereof to the date of conversion, together with the Notional Interest, must be included in computing the income of the U.S. Holder for the taxation year in which the Arrangement occurs, except to the extent that such interest was otherwise included in the income of the holder for a previous year.

For U.S. federal income tax purposes, the Arrangement will be treated as a taxable sale or exchange of Celtic Shares for cash and Kelt Shares by each Celtic Shareholder (including a Celtic Debentureholder who acquires Celtic Shares upon the conversion of a Celtic Debenture pursuant to the Arrangement). Assuming that the Corporation was not at any relevant time classified as a PFIC, a Celtic Shareholder who is a U.S. Holder and who, on the date on which the Arrangement is completed, holds Celtic Shares as a capital asset will recognize capital gain or loss by reason of the disposition of Celtic Shares pursuant to the Arrangement in an amount equal to the difference between the fair market value of cash and Kelt Shares received by the Celtic Shareholder and the Celtic Shareholder's adjusted federal income tax basis in its Celtic Shares.

However, if Celtic was a PFIC at any time during a U.S. Holder's holding period for the Celtic Securities, the U.S. federal income tax treatment of the Arrangement will be different and generally adverse. Based on available financial information, Celtic does not believe it has been a PFIC in any year of its existence.

Other Tax Considerations

This Information Circular does not address any tax considerations of the Arrangement other than Canadian and United States federal income tax considerations to Celtic Shareholders and Celtic Debentureholders. Celtic Shareholders and Celtic Debentureholders who are resident in jurisdictions other than Canada or the United States, should consult their tax advisors with respect to the relevant tax implications of the Arrangement, including any associated filing requirements, in such jurisdictions. All Celtic Securityholders should also consult their own tax advisors regarding relevant provincial, territorial or state tax considerations of the Arrangement.

Other Matters of Special Business Relating to Kelt

Kelt Option Plan

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, ratify and approve the adoption of the Kelt Option Plan which will authorize the Kelt Board to issue Kelt Options to directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries following completion of the Arrangement. To be adopted, the ordinary resolution must be approved by a simple majority of the votes cast at the Meeting by the Celtic Shareholders. Approval of the Kelt Option Plan will be required by the TSX if the Kelt Shares are listed on the TSX. A copy of the Kelt Option Plan is set out in Appendix G to this Information Circular. The completion of the Arrangement is not conditional upon approval of the Kelt Option Plan by the Celtic Shareholders. See "*Other Matters of Special Business Relating to Kelt – Kelt Option Plan*".

Kelt RSU Plan

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, ratify and approve the adoption of the Kelt RSU Plan, which provides directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries with the opportunity to acquire Kelt Shares through an award of Kelt RSUs following completion of the Arrangement. To be adopted, the ordinary resolution must be approved by a simple majority of the votes cast at the Meeting by the Celtic Shareholders. Approval of the Kelt RSU Plan will be required by the TSX if the Kelt Shares are listed on the TSX. A copy of the Kelt RSU Plan is set out in Appendix H to this Information Circular. The completion of the Arrangement is not conditional upon approval of the Kelt RSU Plan by the Celtic Shareholders. See "*Other Matters of Special Business Relating to Kelt – Kelt RSU Plan*".

Private Placement

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to authorize the Private Placement, which if fully subscribed, will result in aggregate gross proceeds of approximately $13.9 million. Each Kelt Share will be issued at a subscription price of $2.32 per share, which is equal to the estimated NAV of Kelt on a per share basis following completion of the Arrangement. No finders' fees or commissions will be paid in connection with the Private Placement. The Private Placement will be subject to the approval of the TSX if the Kelt Shares are listed on the TSX. Directors, officers and employees of Kelt, as well as certain other persons, will be entitled to subscribe for all or a portion of the Private Placement. The Private Placement is expected to close immediately following completion of the Arrangement.

To be adopted, the ordinary resolution approving the Private Placement must be approved by a simple majority of the votes cast by the Celtic Shareholders who vote in person or by proxy at the Meeting, excluding votes cast in respect of Celtic Shares held by any Person who will participate in the Private Placement and their associates or Affiliates.

The completion of the Arrangement is not conditional upon approval of the Private Placement by the Celtic Shareholders.

See "*Other Matters of Special Business Relating to Kelt – Private Placement*".

Selected *Pro Forma* Financial Information for Kelt

The following is a summary of selected unaudited *pro forma* carve-out financial information following completion of the Arrangement. The unaudited *pro forma* financial information set forth below and the unaudited *pro forma* financial statements included in this Information Circular at Schedule D to Appendix F – "*Information Concerning Kelt*", are not necessarily indicative of results of operations that would have occurred during the year ended December 31, 2011 or the nine months ended September 30, 2012, had the Arrangement been effective prior to such periods. The following is a summary only and must be read in conjunction with the information contained under the headings "*The Arrangement*", "*Information Concerning Kelt*" and Appendix F – "*Information Concerning Kelt*", including Schedule D – "*Unaudited Pro Forma Financial Statements in respect of the Kelt Assets*" thereto.

Pro Forma Statement of Financial Position	As at September 30, 2012 (M$)
Assets	90,459
Liabilities	9,984
Shareholders' Equity	80,475

Pro Forma Statement of Profit (Loss) and Comprehensive Income (Loss)	Nine Month Period Ended September 30, 2012 (M$)
Revenue, after Royalties	17,027
Expenses	19,823
Profit (Loss) and Comprehensive Income (Loss)	(2,796)

Pro Forma Statement of Profit and Comprehensive Income	Year Ended December 31, 2011 (M$)
Revenue, after Royalties	27,203
Expenses[(1)]	24,162
Profit and Comprehensive Income	1,873

Note:
(1) Excludes deferred income tax expense of $1,168.

Risk Factors

There is a risk that the Arrangement may not be completed and if the Arrangement is not completed, the Corporation will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. The Arrangement Agreement may also be terminated by the Parties in certain circumstances. Failure to complete the Arrangement could materially negatively impact the trading price of the Celtic Shares and Celtic Debentures. If the Arrangement is completed but Celtic Debentures do not participate in the Arrangement, the Celtic Debentureholders may also face certain risks. If the Arrangement is completed, there can be no assurance as to the future financial condition and results of operations of Kelt, the listing of the Kelt Shares on the TSX or the market value or trading price of the Kelt Shares.

See "*Risk Factors*".

THE ARRANGEMENT

Background to the Arrangement

The Arrangement is the result of arm's length negotiations between Celtic and ExxonMobil.

The Corporation's management and the Celtic Board regularly review strategic business alternatives available to it, in light of the best interests of the Corporation and its stakeholders.

On or about February 8, 2012, a representative of ExxonMobil approached Celtic to ask for a meeting with Celtic's senior management to introduce ExxonMobil to Celtic. At a meeting between ExxonMobil and Celtic held on February 23, 2012, ExxonMobil expressed its interest in pursuing a business opportunity with Celtic.

At a meeting of the Celtic Board held on March 7, 2012, the potential business opportunity with ExxonMobil was discussed.

On April 24, 2012, Celtic and ExxonMobil Upstream Ventures (East) Limited entered into the Confidentiality Agreement that allowed for the provision of certain information to ExxonMobil in order for ExxonMobil and its employees, officers, directors, consultants and agents to complete an initial due diligence review of Celtic and its operations. On April 24, 2012, Celtic's senior management and senior technical representatives met with representatives of ExxonMobil to provide a detailed review of Celtic's operations and exploration programs. At a meeting of the Celtic Board held on May 9, 2012, the Celtic Board discussed the due diligence process that was continuing with ExxonMobil.

The due diligence review by ExxonMobil and its representatives continued through to the early part of September 2012, during which time Celtic continued to provide information to ExxonMobil and its representatives in response to detailed information requests. On August 14, 2012, senior representatives from ExxonMobil and Celtic met and it was determined that a more extensive due diligence process be undertaken. On September 8, 2012, representatives of Celtic met with representatives of ExxonMobil for further due diligence purposes. During the course of these meetings, it was also determined that Celtic's legal counsel, Borden Ladner Gervais LLP, should be retained to provide legal advice in respect of a potential transaction. On September 10, 2012, a representative of Borden Ladner Gervais LLP met with certain representatives of ExxonMobil with respect to various due diligence matters of a legal nature.

In mid-September 2012, detailed negotiations commenced between ExxonMobil and Celtic. On September 20, 2012, the Celtic Board met for the purposes of discussing a verbal expression of interest which was provided by ExxonMobil to Celtic, including an indicative price at which ExxonMobil would be prepared to acquire the Celtic Securities, subject, among other things, to further confirmatory due diligence. At that meeting, the Celtic Board resolved that Mr. David J. Wilson was authorized to respond to the verbal expression of interest received from ExxonMobil and to report back to the Celtic Board on any further developments.

On October 2, 2012, Celtic received a proposal letter from ExxonMobil Upstream Ventures that indicated that ExxonMobil was interested in acquiring all of the Celtic Shares. The proposal letter was non-binding, contained an exclusivity period and was subject to numerous conditions, including confirmatory due diligence and the negotiation of a definitive agreement. Members of senior management of Celtic and the Celtic Board were made aware of the proposal. On October 3, 2012, the Celtic Board was advised of the content of the October 2, 2012 proposal letter and discussions were held with respect to the content thereof and the Corporation's response thereto. Following these discussions, further negotiations were entered into between Celtic and ExxonMobil.

On October 5, 2012, Celtic received a revised non-binding proposal letter from ExxonMobil Upstream Ventures. Celtic provided various comments on the October 5, 2012 proposal letter and, after certain revisions were made thereto, the October 5, 2012 proposal letter was executed by each of ExxonMobil Upstream Ventures and Celtic.

In accordance with the terms and conditions of the executed October 5, 2012 non-binding proposal letter, Celtic advised the Celtic Board that it had executed the proposal letter and recommended to the Celtic Board the negotiation of definitive agreements consistent with the executed October 5, 2012 proposal letter. All of Celtic's directors agreed to proceed with the negotiation of definitive agreements.

From October 5, 2012 to October 16, 2012, additional due diligence was conducted by ExxonMobil's evaluation team and legal advisors and negotiations continued regarding the terms of a potential transaction. During this time, members of Celtic's senior management team and its external legal counsel, Borden Ladner Gervais LLP, worked with ExxonMobil and its external legal counsel, Blake, Cassels & Graydon LLP, on the drafting and negotiation of the Arrangement Agreement, Plan of Arrangement and related agreements and documents.

On October 9, 2012, Celtic retained both FirstEnergy and RBC to provide to the Celtic Board their respective opinions as to the fairness of the consideration to be received by Celtic Securityholders under the Arrangement, from a financial point of view, to Celtic Securityholders.

In the afternoon of October 16, 2012, the Celtic Board met to consider the draft Arrangement Agreement and the terms of the proposed transaction. The Celtic Board received a presentation from each of FirstEnergy and RBC on the ExxonMobil proposal and their respective verbal opinions (subsequently confirmed in writing) that, as of October 16, 2012 and subject to the assumptions, limitations and qualifications described in their respective opinions: (a) the consideration to be received by Celtic Shareholders under the Arrangement is fair, from a financial point of view, to Celtic Shareholders; and (b) the consideration to be received by Celtic Debentureholders under the Arrangement is fair, from a financial point of view, to Celtic Debentureholders. The Celtic Board then reviewed the proposed final terms of the Arrangement Agreement, the Plan of Arrangement and related agreements, received legal advice from the Corporation's external legal counsel and fully considered its duties and responsibilities to the Corporation, including the impact of the proposed transaction on Celtic Securityholders and other stakeholders. Following those deliberations, the Celtic Board unanimously determined that the Arrangement is in the best interests of the Corporation and is fair to Celtic Securityholders. The Celtic Board then unanimously resolved to approve the Arrangement Agreement and to unanimously recommend to the Celtic Securityholders that they vote in favour of the Arrangement. Following the meeting of the Celtic Board, the Corporation, ExxonMobil, the Purchaser and Kelt entered into the Arrangement Agreement, each of the directors and officers of the Corporation executed a Lock-Up Agreement, and a news release announcing the Arrangement was issued on the morning of October 17, 2012.

On November 16, 2012, the Celtic Board met and approved this Information Circular and unanimously reconfirmed their approval of the Arrangement and recommendation that the Celtic Securityholders vote in favour of the Arrangement Resolution.

Recommendation of the Celtic Board

The Celtic Board, after consulting with its financial and legal advisors, and after careful consideration of, among other things, the Fairness Opinions: (a) has unanimously determined that the Arrangement is in the best interests of the Corporation; (b) has unanimously determined that the Arrangement is fair to Celtic Securityholders; and (c) unanimously recommends that Celtic Securityholders vote in favour of the Arrangement Resolution.

Reasons for the Arrangement

In unanimously determining that the Arrangement is in the best interests of the Corporation and unanimously recommending to Celtic Securityholders that they approve the Arrangement, the Celtic Board considered and relied upon a number of factors, including, among others, the following:

(a) the Celtic Board's assessment of the current and future state of the credit, debt and equity markets that could be available to the Corporation to provide the Corporation with the full amount of funding it requires to finance its business and operations, including the risk that such funding may not be obtained in a reasonable time or in full or on terms satisfactory to the Corporation, as well as the Celtic Board's assessment of market conditions including commodity prices for oil, natural gas and natural gas liquids;

(b) the value of the cash consideration alone payable under the Arrangement to Celtic Shareholders (including former Celtic Debentureholders who receive Celtic Shares under the Arrangement, if the Celtic Debentures participate in the Arrangement) represents a 35% premium over the closing trading price on the TSX of $18.12 of the Celtic Shares on October 16, 2012 (the last trading price preceding the date Celtic issued a press release announcing the Arrangement), and a 34% premium over the 30-day volume weighted average trading price on the TSX of $18.28 of the Celtic Shares ending on October 16, 2012;

(c) the fair treatment of the Celtic Debentureholders under the Arrangement, including the conversion to a number of Celtic Shares based on the Make Whole Premium and the cash consideration and Kelt Shares received in exchange for those Celtic Shares, plus the cash payment of accrued and unpaid interest to the Effective Date and the Notional Interest;

(d) through the receipt of the Kelt Shares, Celtic Shareholders, and if the Celtic Debentures participate in the Arrangement, Celtic Debentureholders, will be able to continue to participate in the ongoing development opportunities relating to the Kelt Assets to be held by Kelt upon completion of the Arrangement;

(e) the Fairness Opinions to the effect that, as of the respective dates of the Fairness Opinions, and subject to the assumptions, limitations, and qualifications contained therein: (i) the consideration to be received by Celtic Shareholders under the Arrangement is fair, from a financial point of view, to Celtic Shareholders; and (ii) the consideration to be received by Celtic Debentureholders under the Arrangement is fair, from a financial point of view, to Celtic Debentureholders;

(f) all Celtic Securityholders will have an opportunity to vote on the Arrangement, including the requirement for approval by at least 66⅔% of the votes cast on the Arrangement Resolution by the Celtic Shareholders present in person or represented by proxy at the Meeting;

(g) the fact that, while Celtic Debentureholders will be provided a vote in respect of the Arrangement, the Arrangement is not conditional on Celtic Debentureholder approval;

(h) following the Effective Time, in the event that Celtic Debentures do not participate in the Arrangement and remain outstanding, the Debenture Indenture provides that Celtic will be required to make a Change of Control Purchase Offer to holders of Celtic Debentures;

(i) the Arrangement is subject to a determination of the Court that the terms of the Arrangement and the procedures relating thereto are fair and reasonable, both procedurally and substantively, to the Celtic Securityholders;

(j) the terms and conditions of the Arrangement Agreement, including the conditions to completion of the Arrangement;

(k) the Purchaser Parties' obligation to complete the Arrangement being subject to a limited number of conditions which the Celtic Board believes are reasonable under the circumstances, with Closing not being subject to a financing condition;

(l) Celtic Board's belief that the Arrangement is likely to be completed in accordance with its terms and within a reasonable time, with Closing currently expected in December 2012 or January 2013;

(m) the ability of the Celtic Board, in certain circumstances, to consider and recommend approval of a Superior Proposal;

(n) the appropriateness of the Termination Fee and right to match as an inducement to ExxonMobil to enter into the Arrangement Agreement and the likely impact of such fee and terms upon any potential subsequent Superior Proposal in respect of the Corporation;

(o) if the Arrangement Agreement is terminated in certain circumstances, the Purchaser has agreed to reimburse Celtic for its out-of-pocket expenses incurred directly in connection with the Arrangement to a maximum of $10.0 million; and

(p) registered Celtic Securityholders may, upon compliance with certain conditions and in certain circumstances, exercise Dissent Rights.

The foregoing discussion of the information and factors considered and given weight by the Celtic Board is not intended to be exhaustive. In reaching the determination to approve and recommend the Arrangement, the Celtic

Board did not assign any relative or specific weights to the foregoing factors, but individual directors may have given different weights to different factors. The full Celtic Board was present at the October 16, 2012 meeting at which the Arrangement was approved and they were unanimous in their recommendation that the Celtic Securityholders vote in favour of the Arrangement Resolution. At a meeting of the Celtic Board held on November 16, 2012, at which, among other matters, the contents of this Information Circular were approved, all members of the Celtic Board unanimously reconfirmed their approval of the Arrangement and recommendation that the Celtic Securityholders vote in favour of the Arrangement Resolution.

The directors and officers of Celtic, who, as at November 15, 2012, beneficially owned or exercised control or direction over, an aggregate of 18,718,667 Celtic Shares (representing an aggregate of approximately 17.7% of the issued and outstanding Celtic Shares) and $1,565,000 aggregate principal amount of Celtic Debentures (representing approximately 0.9% of the issued and outstanding principal amount of Celtic Debentures) have entered into Lock-Up Agreements pursuant to which they have agreed to, among other things, vote their Celtic Securities in favour of the Arrangement Resolution at the Meeting.

Fairness Opinions

In deciding to approve the Arrangement, the Celtic Board considered, among other things, the FirstEnergy Fairness Opinion and the RBC Fairness Opinion. In addition to the delivery of the verbal Fairness Opinions provided to the Celtic Board on October 16, 2012, each of the written FirstEnergy Fairness Opinion and the written RBC Fairness Opinion states that, in the opinion of FirstEnergy as of November 16, 2012 and RBC as of October 16, 2012 and subject to the assumptions, limitations and qualifications contained therein: (a) the consideration to be received by Celtic Shareholders under the Arrangement is fair, from a financial point of view, to Celtic Shareholders; and (b) the consideration to be received by Celtic Debentureholders under the Arrangement is fair, from a financial point of view, to Celtic Debentureholders. **This summary is subject to, and qualified in its entirety by, reference to the full text of the Fairness Opinions. The Celtic Board of Directors urges Celtic Securityholders to read the Fairness Opinions in their entirety. See Appendix D and Appendix E to this Information Circular.**

The full text of the written FirstEnergy Fairness Opinion dated November 16, 2012, which sets forth assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken by FirstEnergy in connection with the FirstEnergy Fairness Opinion, is attached as Appendix D. FirstEnergy provided the FirstEnergy Fairness Opinion for the exclusive use of the Celtic Board in connection with its consideration of the Arrangement, and the FirstEnergy Fairness Opinion may not be used or relied upon by any other person without the express written consent of FirstEnergy. The FirstEnergy Fairness Opinion is not a recommendation as to how any Celtic Securityholder should vote with respect to the Arrangement or any other matter.

The full text of the written RBC Fairness Opinion dated October 16, 2012, which sets forth assumptions made, procedures followed, matters considered and limitations and qualifications on the review undertaken by RBC in connection with the RBC Fairness Opinion, is attached as Appendix E. RBC provided the RBC Fairness Opinion for the exclusive use of the Celtic Board in connection with its consideration of the Arrangement, and the RBC Fairness Opinion may not be used or relied upon by any other person without the express written consent of RBC. The RBC Fairness Opinion is not a recommendation as to how any Celtic Securityholder should vote with respect to the Arrangement or any other matter.

FirstEnergy was engaged by the Corporation effective October 9, 2012 to provide the Celtic Board with the FirstEnergy Fairness Opinion. Pursuant to the terms of its engagement agreement with the Corporation, FirstEnergy was paid a fee for its services with a portion payable upon execution of the engagement letter with FirstEnergy and the remainder upon delivery of the written FirstEnergy Fairness Opinion. The Corporation has also agreed to indemnify FirstEnergy against certain liabilities.

RBC was engaged by the Corporation effective October 9, 2012 to provide the Celtic Board with the RBC Fairness Opinion. Pursuant to the terms of its engagement agreement with the Corporation, RBC was paid a fee for its services with a portion payable upon execution of the engagement letter with RBC and the remainder upon delivery of the written RBC Fairness Opinion. The Corporation has also agreed to indemnify RBC against certain liabilities.

Summary of the Arrangement

The following is a summary only of certain of the material terms of the Arrangement Agreement, including the Plan of Arrangement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement, which is attached as Appendix C to this Information Circular, and the Plan of Arrangement, which is attached as Schedule "B" to the Arrangement Agreement .

Celtic entered into the Arrangement Agreement with ExxonMobil, the Purchaser and Kelt on October 16, 2012. A copy of the Arrangement Agreement is attached as Appendix C to this Information Circular. The Arrangement Agreement provides for the implementation of the Plan of Arrangement (a copy of which is attached as Schedule "B" to the Arrangement Agreement) pursuant to which, among other things, the following transactions will occur:

(a) Celtic Shareholders (other than Dissenting Shareholders) will receive for each Celtic Share held: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share; and

(b) all of the issued and outstanding Celtic Debentures (other than Celtic Debentures held by Dissenting Debentureholders) will be converted into the Debenture Share Consideration. The Celtic Debentureholders will then receive, for each Celtic Share received upon such conversion: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share. The Celtic Debentureholders will also receive the Debenture Interest Consideration.

The Arrangement is subject to customary conditions for a transaction of this nature, which include Court and Regulatory Approvals, and the approval of at least 66⅔% of the votes cast on the Arrangement Resolution by the Celtic Shareholders present in person or represented by proxy at the Meeting. Celtic Debentureholder approval will also be sought at the Meeting to allow the Celtic Debentureholders to participate in the Arrangement in the manner described above. Participation in the Arrangement by the Celtic Debentureholders will require approval of the Arrangement Resolution by a majority in number of registered Celtic Debentureholders whose holdings collectively represent at least 66⅔% of the aggregate principal amount of the Celtic Debentures outstanding as of the Record Date. However, Celtic Debentureholder approval is not a condition to the completion of the Arrangement. If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding following Closing.

In addition, pursuant to the Plan of Arrangement, the transactions contemplated by the Kelt Conveyance Agreement shall become effective and pursuant thereto, Celtic shall assign and transfer to Kelt the Kelt Assets, and as consideration for the Kelt Assets, Kelt shall issue to Celtic such number of Kelt Shares equal to one-half (1/2) of the number of issued and outstanding Celtic Shares (including Celtic Shares issued to former Celtic Debentureholders as the Debenture Share Consideration), which Kelt Shares will ultimately be distributed to former Celtic Shareholders as described above, all in accordance with the terms of the Plan of Arrangement.

See "*The Arrangement – Arrangement Steps*", " *– Effects of the Arrangement*", "*The Arrangement Agreement*" and "*The Kelt Conveyance Agreement*".

Arrangement Steps

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

Pursuant to the Plan of Arrangement, at the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence (and the events set forth in each of paragraphs (b), (c), (d), (e), (f), (g) and (h) below shall occur and shall be deemed to occur one minute following the event(s) described in the immediately preceding paragraph), without any further act or formality, unless specifically noted:

(a) subject to Section 5.1 of the Plan of Arrangement, each of the Celtic Shares and/or the Celtic Debentures, as applicable, held by Dissenting Securityholders shall be, and shall be deemed to be, transferred to Celtic

(free and clear of any Encumbrances, as such term is defined in the Plan of Arrangement) for cancellation without any further act or formality and:

(i) such Dissenting Securityholders shall cease to be the holders of such Celtic Shares or Celtic Debentures, as applicable, and to have any rights as holders of such Celtic Shares or Celtic Debentures, as applicable, other than the right to be paid fair value for such Celtic Shares or Celtic Debentures, as applicable, as set out in Section 5.1 of the Plan of Arrangement; and

(ii) such Dissenting Securityholders' names shall be removed as the holders of such Celtic Shares or Celtic Debentures, as applicable, from the registers of Celtic Shares or Celtic Debentures, as applicable, maintained by or on behalf of Celtic;

(b) notwithstanding the terms of the Celtic Option Plan (including any award or grant agreement made thereunder) or any Celtic Option:

(i) each Celtic Option outstanding immediately prior to the Effective Time which has not been conditionally exercised pursuant to an Option Exercise Agreement shall be, and shall be deemed to be, cancelled without any further action on the part of any Celtic Optionholder, Celtic or the Purchaser, and the holders of such Celtic Options shall cease to be holders of such Celtic Options and to have any rights as holders of such Celtic Options, and such Celtic Optionholders' names shall be removed as the holders from the register or records of Celtic Options maintained by or on behalf of Celtic; and

(ii) the Celtic Option Plan and any such award or grant agreement, or any other document evidencing ownership of or a right to a Celtic Option, shall be terminated, and neither Celtic or the Purchaser shall have any liabilities or obligations with respect to the Celtic Option Plan or such agreements or documents;

(c) the Celtic Debentures outstanding immediately prior to the Effective Time (other than the Celtic Debentures held by a Dissenting Securityholder) shall be, and shall be deemed to be, converted into the Debenture Share Consideration, and Celtic shall pay, in cash, in respect of such converted Celtic Debentures, the Debenture Interest Consideration, and:

(i) the Celtic Debentureholders whose Celtic Debentures have been so converted shall cease to be, and shall be deemed to cease to be, holders of such Celtic Debentures and to have any rights as holders of such Celtic Debentures other than the right to receive the consideration to which such holders are entitled pursuant to this paragraph (c);

(ii) such Celtic Debentureholders' names shall be removed from the register of the Celtic Debentures maintained by or on behalf of Celtic;

(iii) such Celtic Debentures shall be, and shall be deemed to be, cancelled; and

(iv) such Celtic Debentureholders' names shall be, and shall be deemed to be, entered in the register of Celtic Shares maintained by or on behalf of Celtic;

(d) the transactions contemplated by the Kelt Conveyance Agreement shall become effective and pursuant thereto Celtic shall assign and transfer to Kelt the Kelt Assets, and as consideration for the Kelt Assets, Kelt shall issue to Celtic such number of Kelt Shares equal to one-half (1/2) of the number of issued and outstanding Celtic Shares (including the Celtic Shares issued to former Celtic Debentureholders as the Debenture Share Consideration in paragraph (c) above), all in accordance with the terms of the Kelt Conveyance Agreement, and Celtic shall be entered into the register of Kelt Shares maintained by or on behalf of Kelt;

(e) each issued and outstanding Celtic Share shall be, and shall be deemed to be, transferred to and acquired by the Purchaser (free and clear of any Encumbrances) in exchange for:

(i) the Celtic Share Consideration; and

(ii) a right to receive, from the Purchaser, one-half (1/2) of one Kelt Share;

and as a result thereof:

(iii) the Celtic Shareholders whose Celtic Shares have been so transferred shall cease to be, and shall be deemed to cease to be, holders of such Celtic Shares and to have any rights as holders of such Celtic Shares other than the right to receive the Celtic Share Consideration and the right to receive one-half (1/2) of one Kelt Share pursuant to this paragraph (e);

(iv) such Celtic Shareholders' names shall be removed as the holders from the register of Celtic Shares maintained by or on behalf of Celtic; and

(v) the Purchaser shall be deemed to be the transferee of such Celtic Shares (free and clear of any Encumbrances) and shall be, and shall be deemed to be, entered in the register of Celtic Shares maintained by or on behalf of Celtic;

(f) the Purchaser shall acquire (free and clear of all Encumbrances) from Celtic the Kelt Shares acquired by Celtic in paragraph (d) above (which for greater certainty shall not include the Founding Kelt Share) in consideration of the Purchaser issuing to Celtic the Purchaser Promissory Note, and the Purchaser shall be, and shall be deemed to be, entered into the register of Kelt Shares maintained by or on behalf of Kelt;

(g) the Purchaser shall transfer and deliver to each Celtic Shareholder whose Celtic Shares were transferred to the Purchaser in paragraph (e) above, one-half (1/2) of one Kelt Share for each such Celtic Share; and

(h) the Founding Kelt Share shall be cancelled for no consideration and Celtic shall be, and shall be deemed to be, removed from the register of Kelt Shares maintained by or on behalf of Kelt.

Exclusion of Celtic Debentures in Certain Circumstances

Notwithstanding anything else in the Plan of Arrangement, if the Debentureholders' Vote is not obtained prior to the Final Order, the Arrangement shall proceed and the Plan of Arrangement shall be amended to exclude the Celtic Debentures, and all ancillary references thereto, from the Plan of Arrangement (including, for greater certainty, the Dissent Rights in favour of the Celtic Debentureholders set out in Article 5 and the provisions of subsection 6.1(e) of the Plan of Arrangement).

Fractional Kelt Shares

No certificates representing fractional Kelt Shares shall be issued upon the exchange of the Celtic Shares or the right to receive any Kelt Shares for Celtic Shares. In lieu of any fractional Kelt Share, each registered Celtic Shareholder or other applicable Person otherwise entitled to a fractional interest in a Kelt Share will receive the next highest whole number of Kelt Shares; and for greater certainty, such procedure shall not apply in respect of beneficial holders holding through a broker, investment dealer or other nominee.

Effects of the Arrangement

Celtic Shares

The Arrangement provides, for among other things, the acquisition of all of the issued and outstanding Celtic Shares by the Purchaser. Celtic Shareholders (other than Dissenting Shareholders) will receive for each Celtic Share held: (i) the Celtic Share Consideration; and (ii) one-half (1/2) of one Kelt Share. Upon completion of the Arrangement, Celtic will become a wholly-owned subsidiary of the Purchaser.

Celtic Debentures

The Arrangement provides, for among other things, that all of the issued and outstanding Celtic Debentures (other than Celtic Debentures held by Dissenting Debentureholders) will be converted into the Debenture Share Consideration. The Celtic Debentureholder will then receive, for each Celtic Share received upon such conversion: (i) the Celtic Share Consideration; and (ii) one-half (1/2) of one Kelt Share. The Celtic Debentureholders will also receive the Debenture Interest Consideration.

For illustrative purposes, approximately 8.8 million Celtic Shares could be issuable if the Celtic Debentures are converted into the Debenture Share Consideration as described above, assuming that: (i) the Effective Date is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided all other conditions to the Arrangement have been satisfied); (ii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.9607, being the 20-day VWAP for the period from October 19, 2012 until November 15, 2012); (iii) no Dissent Rights are exercised by Celtic Debentureholders; and (iv) $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15, 2012. To the extent the actual factors and circumstances differ from the assumptions set forth herein, the number of Celtic Shares that will be issuable on the conversion of the Celtic Debentures into the Debenture Share Consideration, as described above, will also differ.

The 32 days of interest comprising the Notional Interest is effectively an early prepayment of interest that a Celtic Debentureholder would receive to the anticipated end of the period in which a Celtic Debentureholder could convert its Celtic Debentures and receive the Make Whole Premium following completion of the Arrangement, if the Celtic Debentures do not participate in the Arrangement. The consideration for the Celtic Debentures will vary depending on the date that the Arrangement is completed, as the Make Whole Premium component of the consideration will vary based on the trading price of Celtic Shares and the date of the Effective Date and the accrued and unpaid interest component of the consideration will vary based on the date of the Effective Date.

If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding following Closing. In that case, in accordance with the terms of the Debenture Indenture, Celtic (or its successor) will be required to make a Change of Control Purchase Offer to holders of Celtic Debentures, which remain outstanding, to purchase the Celtic Debentures for cash consideration equal to 100% of the principal amount thereof, plus accrued and unpaid interest, within 30 days following the Effective Date. If 90% or more in aggregate principal amount of the Celtic Debentures are tendered for purchase pursuant to the Change of Control Purchase Offer, Celtic has the right to redeem all of the Celtic Debentures that remain outstanding.

After the Effective Date, holders of Celtic Debentures which remain outstanding following the Effective Date who exercise the conversion rights during the Cash Change of Control Conversion Period will receive the amount of cash and number of Kelt Shares that they would have been entitled to receive if they had been the registered holders of the applicable number of Celtic Shares on the Effective Date, plus an additional number of Celtic Shares that they would have been entitled to receive under the Make Whole Premium, together with accrued and unpaid interest to the date of conversion. The Purchaser has advised Celtic that if the Celtic Debentures are not acquired by the Purchaser under the Arrangement, it intends to cause Celtic: (a) to deliver the Change of Control Purchase Offer within two days following the Effective Date such that the Cash Change of Control Conversion Period would end no later than 32 days following the Effective Date; and (b) to pay the accrued and unpaid interest component of the amount payable as a result of any conversion during the Cash Change of Control Conversion Period on the next regularly scheduled interest payment date following the date of conversion, as permitted by the Debenture Indenture, rather than at the time of conversion.

Celtic Debentureholders who exercise their conversion rights after the Cash Change of Control Conversion Period has ended will receive the amount of cash and number of Kelt Shares which they would have been entitled to receive if they had been the registered holders of the applicable number of Celtic Shares on the Effective Date, together with accrued and unpaid interest to the date of conversion. Any Celtic Debentures in respect of which the conversion right is exercised after the Cash Change of Control Conversion Period will not be entitled to any payment or other consideration in respect of the Make Whole Premium.

Celtic Debentureholders who wish to convert Celtic Debentures into Celtic Shares prior to the Effective Date must provide the Debenture Trustee with the documents required pursuant to the terms of the Debenture Indenture to

effect such conversion prior to the day that is three business days before the Effective Date, in order to allow the Debenture Trustee sufficient time to properly effect such conversion. In addition, CDS & Co., the sole registered holder of the Celtic Debentures, has certain procedures that must be followed in order to allow beneficial Celtic Debentureholders to properly convert their Celtic Debentures into Celtic Shares and such Celtic Debentureholders who wish to convert their Celtic Debentures prior to the Effective Date should check with their broker or other intermediary to ensure that these procedures are complied with in a timely manner. In the event that any such procedures are not complied with, or are not complied with in a timely manner, and the Debenture Trustee does not receive the documents required pursuant to the terms of the Debenture Indenture prior to the day that is three business days before the Effective Date, the Debenture Trustee will be unable to process the conversion of the Celtic Debentures prior to the Effective Date and these Celtic Debentures will participate in the Arrangement (or, if applicable, be excluded from participation in the Arrangement) along with all of the other Celtic Debentures. Once there is more certainty with respect to the timing of the completion of the Arrangement, Celtic will issue a press release that discloses the anticipated Effective Date.

Celtic Options

The Arrangement will result in a "change of control" for purposes of the Celtic Option Plan. Pursuant to the Celtic Option Plan, upon consummation of the Arrangement, all of the Celtic Options not previously exercised would become exercisable in full at the time of the change of control.

In order to facilitate the exercise of all Celtic Options upon the Arrangement becoming effective, the Celtic Board has approved the vesting of all outstanding Celtic Options effective immediately before the Effective Time and conditional upon: (i) the subsequent consummation of the Arrangement; and (ii) with respect to each particular Celtic Optionholder, the agreement of such Celtic Optionholder to exercise, and where applicable, terminate such Celtic Options pursuant to (and to execute and deliver) an Option Exercise Agreement, in order that all such outstanding Celtic Options shall be fully vested and will be either exercised immediately before the Effective Time in accordance with their terms and the Option Exercise Agreements or be terminated in accordance with the Option Exercise Agreements or the Plan of Arrangement.

All Celtic Optionholders have entered into Option Exercise Agreements whereby they have agreed to exercise all of their Celtic Options effectively immediately before the Effective Time and conditional upon the Effective Time occurring. Celtic Optionholders who exercise Celtic Options in accordance with their terms and the Option Exercise Agreements will receive Celtic Shares and will participate in the Arrangement in the same manner as the Celtic Shareholders.

In order to facilitate the exercise of each Celtic Option being exercised pursuant to the Option Exercise Agreements, the Celtic Optionholders irrevocably assigned to Celtic the Celtic Share Consideration ultimately payable to such holders pursuant to the Arrangement in respect of each of such holders' Celtic Shares which are issuable to the holders pursuant to the exercise of the Celtic Options in accordance with the Option Exercise Agreements, but only to the extent of an aggregate cash amount equal to the aggregate exercise price for such Celtic Options plus any applicable withholding taxes.

Interests of Directors and Executive Officers in the Arrangement

The directors and executive officers of Celtic may have interests in the Arrangement that are, or may be, different from, or in addition to, the interests of other Celtic Securityholders. These interests include those described below. The Celtic Board was aware of these interests and considered them, among other matters, when recommending approval of the Arrangement by Celtic Securityholders.

Celtic Securities Ownership

The chart below sets forth the Celtic Shares, Celtic Debentures and Celtic Options which the directors and executive officers of Celtic beneficially own, directly or indirectly, or exercise control or direction over, as of November 15, 2012. All of the Celtic Shares and Celtic Debentures held by the directors and executive officers of Celtic will be treated in the same fashion under the Arrangement as Celtic Shares held by any other Celtic Securityholder:

Name and Position	Celtic Shares Held[1]	Principal Amount of Celtic Debentures Held[2]	Celtic Options Held[3]
David J. Wilson President, Chief Executive Officer and Director	10,612,699 (10.03%)	$1,000,000 (0.58%)	672,500 (8.76%)
Sadiq H. Lalani Vice President, Finance and Chief Financial Officer	167,375 (0.16%)	$100,000 (0.06%)	605,000 (7.88%)
Michael R. Shea Vice President, Land	298,731 (0.28%)	$100,000 (0.06%)	560,200 (7.29%)
Alan G. Franks Vice President, Operations	14,492 (0.01%)	Nil	248,337 (3.23%)
William C. Guinan Corporate Secretary and Director	480,334 (0.45%)	$100,000 (0.06%)	145,000 (1.89%)
Robert J. Dales Director	990,998 (0.94%)	$105,000 (0.06%)	145,000 (1.89%)
Eldon A. McIntyre Director	4,826,370 (4.56%)	$100,000 (0.06%)	145,000 (1.89%)
Neil G. Sinclair Director	1,327,668 (1.25%)	$60,000 (0.03%)	145,000 (1.89%)
Total	**18,718,667** **(17.69%)**	**$1,565,000** **(0.91%)**	**2,666,037** **(34.71%)**

Notes:
(1) Percentages based on 105,827,094 Celtic Shares outstanding as of November 15, 2012.
(2) Percentages based on $172,200,000 principal amount of Celtic Debentures outstanding as of November 15, 2012.
(3) Percentages based on 7,681,259 Celtic Options outstanding as of November 15, 2012.

Change of Control

Celtic has entered into employment agreements ("**Employment Agreements**") with each of its executive officers (other than William C. Guinan), being David J. Wilson (President and Chief Executive Officer), Sadiq H. Lalani (Vice President, Finance and Chief Financial Officer), Michael R. Shea (Vice President, Land) and Alan G. Franks (Vice President, Operations). Each of the Employment Agreements provides that in the event of a change of control of the Corporation, each of the officers is entitled to the following payment: (i) the amount of fifteen months of the then applicable base salary, less required withholdings; (ii) an amount equal to the total of any bonus monies received by or otherwise earned but not yet paid to such officer from the Corporation during the two calendar years immediately prior to the change of control, divided by two; and (iii) an amount equal to 20% of the officers then applicable base salary, representing the Corporation's cost of providing benefits to such officer during the fifteen months immediately prior to the effective date of the change of control, provided that such officer has provided a written resignation of all officer and director positions held in the Corporation and has delivered to the Corporation a duly executed full and final release in favour of the Corporation, in a form reasonably satisfactory to the Corporation. Completion of the Arrangement would constitute a "change of control" for the purposes of such agreements.

Pursuant to the Arrangement Agreement, the Corporation has agreed to use its reasonable commercial efforts to obtain resignations and mutual releases, to be effective as of the Effective Time, from the directors and officers of Celtic as requested from time to time by the Purchaser prior to the Effective Time. Following completion of the Arrangement, it is anticipated that all of the directors and officers of Celtic will resign from Celtic.

In order to facilitate the exercise of all Celtic Options upon the Arrangement becoming effective, the Celtic Board has approved the vesting of all outstanding Celtic Options effective immediately before the Effective Time and conditional upon: (i) the subsequent consummation of the Arrangement; and (ii) with respect to each particular Celtic Optionholder, the agreement of such Celtic Optionholder to exercise, and where applicable, terminate such Celtic Options pursuant to (and to execute and deliver) an Option Exercise Agreement, in order that all such

outstanding Celtic Options shall be fully vested and will be either exercised immediately before the Effective Time in accordance with their terms and the Option Exercise Agreements or be terminated in accordance with the Option Exercise Agreements or the Plan of Arrangement.

Each of the directors and officers of Celtic have entered into Option Exercise Agreements whereby they have agreed to exercise all Celtic Options effectively immediately before the Effective Time and conditional upon the Effective Time occurring.

The chart below sets forth the estimated amount of additional compensation the officers of Celtic will be entitled to receive as a result of the change of control of the Corporation in connection with their respective Employment Agreements and the number of Celtic Options held by the directors and executive officers of Celtic for which vesting will be accelerated:

Name and Position	Estimated Severance Amount	Number of Celtic Options Held	Number of unvested Celtic Options which vest upon the Arrangement becoming effective
David J. Wilson President, Chief Executive Officer and Director	$509,564	672,500	218,334
Sadiq H. Lalani Vice President, Finance and Chief Financial Officer	$474,921	605,000	218,334
Michael R. Shea Vice President, Land	$399,471	560,200	205,001
Alan G. Franks Vice President, Operations	$399,471	248,333	205,000
William C. Guinan Corporate Secretary and Director	N/A	145,000	51,666
Robert J. Dales Director	N/A	145,000	51,666
Eldon A. McIntyre Director	N/A	145,000	51,666
Neil G. Sinclair Director	N/A	145,000	51,666

Continuing Insurance Coverage for Directors and Officers of Celtic

The Arrangement Agreement provides that the Purchaser Parties shall maintain from ExxonMobil's preferred insurer, or ExxonMobil shall self-insure, for a period of six years from the Effective Time, customary policies of directors' and officers' liability insurance providing coverage on a "trailing basis" or "run-off" basis for each person covered by Celtic's current directors and officers liability insurance policy with respect to claims arising from facts or events which occurred prior to the Effective Time; and will not take any action, or to cause Celtic to take any action, to terminate such directors' and officers' liability insurance or any indemnity agreement in favour of current and former directors and officers of Celtic in place prior to the date of the Arrangement Agreement.

Kelt

Certain directors, officers and employees of Celtic are or will be directors, officers or employees of Kelt and will, following completion of the Arrangement, receive remuneration for acting in that capacity and may be eligible to participate in the Kelt Option Plan, the Kelt RSU Plan and the Private Placement following completion of the Arrangement. See "*Other Matters of Special Business Relating to Kelt –Kelt Option Plan*", "*– Kelt RSU Plan*" and "*– Private Placement*".

Lock-Up Agreements

Pursuant to the Lock-Up Agreements, each director and officer of Celtic has agreed to vote all Celtic Securities beneficially owned by the director or officer, or over which the director or officer exercises control or direction, directly or indirectly, in favour of the approval of the Arrangement Resolution and any and all related matters to be put before the Celtic Securityholders at the Meeting and to vote against any proposed action by any person whatsoever that could prevent or delay the completion of Arrangement and the transactions contemplated in the Arrangement Agreement.

In addition, each of the directors and officers of Celtic has also agreed in the Lock-Up Agreements (among other things):

(a) subject to certain exceptions in their respective Lock-Up Agreement, not to sell, assign, convey or otherwise transfer or dispose of any or all of the Celtic Securities subject to the Lock-Up Agreement or convert any Celtic Debentures;

(b) not to solicit, initiate or encourage inquiries, submissions, proposals or offers from any other person relating to, or, except as permitted in the Non-Solicitation Covenants, participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with or assist or participate in or facilitate or encourage any effort or attempt with respect to: (i) any Acquisition Proposal; (ii) any action which is inconsistent with the successful completion of the Arrangement; or (iii) except as expressly provided by the terms of the Lock-Up Agreement, the direct or indirect acquisition or disposition of all or any of the Celtic Securities subject to the Lock-Up Agreement; and

(c) not to exercise any Dissent Rights or other similar rights of appraisal or any shareholder rights or remedies to which he may be entitled to delay, hinder, upset or challenge the Arrangement.

Each Lock-Up Agreement terminates on the earliest of: (a) the Effective Time; (b) the date that the Arrangement Agreement is terminated; or (c) the Outside Date.

Non-Competition and Non-Solicitation Agreements

Pursuant to the Non-Competition and Non-Solicitation Agreements to be signed on the Effective Date, each of Kelt, David J. Wilson, Sadiq H. Lalani, Michael R. Shea, Alan G. Franks and Patrick Miles will agree that, effective as of the Effective Date and for a period of twelve (12) months thereafter, they (and in the case of Kelt, any of its Affiliates or their respective successors) shall not, without the prior written consent of ExxonMobil on behalf of the Purchaser Parties: (a) directly or indirectly participate in, carry on, conduct or in any manner compete with the Business (as defined in the Non-Competition and Non-Solicitation Agreements, but generally being the current business carried on by Celtic other than in respect of the Kelt Assets) or, directly or indirectly, invest in or have a participating interest in any Person doing the same; or (b) solicit for hire or employment, directly or indirectly, any Person who was an officer, employee or Consultant (as defined in the Arrangement Agreement) of Celtic as of the Effective Date, other than the Excluded Employees (as defined in the Non-Competition and Non-Solicitation Agreements). Similar arrangements are also in effect from the date of execution of the Arrangement Agreement on October 16, 2012 until the Effective Date.

Sources of Funds for the Arrangement

Pursuant to the Arrangement, the Purchaser is expected to pay an aggregate amount of approximately $3.0 billion to acquire all of the outstanding Celtic Shares (including those issuable upon exercise of outstanding Celtic Options and those issuable upon conversion of the Celtic Debentures pursuant to the Arrangement), assuming no Celtic Shareholders or Celtic Debentureholders validly exercise their Dissent Rights. This amount will be reduced to the extent that Celtic Debentures do not form part of the Arrangement.

Pursuant to the Arrangement Agreement, the Purchaser Parties have represented, warranted and covenanted to the Corporation that they have, and will have at the Effective Time, sufficient funds available to satisfy the aggregate Celtic Share Consideration payable by the Purchaser pursuant to the Arrangement in accordance with the terms of

the Arrangement Agreement and the Plan of Arrangement, and to satisfy all other obligations payable by the Purchaser Parties pursuant to the Arrangement Agreement and the Arrangement.

Stock Exchange Listings

Celtic Shares and Celtic Debentures

It is intended that the Celtic Shares and, to the extent the Celtic Debentures participate in the Arrangement, the Celtic Debentures will be delisted from the TSX following completion of the Arrangement. If the Debentureholders' Vote is not obtained and as a result the Celtic Debentures do not participate in the Arrangement, the Celtic Debentures will remain listed on the TSX.

Kelt Shares

Kelt has applied to list the Kelt Shares on the TSX. Listing is subject to Kelt fulfilling all of the requirements of the TSX. If listing approval is ultimately obtained, trading in the Kelt Shares is expected to commence concurrently with the delisting of the Celtic Shares from the TSX. The completion of the Arrangement is not conditional upon the listing of the Kelt Shares.

Procedure for the Arrangement Becoming Effective

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

(a) the Arrangement must be approved by the Shareholders' Vote;

(b) the Court must grant the Final Order approving the Arrangement;

(c) all conditions precedent to the Arrangement, as set forth in the Arrangement Agreement, must be satisfied or waived by the appropriate Party;

(d) the Final Order and Articles of Arrangement in the form prescribed by the ABCA must be filed with the Registrar; and

(e) the Certificate of Arrangement giving effect to the Arrangement must be issued.

Celtic Securityholder Approvals

At the Meeting, pursuant to the Interim Order, Celtic Shareholders will be asked to approve the Arrangement Resolution. Each Celtic Shareholder shall be entitled to vote on the Arrangement Resolution, with the Celtic Shareholders entitled to one vote per Celtic Share held. The requisite approval for the Arrangement Resolution is at least 66⅔% of the votes cast on the Arrangement Resolution by the Celtic Shareholders present in person or represented by proxy at the Meeting. The Arrangement Resolution must receive the requisite Celtic Shareholder approval in order for Celtic to seek the Final Order and implement the Arrangement on the Effective Date in accordance with the terms of the Final Order.

In addition, approval will also be sought at the Meeting from the Celtic Debentureholders to allow the Celtic Debentures to participate in the Arrangement in the manner described above. The Celtic Debentureholders will receive one vote for each $1,000 principal amount held. If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding as unsecured debt obligations of Celtic or it successor following completion of the Arrangement.

For information with respect to the procedures for Celtic Securityholders to follow to receive their consideration pursuant to the Arrangement, see "*Procedures for the Surrender of Celtic Shares and Celtic Debentures and Receipt of Consideration*".

See also "*The Arrangement*" and "*General Proxy Matters – Procedure and Votes Required*".

Court Approval

Interim Order

On November 15, 2012 the Court granted the Interim Order directing the calling of the Meeting and prescribing the conduct of the Meeting and other matters. The Interim Order is attached as Appendix B to this Information Circular.

Final Order

The ABCA provides that a plan of arrangement requires Court approval. Subject to the terms of the Arrangement Agreement, and if the Arrangement Resolution is approved by the Celtic Shareholders at the Meeting in the manner required by the Interim Order, Celtic will make application to the Court for the Final Order.

The application for the Final Order approving the Arrangement is scheduled for December 14, 2012 at 2:00 p.m. (Calgary time), or as soon thereafter as counsel may be heard, at the Calgary Courts Centre, 601 – 5th Street S.W., Calgary, Alberta. At the hearing, any Celtic Securityholder and any other interested party who wishes to participate or to be represented or to present evidence or argument may do so, subject to filing with the Court and serving upon Celtic a Notice of Intention to Appear together with any evidence or materials that such party intends to present to the Court on or before 12:00 noon (Calgary time) on December 7, 2012. **Service of such notice shall be effected by service upon the solicitors for Celtic: Borden Ladner Gervais LLP, Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3, Attention: David Madsen. See the Notice of Originating Application accompanying this Information Circular.**

The Court has been advised that the Final Order, if granted, will constitute the basis for an exemption from the registration requirements of the U.S. Securities Act, pursuant to Section 3(a)(10) thereof, with respect to the issuance of the Kelt Shares issuable to Celtic Securityholders pursuant to the Arrangement.

Celtic has been advised by its counsel, Borden Ladner Gervais LLP, that the Court has broad discretion under the ABCA when making orders with respect to plans of arrangement and that the Court will consider, among other things, the fairness and reasonableness of the Arrangement, both from a substantive and a procedural point of view. The Court may approve the Arrangement either as proposed or as amended in any manner the Court may direct, subject to compliance with such terms and conditions, if any, as the Court thinks fit.

Depending upon the nature of any required amendments, the Corporation and/or the Purchaser Parties may determine not to proceed with the Arrangement.

Timing

If the Meeting is held as scheduled and is not adjourned or postponed and the other necessary conditions at that point in time are satisfied or waived, Celtic will apply for the Final Order approving the Arrangement. If the Final Order is obtained on December 14, 2012 in form and substance satisfactory to the Corporation and the Purchaser Parties, and all other conditions set forth in the Arrangement Agreement are satisfied or waived, including the receipt of all required Regulatory Approvals, the Corporation currently expects the Effective Date to occur in December 2012 or January 2013. It is not possible, however, to state with certainty when the Effective Date will occur. The Effective Date could be delayed for a number of reasons, including an objection before the Court at the hearing of the application for the Final Order on December 14, 2012 or the failure to obtain all Regulatory Approvals in the time-frames anticipated.

The Arrangement will become effective upon the filing with the Registrar of the Articles of Arrangement and a copy of the Final Order, together with such other materials as may be required by the Registrar.

THE ARRANGEMENT AGREEMENT

The following is a summary only of the material terms of the Arrangement Agreement and is subject to, and qualified in its entirety by, the full text of the Arrangement Agreement. Celtic Securityholders are urged to read the Arrangement Agreement including the Plan of Arrangement in its entirety. A copy of the Arrangement Agreement is attached as Appendix C to this Information Circular and the Plan of Arrangement is attached to the Arrangement Agreement as Schedule "B".

Mutual Covenants Regarding the Arrangement

Each of the Parties has given usual and customary mutual covenants for an agreement of the nature of the Arrangement Agreement, including: a mutual covenant not to take, or cause or permit any action to be taken which is inconsistent with the Arrangement Agreement or that would render any representation or warranty made under the Arrangement Agreement untrue; a mutual covenant to take all necessary action to give effect to the transactions contemplated under the Arrangement Agreement and the Arrangement; and a mutual covenant to defend or cause to be defended any proceedings to which it is a party challenging the Arrangement Agreement or the consummation of the transactions contemplated thereby.

Covenants of Purchaser Parties

The Purchaser Parties have given, in favour of the Corporation, usual and customary covenants for an agreement of the nature of the Arrangement Agreement, including: using reasonable commercial efforts to give effect to the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement; providing certain indemnification to the Corporation and Kelt and their respective directors, officers, employees, advisors and agents including with respect to any misrepresentation in this Information Circular in information provided by the Purchaser Parties, or the Purchaser Parties not complying with Applicable Laws in connection with the Arrangement; maintaining certain insurance; furnishing the Corporation with certain timely information; making all necessary filings and applications under Applicable Laws for all Regulatory Approvals; and ensuring that it has available funds to permit the payment of the Celtic Share Consideration for Celtic Securities under the Arrangement.

Covenants of the Corporation and Kelt

Each of the Corporation and Kelt has given, in favour of the Purchaser Parties, usual and customary covenants for an agreement of the nature of the Arrangement Agreement, including, in the case of the Corporation: taking the necessary actions to hold and convene the Meeting; using reasonable commercial efforts to give effect to the transactions contemplated by the Arrangement Agreement and the Plan of Arrangement; providing certain indemnification to the Purchaser Parties and their respective directors, officers, employees, advisors and agents including with respect to any misrepresentation in this Information Circular other than in respect of information provided by the Purchaser Parties, or such parties not complying with Applicable Laws in connection with the Arrangement; to carry on business, in all material respects, in the ordinary course of business consistent with past practice between the date of the Arrangement Agreement and the earlier of the Effective Time and the time that the Arrangement Agreement is terminated; not to undertake certain actions outside of the ordinary course of business; a covenant to make all necessary filings and applications under Applicable Laws for all Regulatory Approvals; and ensuring that it has available funds to permit the payment of the Termination Fee.

Covenants of the Corporation Regarding Non-Solicitation

The Corporation has provided certain non-solicitation covenants in favour of the Purchaser Parties as follows (the "**Non-Solicitation Covenants**"):

(a) Celtic will immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any Representatives), with any parties (other than ExxonMobil and the Purchaser or their Representatives) initiated before the date of the Arrangement Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute, or lead to an Acquisition Proposal and, in connection therewith, Celtic shall discontinue access to any of its Confidential Information (and not establish or allow access to any of its Confidential Information, or any data room, virtual or otherwise).

(b) Celtic will not waive, terminate, amend or modify any standstill provisions contained in a confidentiality agreement or otherwise for any Person and covenants and agrees that it will not do so prior to the Effective Date. Celtic will, within three Business Days of entering into the Arrangement Agreement, request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Celtic relating to a potential Acquisition Proposal and will use its reasonable commercial efforts to ensure that such requests are honoured in accordance with the terms of the applicable confidentiality agreement with such parties. Celtic undertakes to enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that it has entered into prior to date of the Arrangement Agreement.

(c) Celtic will not, directly or indirectly, do or authorize or permit any of its Representatives to do, any of the following:

(i) solicit, assist, initiate, encourage or in any way knowingly facilitate (including by way of furnishing information, or entering into any form of written or oral agreement, arrangement or understanding) any Acquisition Proposal or inquiries, proposals or offers regarding an Acquisition Proposal;

(ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;

(iii) waive, modify or release any third party from or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive modify or release any third party from or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder; or

(iv) accept, recommend, approve, agree to, endorse, or propose publicly to accept, recommend, approve, agree to, or endorse any Acquisition Proposal or agreement in respect thereto, or take no position or remain neutral with respect to any Acquisition Proposal;

provided, however, that notwithstanding any other provision of the Arrangement Agreement, Celtic and its Representatives may, prior to the approval of the Arrangement Resolution by the Shareholders' Vote in accordance with Section 2.1(b)(ii) of the Arrangement Agreement:

(v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of the Arrangement Agreement, by Celtic or any of its Representatives) seeks to initiate such discussions or negotiations with Celtic that does not result from a breach of the Non-Solicitation Covenants and, subject to Celtic and such third party having entered into a confidentiality and standstill agreement containing customary provisions (and which agreement shall: (1) be no less favourable to Celtic than the Confidentiality Agreement; (2) allow for disclosure thereof, along with all information provided thereunder, to the Purchaser as set out below; (3) allow disclosure by Celtic to the Purchaser of the making and terms of any Acquisition Proposal made by the third party to Celtic as contemplated in the Arrangement Agreement; and (4) contain standstill provisions which do not provide for any waiver or release thereof other than with the prior written consent of Celtic), may furnish to such third party information concerning Celtic and its business, properties and Assets, in each case if, and only to the extent that:

(A) the third party has first made a bona fide written Acquisition Proposal that the Celtic Board determines in good faith, after consultation with its outside financial and legal advisors, is or would reasonably be expected to lead to a Superior Proposal; and

(B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Celtic provides prompt notice to the

Purchaser to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such third party, together with a copy of the confidentiality and standstill agreement referenced above and, if not previously provided to the Purchaser, copies of all information provided to such third party concurrently with the provision of such information to such third party; and

(vi) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation: (A) the Celtic Board has concluded in good faith, after considering all proposals to adjust the terms and conditions of the Arrangement Agreement as contemplated by paragraph (e) below and after receiving the advice of outside legal counsel as reflected in minutes of the Celtic Board, that the failure to take such action is inconsistent with the discharge of the fiduciary duties of the Celtic Board under Applicable Laws; (B) Celtic complies with its obligations set forth in paragraph (e) below; and (C) Celtic terminates the Arrangement Agreement in accordance with Section 8.1(a)(vi) of the Arrangement Agreement and concurrently therewith pays the Termination Fee to the Purchaser.

(d) Celtic will promptly (and in any event within 24 hours) notify the Purchaser (at first orally and then in writing) of any Acquisition Proposal, any inquiries, offers or proposals with respect to an Acquisition Proposal or any request for non-public information relating to Celtic or its Assets, or any amendments to the foregoing. Such notice will include a copy of any written Acquisition Proposal which has been received or, if no written Acquisition Proposal has been received, a description of the terms, details, conditions and the identity of the Person making any such Acquisition Proposal, inquiry, offer, proposal or request, copies of all information provided to such party (if not previously provided to the Purchaser), any amendments to any of the foregoing and all other information and details reasonably requested by the Purchaser. Celtic shall keep the Purchaser fully informed of the status and details of, and any change to the terms of, any such Acquisition Proposal, inquiry, offer, proposal or request, shall answer the Purchaser's questions with respect thereto, and shall provide to the Purchaser copies of all material or substantive correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent to Celtic by or on behalf of any Person making any such Acquisition Proposal, inquiry, offer, proposal or request.

(e) Celtic will give the Purchaser, in writing, at least five Business Days advance notice (the "**Superior Proposal Notice**") of any decision by the Celtic Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal. The Superior Proposal Notice will include: (i) confirmation that the Celtic Board, in consultation with the Financial Advisors and legal advisors, has determined that the Acquisition Proposal which is the subject matter of the Superior Proposal Notice constitutes a Superior Proposal; (ii) full particulars of the financial consideration payable under such Acquisition Proposal (and, if the Superior Proposal consists, in whole or in part, of shares or other non-cash consideration, the dollar value attributed thereto by Celtic or the Celtic Board); (iii) the identity of the third party making the Superior Proposal; (iv) confirmation that the entering into of a definitive agreement to implement such Superior Proposal is not subject to any due diligence or access condition; and (v) confirmation that a definitive agreement to implement such Superior Proposal has been settled between Celtic and such third party, and Celtic will concurrently provide a copy thereof and, will thereafter promptly provide any amendments thereto, to the Purchaser.

During the five Business Days commencing on the Business Day following such delivery of the Superior Proposal Notice (the "**Right to Match Period**"), Celtic will not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and will not waive, or release the party making the Superior Proposal from, any standstill provisions and will not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during the Right to Match Period Celtic will, and will cause its financial and legal advisors to, negotiate in good faith with the Purchaser and its financial and legal advisors to make such adjustments in the terms and conditions of the Arrangement Agreement and the Arrangement as would, if made by the Purchaser, cause the Arrangement Agreement and the Arrangement, as amended, to be financially equal or superior to the Superior Proposal and, accordingly, the Superior Proposal ceasing to be a Superior Proposal.

In the event the Purchaser proposes to amend the Arrangement Agreement and the Arrangement such that the Superior Proposal ceases to be a Superior Proposal and so advises the Celtic Board prior to the expiry of the Right to Match Period, the Celtic Board will not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and will not withdraw, redefine, modify or change its recommendation in respect of the Arrangement and ExxonMobil, the Purchaser and Celtic will enter into an amended version of the Arrangement Agreement reflecting such proposed amendments.

(f) The Celtic Board shall promptly reaffirm its recommendation in respect of the Arrangement by press release after: (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal; or (ii) the Parties have entered into an amended agreement pursuant to paragraph (e) above which results in any Acquisition Proposal not being a Superior Proposal. Celtic shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its counsel.

(g) The Purchaser agrees that all information that may be provided to it by Celtic with respect to any Acquisition Proposal pursuant to the Non-Solicitation Covenants will be treated as if it were Confidential Information and will not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under the Arrangement Agreement in legal proceedings. The Parties agree that, for greater certainty, actions taken pursuant to the Non-Solicitation Covenants shall not constitute a violation of the Confidentiality Agreement.

(h) Celtic will ensure that the Representatives retained by it are aware of the Non-Solicitation Covenants and will be responsible for any breach of the Non-Solicitation Covenants by any of them.

(i) If a Right to Match Period extends to a date which is later than the scheduled Meeting date, Celtic shall, at the direction of the Purchaser, either proceed with the Meeting or adjourn or postpone the Meeting to a date that is not more than ten Business Days after the date on which the Meeting was originally scheduled (but in any event not later than five Business Days prior to the Outside Date).

(j) Each successive modification of any Acquisition Proposal (including any Superior Proposal) shall constitute a new Acquisition Proposal (and if applicable, a new Superior Proposal) for purposes of the Non-Solicitation Covenants.

(k) Nothing in the Non-Solicitation Covenants shall prohibit Celtic or its Representatives from complying with Division 3 of Multilateral Instrument 62-104 and similar provisions under Applicable Securities Laws relating to the provision of directors' circulars in respect of an Acquisition Proposal.

Representations and Warranties

Each of the Corporation, Kelt and the Purchaser Parties made certain customary representations and warranties in the Arrangement Agreement, including representations and warranties related to their due organization and qualification and authorization to enter into the Arrangement Agreement and carry out their obligations thereunder. In addition, the Purchaser Parties, the Corporation and Kelt have each made certain representations and warranties particular to such party including, in the case of the Corporation, representations and warranties in respect of the Corporation's business and operations. The Purchaser Parties have represented and warranted to the Corporation that sufficient funds are and will be at the Effective Time available to satisfy the Celtic Share Consideration payable by the Purchaser pursuant to the Arrangement.

The representations and warranties are, in some cases, subject to specified exceptions and qualifications.

Conditions of Closing

Mutual Conditions

The Arrangement Agreement provides that the respective obligations of the Parties to consummate the transactions contemplated thereby are subject to the satisfaction, on or before the Effective Date or such other time specified, of the following conditions:

(a) *Interim Order.* The Interim Order will have been granted in form and substance satisfactory to the Purchaser and Celtic, acting reasonably, and such order will not have been set aside or modified in a manner unacceptable to the Purchaser and Celtic, each acting reasonably, on appeal or otherwise.

(b) *Arrangement Resolution.* The Arrangement Resolution will have been passed by the Celtic Shareholders by not less than the Shareholders' Vote by the Outside Date in accordance with the Interim Order and in form and substance satisfactory to the Purchaser and Celtic, acting reasonably.

(c) *Final Order.* The Final Order will have been granted by the Outside Date in form and substance satisfactory to the Purchaser and Celtic, acting reasonably, and such order will not have been set aside or modified in a manner unacceptable to the Purchaser and Celtic, acting reasonably, on appeal or otherwise.

(d) *Articles of Arrangement.* The Articles of Arrangement to be filed by the Outside Date with the Registrar in accordance with the Arrangement will be in form and substance satisfactory to each of the Purchaser and Celtic, acting reasonably.

(e) *Regulatory Approvals.* All Regulatory Approvals will have been obtained or concluded and, in the case of waiting or suspensory periods, will have expired, been terminated or been waived.

(f) *Other Approvals.* In addition to the approvals contemplated in subsection 5.1(e) of the Arrangement Agreement, all other third party consents, waivers, permits, orders and approvals required in connection with the consummation of the Arrangement will have been provided or obtained on terms and conditions acceptable to the Parties, acting reasonably, at or before the Effective Time, except where the failure to provide or obtain such would not have a Material Adverse Effect, would not materially adversely affect ExxonMobil and its Subsidiaries, taken as a whole, or would not prevent or materially impede the completion of the transactions contemplated by the Arrangement Agreement.

(g) *Outside Date.* The Effective Date will be on or before the Outside Date.

(h) *Laws.* No Applicable Law shall be in effect, and no Governmental Entity shall have enacted, issued, promulgated, applied for (or advised any of the Parties in writing that it has determined to make such application), enforced or entered any Applicable Law (whether temporary, preliminary or permanent), in either case that restrains, enjoins or otherwise prohibits consummation of or dissolves the Arrangement or the other transactions contemplated by the Arrangement Agreement.

The foregoing conditions are for the mutual benefit of ExxonMobil and the Purchaser, on the one hand, and Celtic, on the other hand, and may be waived by the Purchaser (on its own behalf and on behalf of ExxonMobil) or Celtic, in each case in its sole discretion, in whole or in part, at any time without prejudice to any other rights which such Party may have.

Additional Conditions in Favour of the Purchaser Parties

The Arrangement Agreement provides that the obligation of the Purchaser Parties to consummate the transactions contemplated thereby, and in particular the Arrangement, is subject to the following conditions:

(a) *Representations and Warranties.* The representations and warranties of Celtic and Kelt set forth in the Arrangement Agreement will be true and correct ((i) for representations and warranties qualified as to materiality and for the representations and warranties in subsections 4.2(a), (b), (c), (d), (i)(i)(A) and (w)(ii)

and Section 4.3 of the Arrangement Agreement, true and correct in all respects; and (ii) for all other representations and warranties, true and correct in all material respects) as of the date of the Arrangement Agreement and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which will be determined as of that specified date, and it being understood that the number of Celtic Shares outstanding may increase from the number outstanding on the date of the Arrangement Agreement solely as a result of the exercise of the Celtic Options as permitted therein or conversion of the Celtic Debentures into Celtic Shares, but only to the extent that such Celtic Options or Celtic Debentures are specifically described in subsection 4.2(d) of the Arrangement Agreement), and each of Celtic and Kelt will have provided to ExxonMobil and the Purchaser a certificate of two senior officers or authorized signatories certifying such accuracy.

(b) *Covenants.* Celtic and Kelt will have complied in all material respects with their respective covenants in the Arrangement Agreement, and each of Celtic and Kelt will have provided to ExxonMobil and the Purchaser a certificate of two senior officers or authorized signatories certifying compliance with such covenants.

(c) *No Material Adverse Change.* Between October 16, 2012 and the Effective Time, there will not have occurred any Material Adverse Change with respect to Celtic.

(d) *No Action.* No act, action, suit, proceeding, objection or opposition shall have been commenced, pending, threatened, taken, entered or promulgated before or by any Governmental Entity or by any other Person, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, in any case: (i) to cease trade, enjoin, prohibit or impose material conditions on the Arrangement or the transactions contemplated therein or the Arrangement Agreement (including any matters described in subsections 3.6(f)(iii) or (iv) of the Arrangement Agreement); (ii) to cease trade, enjoin, prohibit or impose material conditions on the rights of ExxonMobil or the Purchaser to own or exercise full rights of ownership of the Celtic Shares, including the rights to vote the Celtic Shares, upon the completion of the Arrangement or conduct the business conducted by Celtic; (iii) to prohibit or restrict the completion of the Arrangement in accordance with the terms thereof or otherwise relating to the Arrangement; or (iv) that would have a Material Adverse Effect, or would materially adversely affect ExxonMobil and its Subsidiaries, taken as a whole.

(e) *Dissent Rights.* Holders of Celtic Shares representing not more than 5.0% of the Celtic Shares then outstanding will have validly exercised, and not withdrawn, Dissent Rights.

(f) *Kelt Conveyance Agreement and Specific Conveyances.* The Kelt Conveyance Agreement and, subject to Section 2.3(e) of the Arrangement Agreement and the terms of the Kelt Conveyance Agreement, the Specific Conveyances, and all agreements and documents ancillary thereto, all in a form satisfactory to the Purchaser, acting reasonably, shall have been duly executed and delivered by Celtic and Kelt, as applicable, and ExxonMobil and the Purchaser shall be satisfied, acting reasonably, that the transactions contemplated therein will be completed concurrently with, or immediately following, the Effective Time.

(g) *Celtic Options.* ExxonMobil and the Purchaser shall have received the Option Exercise Agreements, in a form satisfactory to the Purchaser, acting reasonably, duly executed by all holders of Celtic Options, and pursuant thereto, all Celtic Options shall have been exercised or terminated.

(h) *Non-Competition and Non-Solicitation Agreements*. The Non-Competition and Non-Solicitation Agreements, each in a form satisfactory to the Purchaser, acting reasonably, shall have been duly executed and delivered by Kelt, Celtic and the executive officers of Celtic party thereto.

The foregoing conditions are for the exclusive benefit of ExxonMobil and the Purchaser and may be asserted by the Purchaser (on its own behalf and on behalf of ExxonMobil) regardless of the circumstances or may be waived by the Purchaser (on its own behalf and on behalf ExxonMobil), in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which ExxonMobil and the Purchaser may have.

Additional Conditions in Favour of the Corporation and Kelt

The Arrangement Agreement provides that the obligation of the Corporation and Kelt to consummate the transactions contemplated thereby, and in particular the Arrangement, is subject to the following conditions:

(a) *Representations and Warranties.* The representations and warranties of ExxonMobil and the Purchaser set forth in the Arrangement Agreement will be true and correct (for representations and warranties qualified as to materiality and for the representations and warranties in subsections 4.1(a), (b) and (c)(i) of the Arrangement Agreement, true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the date of the Arrangement Agreement and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which will be determined as of that specified date), and each of ExxonMobil and the Purchaser will have provided to Celtic and Kelt a certificate of two senior officers or authorized signatories certifying such accuracy.

(b) *Covenants.* Each of ExxonMobil and the Purchaser will have complied in all material respects with its covenants in the Arrangement Agreement, and each of ExxonMobil and the Purchaser will have provided to Celtic and Kelt a certificate of two senior officers or authorized signatories certifying compliance with such covenants.

(c) *Deposit of Funds.* The Purchaser shall have deposited or caused to be deposited in escrow with the Depositary not less than one Business Day prior to the Effective Date the aggregate amount that will be payable to the applicable Celtic Securityholders under the Arrangement, and Celtic shall have received written confirmation of the receipt of such funds by the Depositary.

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

Termination of the Arrangement Agreement

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

(a) by mutual written consent of the Parties;

(b) by either the Purchaser or Celtic, if the Arrangement Resolution shall have failed to receive the Shareholders' Vote at the Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order;

(c) by either the Purchaser or Celtic, if the Effective Time shall not have occurred on or prior to the Outside Date, except that the right to terminate the Arrangement Agreement under subsection 8.1(a)(iii) of the Arrangement Agreement shall not be available to any Party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;

(d) as provided in Section 5.4 of the Arrangement Agreement; provided that the Party seeking termination is not then in breach of the Arrangement Agreement so as to cause any of the conditions set forth in Sections 5.1, 5.2 and 5.3 of the Arrangement Agreement, as applicable, not to be satisfied;

(e) by the Purchaser upon the occurrence of a Damages Event; or

(f) by Celtic if it accepts, recommends, approves or enters into an agreement to implement a Superior Proposal; provided that Celtic: (A) has complied with its Non-Solicitation Covenants; and (B) concurrently pays the Termination Fee to the Purchaser.

If the Arrangement Agreement is terminated in accordance with the foregoing provisions, the Arrangement Agreement will forthwith become void and no Party will have any further liability or obligation to the other Party

under the Arrangement Agreement except as provided in Article 6 of the Arrangement Agreement (provided the right of payment thereunder (being, in the case of Section 6.1(c) of the Arrangement Agreement, the public announcement or making of an Acquisition Proposal arising prior to the termination of the Arrangement Agreement), subsection 8.1(b), subsections 3.3(i), 3.3(j), 3.9, 9.1, 10.2, 10.4, 10.5, 10.8, 10.11, 10.12 of the Arrangement Agreement and each Party's obligations under the Confidentiality Agreement, which will survive such termination. Notwithstanding the foregoing, nothing contained in subsection 8.1(b) of the Arrangement Agreement shall relieve any Party from liability for any fraud or, subject to Section 6.2 of the Arrangement Agreement, breach of any provision of the Arrangement Agreement.

Termination Fee in Favour of the Purchaser Parties

The Arrangement Agreement specifies that, if at any time after the execution of the Arrangement Agreement:

(a) and provided that there is no unresolved material breach or material non-compliance by ExxonMobil or the Purchaser of or with any of their respective covenants, representations or warranties under the Arrangement Agreement (which breach or non-compliance would entitle Celtic to terminate the Arrangement Agreement as provided in subsection 8.1(a)(iv) of the Arrangement Agreement), the Celtic Board fails to unanimously recommend that the Celtic Securityholders vote in favour of the Arrangement or withdraws, amends, changes or qualifies, or resolves or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to the Purchaser, any of its recommendations or determinations referred to in subsection 4.2(lll) of the Arrangement Agreement;

(b) and provided that there is no unresolved material breach or material non-compliance by ExxonMobil or the Purchaser of or with any of their respective covenants, representations or warranties under the Arrangement Agreement (which breach or non-compliance would entitle Celtic to terminate the Arrangement Agreement as provided in subsection 8.1(a)(iv) of the Arrangement Agreement), the Celtic Board fails to publicly reaffirm any of its recommendations or determinations referred to in subsection 4.2(lll) of the Arrangement Agreement in accordance with subsection 3.5(f) of the Arrangement Agreement or within 72 hours of any written request to do so by the Purchaser (or, in the event that the Meeting to approve the Arrangement is scheduled to occur within such 72 hour period, prior to the Meeting);

(c) prior to the date of the Meeting, an Acquisition Proposal (or intention to make one) is publicly announced, proposed, offered or made and: (i) the Celtic Shareholders do not approve the Arrangement by the required Shareholders' Vote; (ii) the Arrangement is not submitted for their approval; or (iii) the Arrangement is not otherwise completed in the manner contemplated by the Arrangement Agreement; and (either prior to or following termination of the Arrangement Agreement) either any Acquisition Proposal is consummated or effected or Celtic (or any Subsidiary thereof) enters into a definitive agreement relating to any Acquisition Proposal within twelve months of the date the first Acquisition Proposal is publicly announced, offered or made;

(d) Celtic or the Celtic Board accepts, recommends, approves or enters into a definitive agreement to implement a Superior Proposal; or

(e) Celtic or Kelt is in breach or non-compliance with any of its covenants made in the Arrangement Agreement, which breach or non-compliance individually or in the aggregate gives rise to, or would result in, at such time, the failure of a condition in Section 5.1 or 5.2 of the Arrangement Agreement (after giving effect to any cure period provided in Section 5.4 of the Arrangement Agreement);

(each of the above being a "**Damages Event**"), then in the event of the termination of the Arrangement Agreement pursuant to Article 8 of the Arrangement Agreement, Celtic will pay to the Purchaser (or to whom the Purchaser may direct in writing) $90.0 million (the "**Termination Fee**"), as liquidated damages in immediately available funds to an account designated by the Purchaser within one Business Day after the first to occur of the events described above; provided that, in the case of a Damages Event pursuant to paragraph (d) above, such payment shall be made by Celtic to the Purchaser concurrently with the acceptance, recommending, approving or entering into of the Superior Proposal by Celtic. Following a Damages Event, but prior to payment of the Termination Fee, Celtic will and will be deemed to hold such payment in trust for the Purchaser. Payment of the Termination Fee is the sole remedy of the Purchaser Parties in respect of the event giving rise to the payment; provided, however, that this

limitation will not apply in the event of fraud or wilful or intentional breach of the Arrangement Agreement by Celtic or Kelt. The foregoing shall not preclude ExxonMobil and the Purchaser from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of Celtic or Kelt set forth in the Arrangement Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith, in accordance with Section 10.9 of the Arrangement Agreement.

Expense Reimbursement in Favour of the Corporation

The Arrangement Agreement specifies that if the Arrangement Agreement is terminated by Celtic or Kelt as a result of either ExxonMobil or the Purchaser being in breach or non-compliance with any of its covenants made in the Arrangement Agreement, which breach or non-compliance individually or in the aggregate gives rise to, or would result in, at such time, the failure of a condition in Section 5.1 or 5.3 of the Arrangement Agreement (after giving effect to any cure period provided in Section 5.4 of the Arrangement Agreement), the Purchaser shall reimburse Celtic for its out-of-pocket expenses incurred directly in connection with the entering into of the Arrangement Agreement and the proposed completion of the transactions contemplated thereunder, to a maximum of $10.0 million. The Purchaser shall reimburse Celtic for such expenses as soon as practicable after being provided with evidence of payment of such expenses by Celtic. For greater certainty, and subject to Section 10.12 of the Arrangement Agreement, ExxonMobil and the Purchaser agree that such reimbursement expenses shall not derogate from, and shall be in addition to, any other rights or remedies to which Celtic may be entitled as a result of such a breach or non-compliance, and shall not preclude Celtic from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of ExxonMobil or the Purchaser set forth in the Arrangement Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith, in accordance with Section 10.9 of the Arrangement Agreement.

Amendment

The Arrangement Agreement may at any time and from time to time before or after the holding of the Meeting be amended by written agreement of the Parties without, subject to Applicable Laws, further notice to or authorization on the part of the Celtic Securityholders and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracies or modify any representation or warranty contained in the Arrangement Agreement or in any document delivered pursuant thereto;

(c) waive compliance with or modify any of the covenants contained in the Arrangement Agreement and waive or modify performance of any of the obligations of the Parties; or

(d) waive compliance with or modify any other conditions precedent contained in the Arrangement Agreement;

provided that no such amendment reduces or materially adversely affects the consideration to be received by Celtic Securityholders without approval by the affected Celtic Securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

ExxonMobil Guarantee

Pursuant to the Arrangement Agreement, ExxonMobil unconditionally and irrevocably guaranteed in favour of Celtic the due and punctual performance by the Purchaser of each and every covenant and obligation of the Purchaser arising under the Arrangement Agreement and the Arrangement or any agreements entered into by the Purchaser in connection with or ancillary to or to effect any transaction contemplated by the Arrangement Agreement or the Arrangement, including, without limitation, the due and punctual payment of the consideration required to acquire the Celtic Securities pursuant to the Arrangement and the due and punctual payment of any indemnity required to be paid by the Purchaser thereunder. ExxonMobil further agreed that Celtic will not have to proceed first against the Purchaser before exercising its rights under such guarantee against ExxonMobil.

Celtic Guarantee

Pursuant to the Arrangement Agreement, prior to the Effective Time, Celtic unconditionally and irrevocably guaranteed in favour of ExxonMobil and the Purchaser the due and punctual performance by Kelt of each and every covenant and obligation of Kelt arising under the Arrangement Agreement, the Arrangement or any agreements entered into by Kelt in connection with, ancillary to or to effect any transaction contemplated by the Arrangement Agreement or the Arrangement. The foregoing guarantee shall in no manner survive or be effective following the Effective Time. Celtic further agreed that neither ExxonMobil nor the Purchaser shall have to proceed first against Kelt before exercising their respective rights under such guarantee against Celtic.

KELT CONVEYANCE AGREEMENT

The following is a summary only of the material terms of the Kelt Conveyance Agreement. Celtic Securityholders are urged to read the Kelt Conveyance Agreement, which will be substantially in the form attached as Schedule "D" to the Arrangement Agreement which is attached as Appendix C to this Information Circular.

Conveyance of the Kelt Assets

The completion of the Arrangement is conditional upon Celtic and Kelt entering into the Kelt Conveyance Agreement, in a form satisfactory to the Purchaser, acting reasonably, whereby Celtic will transfer all of the Kelt Assets to Kelt on an "as is, where is" basis and without relying on any representations or warranties, on the Effective Date. See "*The Arrangement Agreement – Conditions of Closing*".

The Consideration

As consideration for the transfer of the Kelt Assets, Kelt will provide to Celtic consideration equal to the fair market value of the Kelt Assets (the "**Conveyance Consideration**"), payable by the issuance of Kelt Shares as contemplated by the Arrangement Agreement and pursuant to the Plan of Arrangement.

Pursuant to the Kelt Conveyance Agreement, all benefits and obligations of any kind and nature relating to the Kelt Assets, other than income taxes, shall be adjusted between Kelt and Celtic as of the Effective Time. The adjustments shall not constitute an increase or decrease, as the case may be, to the Conveyance Consideration. Notwithstanding the foregoing, all obligations of any kind arising as a result of the implementation and performance by Celtic of the matters provided for in the Kelt Asset Budget (as defined in the Kelt Conveyance Agreement) shall be for the sole account of Kelt and Kelt shall be liable for such obligations.

All adjustments shall be settled by payment to or by Celtic and Kelt, as the case may be, as soon as practicable after the conveyance of the Kelt Assets from Celtic to Kelt pursuant to the Kelt Conveyance Agreement.

Indemnified Liabilities

Pursuant to the Kelt Conveyance Agreement, Kelt will agree to assume, pay, discharge, and perform all Indemnified Liabilities, including without limitation: (a) those Losses and Liabilities (as such terms are defined in the Kelt Conveyance Agreement, which for clarity, includes Losses or Liabilities in respect of the Kelt Assets which were incurred or accrued before, on or after the Effective Date) attributable to periods after the conveyance of the Kelt Assets from Celtic to Kelt pursuant to the Kelt Conveyance Agreement under each of the Title and Operating Documents or otherwise relating to or arising with respect to the Kelt Assets; and (b) all Kelt Transaction Expenses. Kelt will also, following the conveyance of the Kelt Assets from Celtic to Kelt pursuant to the Kelt Conveyance Agreement, promptly satisfy and pay all of the Indemnified Liabilities (to the extent due and payable), including all Kelt Transaction Expenses. Finally, Kelt will indemnify Celtic in respect of certain tax matters.

See also "*General Development of the Business – The Kelt Conveyance Agreement*" in Appendix F – "*Information Concerning Kelt*".

PRINCIPAL LEGAL MATTERS

Court Approval and Completion of the Arrangement

An arrangement under the ABCA requires Court approval. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approval*".

Assuming that the Final Order is granted, and that the other conditions set forth in the Arrangement Agreement are satisfied or waived by the Party or Parties for whose benefit they exist, then the Articles of Arrangement will be filed with the Registrar to give effect to the Arrangement and all other arrangements and documents necessary to complete the Arrangement will be delivered as soon as reasonably practicable thereafter. Subject to receipt of the Final Order and the satisfaction of the other conditions to the completion of the Arrangement, Celtic currently expects the Effective Date of the Arrangement to occur in December 2012 or January 2013.

Canadian Securities Laws Matters

MI 61-101

The Corporation is a reporting issuer (or its equivalent) in all provinces of Canada and accordingly is subject to Applicable Securities Laws of such provinces that have adopted MI 61-101, being the provinces of Ontario and Québec.

MI 61-101 is intended to regulate certain transactions to ensure equality of treatment among securityholders, generally requiring enhanced disclosure, approval by a majority of securityholders excluding interested or related parties, independent valuations and, in certain instances, approval and oversight of the transaction by a special committee of independent directors. The protections of MI 61-101 generally apply to "business combinations" that terminate the interests of securityholders without their consent.

The Arrangement may be considered a "business combination" under MI 61-101 because the payments to and benefits to be received by officers and directors of Celtic described under the headings "*The Arrangement – Interests of Directors and Executive Officers in the Arrangement*" and "*Other Matters of Special Business Relating to Kelt – Private Placement*" may be considered a "collateral benefit" for the purposes of MI 61-101.

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

Each of the directors and officers of Celtic holds Celtic Shares and Celtic Options and certain directors and officers of Celtic hold Celtic Debentures. The Celtic Board has approved the vesting of all outstanding Celtic Options, conditional upon the Effective Time occurring, in order that all outstanding Celtic Options shall be fully vested and may be exercised in connection with the Arrangement. In addition, officers of Celtic will receive severance payments pursuant to their Employment Agreements as a result of the Arrangement. The accelerated vesting of Celtic Options and the receipt of severance amounts may be considered to be "collateral benefits" received by the applicable directors and officers of Celtic for the purposes of MI 61-101. See "*The Arrangement – Interests of Directors and Executive Officers in the Arrangement*" for information regarding the benefits and other payments to be received by each of the directors and officers of Celtic in connection with the Arrangement.

MI 61-101 expressly excludes benefits from being "collateral benefits" if such benefits are received solely in connection with the related party's services as an employee, director or consultant under certain circumstances, including where the related party beneficially owns or exercises control or direction over less than 1% of the outstanding securities at the time the Arrangement was agreed to and: (i) the benefit is not conferred for the purpose, in whole or in part, of increasing the value of the consideration paid to the related party for securities relinquished under the transaction; (ii) the conferring of the benefit is not, by its terms, conditional on the related party supporting the transaction is any manner; and (iii) full particulars of the benefit are disclosed in the disclosure document for the

transaction. Other than David J. Wilson, Eldon A. McIntyre and Neil G. Sinclair, each of the directors and officers of Celtic and their respective associated entities beneficially owned, or exercised control or direction over, less than 1% of the outstanding Celtic Shares at the relevant time (assuming the exercise of all Celtic Options and the conversion of all Celtic Debentures according to the terms of the Debenture Indenture).

Benefits are also expressly excluded from being "collateral benefits" if: (i) the related party discloses to an independent committee the amount of the consideration that the related party expects that it will be beneficially entitled to receive under the terms of the transaction in exchange for equity securities beneficially owned by the related party; (ii) the independent committee, acting in good faith, determines that the value of the benefit, net of any offsetting costs to the related party, is less than 5% of the value referred to in (i); and (iii) the independent committee's determination is disclosed in the disclosure document for the transaction.

An independent committee of the Celtic Board, consisting of Robert J. Dales and William C. Guinan, has determined that the value of any benefit to be received by Messrs. David J. Wilson, Eldon A. McIntyre and Neil G. Sinclair in connection with the Arrangement is less than 5% of the total value of the consideration they expect to be entitled to receive under the Arrangement in exchange for their respective securities and therefore that Messrs. David J. Wilson, Eldon A. McIntyre and Neil G. Sinclair will not receive a "collateral benefit" (as defined in MI 61-101).

Accordingly, the Arrangement is not considered a "business combination" under MI 61-101 and the minority approval requirements of MI 61-101 do not apply to the Arrangement.

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

Resale of Kelt Shares Received in the Arrangement

The Kelt Shares to be issued to Celtic Securityholders pursuant to the Arrangement will be issued in reliance on exemptions from the prospectus requirements of Applicable Securities Laws in Canada and will generally not be subject to any resale restrictions under Applicable Securities Laws in Canada (provided the conditions set out in subsection 2.6(3) of National Instrument 45-102 – *Resale of Securities*, are satisfied). Celtic Securityholders should consult with their own financial and legal advisors with respect to the tradability of Kelt Shares received on completion of the Arrangement.

United States Securities Laws Matters

The Kelt Shares issuable to Celtic Securityholders in exchange for their Celtic Securities under the Arrangement have not been and will not be registered under the U.S. Securities Act, and such securities will be issued in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Section 3(a)(10) thereof. Section 3(a)(10) exempts the issuance of securities issued in exchange for one or more bona fide outstanding securities from the general requirement of registration where the terms and conditions of the issuance and exchange of such securities have been approved by any court of competent jurisdiction, after a hearing upon the fairness of the terms and conditions of the issuance and exchange at which all persons to whom the securities will be issued have the right to appear and receive timely notice thereof. The Court is authorized to conduct a hearing at which the fairness of the terms and conditions of the Arrangement will be considered. The Court granted the Interim Order on November 15, 2012 and, subject to the approval of the Arrangement by the Celtic Shareholders, a hearing on the Arrangement will be held on December 14, 2012 by the Court.

The Kelt Shares to be received by Celtic Securityholders pursuant to the Arrangement will be freely tradable under the U.S. Securities Act, except by persons who are "affiliates" of Kelt after the Arrangement or were affiliates of Kelt within 90 days prior to completion of the Arrangement. Persons who may be deemed to be "affiliates" of an issuer include individuals or entities that control, are controlled by, or are under common control with, the issuer, whether through ownership of voting securities, by contract or otherwise, and generally include executive officers and directors of the issuer as well as principal shareholders of the issuer.

Any resale of such Kelt Shares by such an affiliate (or, if applicable, former affiliate) may be subject to the registration requirements of the U.S. Securities Act, absent an exemption therefrom. Subject to certain limitations, such affiliates (and former affiliates) may immediately resell such Kelt Shares outside the United States without registration under the U.S. Securities Act pursuant to and in accordance with Regulation S under the U.S. Securities Act. Such Kelt Shares may also be resold in transactions completed in accordance with Rule 144 under the U.S. Securities Act, if available.

The foregoing discussion is only a general overview of certain requirements of the U.S. Securities Act applicable to the resale of the Kelt Shares to be received upon completion of the Arrangement. **All holders of such securities are urged to consult with counsel to ensure that the resale of their securities complies with applicable securities legislation.**

Judicial Developments

The Plan of Arrangement will be implemented pursuant to Section 193 of the ABCA, which provides that, where it is impractical to effect an arrangement under any other provision of the ABCA, a corporation may apply to the Court for an order approving the arrangement proposed by such corporation. An application will be made by Corporation for approval of the Arrangement pursuant to this section of the ABCA. See "*The Arrangement – Procedure for the Arrangement Becoming Effective – Court Approval*". Although there have been a number of judicial decisions considering this section and applications to various arrangements, there have not been, to the knowledge of Celtic, any recent significant decisions that would apply in this instance**. Celtic Securityholders should consult their legal advisors with respect to the legal rights available to them in relation to the Arrangement.**

Other Required Regulatory Approvals

To the best knowledge of the Corporation, there are no filings, consents, waiting periods or approvals required to be made with, applicable to, or required to be received from any Governmental Entity in connection with the Arrangement except as described below and the Court's approval of the Final Order, which will be sought on or about December 14, 2012 and which is a condition to the completion of the Arrangement.

Investment Canada Approval

Under the Investment Canada Act, a transaction exceeding certain financial thresholds, and which involves the direct acquisition of control of a Canadian business by a non-Canadian, may be subject to review (a "**Reviewable Transaction**"), and in such a case the transaction generally cannot be implemented unless the Minister is satisfied that the transaction is "likely to be of net benefit to Canada". An application for review must be filed by the non-Canadian applicant with the Director of Investments appointed under Section 6 of the Investment Canada Act prior to the implementation of the Reviewable Transaction. The Minister is then required to determine whether the Reviewable Transaction is likely to be of net benefit to Canada taking into account, among other things, certain factors specified in the Investment Canada Act and any written undertakings that may have been given by the non-Canadian applicant. The Investment Canada Act contemplates an initial review period of up to 45 days after the date an application for review has been certified complete; however, if the Minister has not completed the review by that date, the Minister may unilaterally extend the review period by up to 30 days, or any longer period agreed to by the Minister and the non-Canadian applicant, to permit completion of the review.

The Arrangement is a Reviewable Transaction.

Competition Act Approval

The Arrangement is a "notifiable transaction" for the purposes of Part IX of the Competition Act. On November 6, 2012, the Purchaser and the Corporation filed a letter requesting that the Commissioner issue an ARC or, in the event the Commissioner will not issue an ARC, confirmation in writing, that he does not, at that time, intend to make an application under Section 92 of the Competition Act in respect of the transactions contemplated by the Arrangement on terms and conditions satisfactory to the Parties, each acting reasonably, together with a waiver of the Parties' obligations to file a pre-merger notification pursuant to subsection 113(c) of the Competition Act.

If the Commissioner issues an ARC and the Arrangement is substantially completed within one year after the ARC is issued, the Commissioner shall not apply to the Competition Tribunal under the merger provisions of the Competition Act in respect of the Arrangement solely on the basis of information that is the same or substantially the same as the information on the basis of which the ARC was issued. Upon the issuance of the ARC, the parties to a "notifiable transaction" are legally entitled to complete their transaction. Alternatively, the Commissioner may issue a "no action letter" indicating that he is of the view that grounds do not exist to initiate proceedings before the Competition Tribunal under the merger provisions of the Competition Act with respect to the Arrangement, while preserving the authority to do so for one year following completion of the Arrangement should circumstances change. Where an ARC has not been issued and the parties have filed the required information under Section 114 of the Competition Act (which information, as of the date of the this Information Circular, has not been filed), the statutory waiting period before which the parties may, under the Competition Act, complete the Arrangement is 30 days after the day on which the parties filed the required information to the Commissioner. At the end of this period, under the Competition Act, the parties are legally entitled to complete the Arrangement provided that, before the end of the 30 day period, the Commissioner has not issued a Supplementary Information Request ("**SIR**") to the parties. Where a SIR has been issued, the parties cannot complete the Arrangement until 30 days after the day on which the parties have complied with the SIR, provided that the Competition Tribunal has not issued an order prohibiting closing. It is to be noted that the Commissioner's substantive assessment, including the issuance of a "no action letter", may extend beyond the statutory waiting period.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Borden Ladner Gervais LLP, counsel to the Corporation, the following summary describes the principal Canadian federal income tax considerations in respect of the Arrangement generally applicable to a Celtic Securityholder who, for purposes of the Tax Act, and at all relevant times, deals at arm's length with each of the Corporation, ExxonMobil and the Purchaser and is not affiliated with the Corporation, ExxonMobil or the Purchaser, holds Celtic Securities as capital property, and disposes of such Celtic Securities under the Arrangement (a "**Holder**").

Celtic Securities will generally be considered to be capital property to a Holder unless the Holder holds such Celtic Securities in the course of carrying on a business or the Holder acquired such Celtic Securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. Certain Canadian resident Holders whose Celtic Securities might not otherwise be considered capital property may, in certain circumstances, make an irrevocable election in accordance with subsection 39(4) of the Tax Act to have the Celtic Securities and all other "Canadian securities" as defined in the Tax Act owned by such Holder in the taxation year in which the election is made, and in all subsequent taxation years, deemed to be capital property. Holders should consult with their own tax advisors if they contemplate making such an election.

This summary is based upon the current provisions of the Tax Act and the regulations thereunder (the "**Regulations**") and counsel's understanding of existing case law and the published administrative practices of the Canada Revenue Agency ("**CRA**"). This summary also takes into account all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and assumes that all Tax Proposals will be enacted in the form proposed. However, there can be no assurance that the Tax Proposals will be enacted in their current form, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not take into account or anticipate any changes in law or administrative practice, whether by legislative, regulatory, administrative or judicial decision or action, nor does it take into account or consider other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from the Canadian federal income tax considerations described herein.

This summary is not applicable to: (a) a Holder that is a "financial institution" (for the purposes of the "mark-to-market" rules) or a "specified financial institution", each as defined in the Tax Act; (b) a Holder an interest in which would be a "tax shelter investment" within the meaning of the Tax Act; (c) a Holder whose "functional currency" for the purposes of the Tax Act is the currency of a country other than Canada; or (d) a Holder that acquired Celtic Shares pursuant to an equity-based employment compensation plan. Such Holders should consult their own tax advisors.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Celtic Securityholder. This summary is not exhaustive of all Canadian federal income tax considerations. Consequently, Celtic Securityholders are urged to consult their own tax advisors for advice regarding the income tax consequences to them of disposing of their Celtic Securities under the Arrangement, having regard to their own particular circumstances, and any other consequences to them of such transactions under Canadian federal, provincial, local and foreign tax laws. No advance income tax ruling has been obtained from the CRA to confirm the tax consequences of the Arrangement to Celtic Securityholders.

Holders Resident in Canada

The following portion of the summary is generally applicable to a Holder who, for purposes of the Tax Act and any applicable income tax treaty or convention, and at all relevant times, is resident or deemed to be resident in Canada (a "**Resident Holder**").

Conversion of Celtic Debentures under the Arrangement

Under the Arrangement, Celtic Debentures will be converted into Celtic Shares and any accrued and unpaid interest shall be paid to the Celtic Debentureholders in cash. The conversion of a Celtic Debenture into Celtic Shares under the Arrangement by a Resident Holder will not constitute a disposition of the Celtic Debenture for Canadian federal income tax purposes and will not result in the realization by the Holder of a capital gain (or capital loss). The aggregate cost to a Resident Holder of the Celtic Shares acquired on the conversion of a Celtic Debenture will generally be equal to the adjusted cost base of the Celtic Debentures at the time of the conversion. Such Celtic Shares will then be transferred to the Purchaser under the Arrangement with the consequences described below under the heading "– *Disposition of Celtic Shares under the Arrangement*".

Upon the conversion of a Celtic Debenture under the Arrangement, interest accrued and unpaid thereon and paid to the Holder thereof to the date of conversion, together with the Notional Interest, must be included in computing the income of the Holder for the taxation year in which the Arrangement occurs, except to the extent that such interest was otherwise included in the income of the Holder for a previous year.

Disposition of Celtic Shares under the Arrangement

Under the Arrangement, Resident Holders will transfer their Celtic Shares (including Celtic Shares acquired upon conversion of the Celtic Debentures as described above) to the Purchaser in consideration for a cash payment by the Purchaser of the Celtic Share Consideration and the transfer by the Purchaser of one-half (1/2) of a Kelt Share per Celtic Share, and will realize a capital gain (or a capital loss) equal to the amount by which the cash payment and the fair market value of the Kelt Shares exceed (or are less than) the aggregate of the adjusted cost base to the Resident Holder of such Celtic Shares and any reasonable costs of disposition. The taxation of capital gains and capital losses is discussed below under the heading "– *Capital Gains and Capital Losses*".

It is a question of fact what the fair market value of the Kelt Shares is at the time those shares are transferred from the Purchaser to the Celtic Shareholders. **Celtic Shareholders are urged to speak with their tax advisors regarding the value they should report in respect of the Kelt Shares they receive.**

In the case of a Resident Holder that is a corporation, trust or partnership, the amount of any capital loss otherwise determined resulting from the disposition of Celtic Shares may be reduced by the amount of dividends previously received or deemed to be received to the extent and under the circumstances prescribed in the Tax Act.

Resident Holders will be deemed to acquire their Kelt Shares at a cost equal to the fair market value of the Kelt Shares.

Dissenting Resident Holders

A Resident Holder who dissents from the Arrangement (a "**Dissenting Resident Holder**") will be deemed to have transferred such Holder's Celtic Securities to the Corporation, and will be entitled to receive a payment from the Corporation of an amount equal to the fair value of the Holder's Celtic Securities.

Dissenting Resident Holders of Celtic Shares

In the case of a Dissenting Resident Holder of Celtic Shares, such Holder will be deemed to have received a taxable dividend equal to the amount by which the amount received from the Corporation for such Holder's Celtic Shares, less an amount in respect of interest, if any, awarded by the Court, exceeds the paid-up capital of such Celtic Shares (as determined under the Tax Act). Any such deemed dividend will not be an eligible dividend for the purposes of the enhanced gross-up and dividend tax credit rules.

Where a Dissenting Resident Holder of Celtic Shares is an individual, any deemed dividend will be included in computing that Dissenting Resident Holder's income and will be subject to the gross-up and dividend tax credit rules normally applicable to dividends (other than eligible dividends) received from taxable Canadian corporations. The deemed dividend will not be an eligible dividend because it will not be designated as such by Celtic.

In the case of a Dissenting Resident Holder of Celtic Shares that is a corporation, any deemed dividend will be included in income and generally will be deductible in computing taxable income. However, in some circumstances, the amount of any such deemed dividend realized by a corporation may be treated as proceeds of disposition and not as a dividend. "Private corporations" and "subject corporations" (as defined in the Tax Act) may be liable for refundable Part IV tax on any dividends received.

A Dissenting Resident Holder of Celtic Shares will also be considered to have disposed of the Celtic Shares for proceeds of disposition equal to the amount paid to such Dissenting Resident Holder less an amount in respect of interest, if any, awarded by the Court and the amount of any deemed dividend. Dissenting Resident Holders of Celtic Shares may realize a capital gain or sustain a capital loss in respect of such disposition. The taxation of capital gains and capital losses is discussed below under the heading "– *Capital Gains and Capital Losses*".

Any interest awarded by the Court to a Dissenting Resident Holder of Celtic Shares will be included in such Holder's income for the purposes of the Tax Act.

Dissenting Resident Holders of Celtic Debentures

In the case of a Dissenting Resident Holder of Celtic Debentures, such Holder will realize a capital gain (or capital loss) equal to the amount by which the amount received by the Dissenting Resident Holder (other than interest) exceeds (or is less than) the aggregate of the adjusted cost base of the Celtic Debenture and any reasonable costs of disposition. Any interest accrued and unpaid on a Dissenting Resident Holder's Celtic Debentures to the date of the Arrangement, and any interest awarded by a Court, must be included in such Holder's income for the taxation year in which the Arrangement occurs, except to the extent that such interest was otherwise included in the income of the Holder for a previous year. Resident Holders who intend to dissent from the Arrangement are urged to consult their own tax advisors.

Capital Gains and Capital Losses

Generally, a Resident Holder is required to include in computing its income for a taxation year one-half of the amount of any capital gain (a "**taxable capital gain**") realized in such taxation year. Subject to and in accordance with the provisions of the Tax Act, a Resident Holder is required to deduct one-half of the amount of any capital loss (an "**allowable capital loss**") realized in a taxation year from taxable capital gains realized by the Resident Holder in the year. Allowable capital losses in excess of taxable capital gains may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against net taxable capital gains realized in such years to the extent and in the circumstances described in the Tax Act. Allowable capital losses may generally not be deducted against forms of income other than taxable capital gains.

Capital gains realized by individuals and certain trusts may give rise to a liability for alternative minimum tax under the Tax Act.

Additional Refundable Tax

A Resident Holder, including a Dissenting Resident Holder, that is throughout the year a "Canadian-controlled private corporation" as defined in the Tax Act may be liable to pay an additional refundable tax of 6⅔% on certain investment income, including taxable capital gains and interest.

Holders Not Resident in Canada

The following portion of the summary is generally applicable to a Holder who, for the purposes of the Tax Act and any applicable income tax treaty or convention, and at all relevant times, is not and has not been a resident or deemed to be a resident of Canada and does not use or hold, and is not deemed to use or hold, Celtic Securities in connection with carrying on a business in Canada (a "**Non-Resident Holder**"). Special rules, which are not discussed in this summary, apply to a non-resident that is an insurer carrying on business in Canada and elsewhere.

Conversion of Celtic Debentures under the Arrangement

The conversion of a Celtic Debenture into Celtic Shares under the Arrangement by a Non-Resident Holder will not constitute a disposition of the Celtic Debenture for Canadian federal income tax purposes and will not result in the realization by the Holder of a capital gain (or capital loss).

The aggregate cost to a Non-Resident Holder of the Celtic Shares acquired on the conversion of a Celtic Debenture will generally be equal to the adjusted cost base of the Celtic Debenture. Under the Arrangement, the Celtic Shares received on such conversion will be transferred by the Non-Resident Holder to the Purchaser, with the consequences described below under the heading "*– Disposition of Celtic Shares under the Arrangement*".

Any interest paid to a Non-Resident Holder under the Arrangement in respect of a Celtic Debenture will not be subject to Canadian withholding tax.

Disposition of Celtic Shares under the Arrangement

A Non-Resident Holder who disposes of Celtic Shares (including Celtic Shares acquired upon conversion of the Celtic Debentures as described above) under the Arrangement will realize a capital gain or a capital loss computed in the manner described above under the heading "*Holders Resident in Canada – Disposition of Celtic Shares under the Arrangement*". A Non-Resident Holder will not be subject to tax under the Tax Act on any capital gain, or entitled to deduct any capital loss, realized on the disposition of Celtic Shares to the Purchaser under the Arrangement unless such Celtic Shares constitute "taxable Canadian property" to the Non-Resident Holder and do not constitute "treaty-protected property". See the discussion below under the heading "*– Taxable Canadian Property*".

Taxable Canadian Property

Generally, the Celtic Securities will not be taxable Canadian property to a Non-Resident Holder at the time of disposition provided that: (a) the Non-Resident Holder, persons with whom the Non-Resident Holder does not deal at arm's length, or the Non-Resident Holder together with such persons, did not own 25% or more of the issued Celtic Shares at any time during the 60-month period immediately preceding that time; and (b) such Celtic Securities are not otherwise deemed to be taxable Canadian property for purposes of the Tax Act.

Even if the Celtic Securities are taxable Canadian property to a Non-Resident Holder, a taxable capital gain resulting from the disposition of Celtic Securities will not be included in computing the Non-Resident Holder's income for the purposes of the Tax Act if the Celtic Securities constitute "treaty-protected property". Celtic Securities owned by a Non-Resident Holder will generally be treaty-protected property if the gain from the disposition of such Celtic Securities would, because of an applicable income tax treaty, be exempt from tax under the Tax Act. In the event that Celtic Securities constitute taxable Canadian property but not treaty-protected property to a particular

Non-Resident Holder, the tax consequences as described above under "*Holders Resident in Canada – Conversion of Celtic Debentures Under the Arrangement*", "*Holders Resident in Canada – Disposition of Celtic Shares Under the Arrangement*" and "*Holders Resident in Canada – Capital Gains and Capital Losses*" will generally apply.

Dissenting Non-Resident Holders

A Non-Resident Holder who dissents from the Arrangement (a "**Dissenting Non-Resident Holder**") will be deemed to have transferred such Holder's Celtic Securities to the Corporation, and will be entitled to receive a payment from the Corporation of an amount equal to the fair value of the Holder's Celtic Securities. Non-Resident Holders who intend to dissent from the Arrangement are urged to consult their own tax advisors.

Dissenting Non-Resident Holders of Celtic Shares

In the case of a Dissenting Non-Resident Holder of Celtic Shares, such Holder will be deemed to have received a taxable dividend equal to the amount by which the amount received from the Corporation for such Holder's Celtic Shares, less an amount in respect of interest, if any, awarded by the Court, exceeds the paid-up capital of such Celtic Shares (as determined under the Tax Act). The amount of the dividend will be subject to Canadian withholding tax at the rate of 25% of the gross amount of the dividend unless the rate is reduced under the provisions of an applicable income tax convention between Canada and the Dissenting Non-Resident Holder's country of residence.

A Dissenting Non-Resident Holder of Celtic Shares will also be considered to have disposed of the Celtic Shares for proceeds of disposition equal to the amount paid to such Dissenting Non-Resident Holder less an amount in respect of interest, if any, awarded by the Court and the amount of any deemed dividend, and will be subject to tax under the Tax Act on any gain realized as a result if such shares constitute "taxable Canadian property" as discussed above under the heading "*Holders Not Resident in Canada – Disposition of Celtic Shares Under the Arrangement*", unless relief is provided under an income tax treaty or convention between Canada and the Dissenting Non-Resident Holder's country of residence.

Dissenting Non-Resident Holders of Celtic Debentures

In the case of a Dissenting Non-Resident Holder of Celtic Debentures, such Holder will not be subject to Canadian tax on the amount received from the Corporation in respect of such Celtic Debentures.

Any interest paid or deemed to be paid to a Dissenting Non-Resident Holder in respect of a Celtic Debenture, including interest awarded by the Court, will not be subject to Canadian withholding tax.

CERTAIN UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations applicable to a U.S. Holder (as defined below) of Celtic Shares or Celtic Debentures arising from the Arrangement. This summary does not address the tax considerations of holding and disposing of Kelt Shares. This summary is for general information purposes only and does not purport to be a complete analysis or listing of all potential U.S. federal income tax considerations that may apply to a U.S. Holder as a result of the Arrangement. Except as specifically set forth below, this summary does not discuss applicable income tax reporting requirements. In addition, this summary does not take into account the individual facts and circumstances of any particular U.S. Holder that may affect the U.S. federal income tax considerations applicable to a U.S. Holder. Accordingly, this summary is not intended to be, and should not be construed as, legal or U.S. federal income tax advice with respect to any U.S. Holder. Moreover, this summary is not binding on the Internal Revenue Service (the "**IRS**") or the U.S. courts, and no assurance can be provided that the conclusions reached in this summary will not be challenged by the IRS or will be sustained by a U.S. court if so challenged. Celtic has not requested, and does not intend to request, a ruling from the IRS or an opinion from legal counsel regarding any of the U.S. federal income tax consequences of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement and the receipt, ownership and disposition of cash received in connection with the Arrangement.

TO ENSURE COMPLIANCE WITH U.S. TREASURY DEPARTMENT CIRCULAR 230, U.S. HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS DOCUMENT IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED

UPON BY A U.S. HOLDER, FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE; (B) THIS SUMMARY WAS WRITTEN IN CONNECTION WITH THE PROMOTION OR MARKETING OF THE TRANSACTIONS OR MATTERS ADDRESSED IN THIS DOCUMENT; AND (C) EACH U.S. HOLDER SHOULD SEEK ADVICE BASED ON SUCH U.S. HOLDER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISOR.

This summary is based on the Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations (final, temporary, and proposed), U.S. court decisions, published IRS rulings and published administrative positions of the IRS, and the Canada U.S. Treaty, that are applicable and, in each case, as in effect and available, as of the date of this document. Any of the authorities on which this summary is based could be changed in a material and adverse manner at any time, and any such change could be applied on a retroactive basis and could affect the U.S. federal income tax considerations described in this summary.

For purposes of this summary, a "**U.S. Holder**" is an owner of Celtic Shares or Celtic Debentures participating in the Arrangement that is (a) an individual who is a citizen or resident of the U.S. for U.S. federal income tax purposes, (b) a corporation, or other entity classified as a corporation for U.S. federal income tax purposes, that is created or organized in or under the laws of the U.S. or any state in the U.S., including the District of Columbia, (c) an estate if the income of such estate is subject to U.S. federal income tax regardless of the source of such income, or (d) a trust if (i) such trust has validly elected to be treated as a United Sates person for U.S. federal income tax purposes or (ii) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of such trust.

For purposes of this summary, a "**Non U.S. Holder**" is an owner of Celtic Shares or Celtic Debentures participating in the Arrangement that is not a U.S. Holder. This summary does not address the U.S. federal income tax considerations applicable to Non U.S. Holders arising from the Arrangement. Accordingly, a Non U.S. Holder should consult its own tax advisor regarding the potential U.S. federal, U.S. state and local, and foreign tax consequences (including the potential application of and operation of any tax treaties) of the Arrangement.

This summary does not address the U.S. federal income tax considerations of the Arrangement to U.S. Holders that are subject to special provisions under the Code, including U.S. Holders: (a) that are tax exempt organizations, qualified retirement plans, individual retirement accounts, or other tax deferred accounts; (b) that are financial institutions, insurance companies, real estate investment trusts, or regulated investment companies or that are broker dealers, dealers or traders in securities or currencies that elect to apply a mark to market accounting method; (c) that have a "functional currency" other than the U.S. dollar; (d) that own Celtic Shares or Celtic Debentures as part of a straddle, hedging transaction, conversion transaction, constructive sale, or other arrangement involving more than one position; (e) that acquired Celtic Shares or Celtic Debentures in connection with the exercise of employee stock options or otherwise as compensation for services; (f) that hold Celtic Shares or Celtic Debentures other than as a capital asset within the meaning of Section 1221 of the Code; (g) who are U.S. expatriates or former long term residents of the United States; and (h) that own, or will own after the Effective Time, directly, indirectly, or by attribution, 5% or more, by voting power or value, of the outstanding Celtic Shares. U.S. Holders that are subject to special provisions under the Code, including U.S. Holders described immediately above, should consult their own tax advisors regarding the U.S. federal, U.S. state and local, and foreign tax consequences of the Arrangement.

If an entity that is classified as a partnership (or "pass through" entity) for U.S. federal income tax purposes holds Celtic Shares or Celtic Debentures, the U.S. federal income tax consequences to such partnership (or "pass through" entity) and the partners of such partnership (or owners of such "pass through" entity) of participating in the Arrangement generally will depend on the activities of the partnership (or "pass through" entity) and the status of such partners (or owners). Partners of entities that are classified as partnerships (and owners of "pass through" entities) for U.S. federal income tax purposes should consult their own tax advisors regarding the U.S. federal income tax consequences of the Arrangement.

This summary does not address the U.S. state and local, U.S. federal alternative minimum tax, estate and gift, or foreign tax consequences to U.S. Holders of the Arrangement. Each U.S. Holder should consult its own tax advisor regarding the U.S. state and local, U.S. federal alternative minimum tax, estate and gift, and foreign tax consequences of the Arrangement.

U.S. Holders are urged to consult their tax advisors with respect to the U.S. federal, state and local tax consequences and the non U.S. tax consequences of the transaction, including the receipt of cash pursuant to the Arrangement.

Tax Consequences to U.S. Holders Relating to the Arrangement

Conversion of Celtic Debentures under the Arrangement

Pursuant to the Arrangement, all of the issued and outstanding Celtic Debentures (other than Celtic Debentures held by dissenting Celtic Debentureholders) will be converted into that number of Celtic Shares that a Celtic Debentureholder would be entitled to receive upon conversion of the Celtic Debentures in accordance with their terms, including the Make Whole Premium and a cash payment equal to any accrued and unpaid interest, together with the Notional Interest. Although there are no authorities addressing facts identical to the Arrangement and therefore the matter is not free from doubt, Celtic intends to take the position, and this summary assumes, that: (a) the tax treatment of the conversion of the Celtic Debentures under the Arrangement should be the same as a conversion of the Celtic Debentures under a Cash Change of Control (as defined under the Debenture Indenture); and (b) such conversion of the Celtic Debentures should not result in a taxable distribution to Celtic Debentureholders under Section 305 of the Code.

Under the Arrangement, Celtic Debentures will be converted into Celtic Shares and any accrued and unpaid interest, together with the Notional Interest, shall be paid to the Celtic Debentureholders in cash. The conversion of a Celtic Debenture into Celtic Shares under the Arrangement by a U.S. Holder should not constitute a disposition of the Celtic Debenture for U.S. federal income tax purposes and should not result in the realization by the Holder of a capital gain (or capital loss). The aggregate tax basis to a U.S. Holder of the Celtic Shares acquired on the conversion of a Celtic Debenture should generally be equal to the adjusted tax basis of the Celtic Debentures at the time of the conversion. The holding period of a U.S. Holder in the Celtic Shares acquired on the conversion of a Celtic Debenture will generally include such U.S. Holder's holding period for such Celtic Debenture. Such Celtic Shares will then be transferred to the Purchaser under the Arrangement with the consequences described below under the heading "– *Sale of Celtic Shares*".

Upon the conversion of a Celtic Debenture under the Arrangement, interest accrued and unpaid thereon and paid to the holder thereof to the date of conversion, together with the Notional Interest, will be included in computing the ordinary income of the U.S. Holder for the taxation year in which the Arrangement occurs, except to the extent that such interest was otherwise included in the income of the holder for a previous year.

Sale of Celtic Shares

U.S. Holders whose Celtic Shares (including Celtic Shares acquired upon the conversion of the Celtic Debentures as described above) are exchanged for cash and Kelt Shares pursuant to the Arrangement will recognize a gain or loss on such exchange for U.S. federal income tax purposes. The amount of gain or loss recognized will be equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the Celtic Shares exchanged. The "amount realized" will equal the fair market value of the cash and Kelt Shares received. Subject to the discussion of PFICs below, any gain or loss realized will be capital gain or loss and will be long term capital gain or loss if the Celtic Shares disposed of are held for more than one year. Preferential tax rates apply to long term capital gains of a U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to complex limitations under the Code.

Dissenting U.S. Holders

A U.S. Holder who dissents from the Arrangement (a "**Dissenting U.S. Holder**") will be deemed to have transferred such U.S. Holder's Celtic Securities to the Corporation, and will be entitled to receive a payment from the Corporation of an amount equal to the fair value of the U.S. Holder's Celtic Securities. A Dissenting U.S. Holder will recognize gain or loss on such transfer for U.S. federal income tax purposes. The amount of gain or loss recognized will be equal to the difference between the "amount realized" and the U.S. Holder's aggregate adjusted tax basis in the Celtic Securities exchanged. The "amount realized" will equal the fair market value of the cash received. Subject to the discussion of PFICs below, any gain or loss realized will be capital gain or loss and will be long term capital gain or loss if the respective Celtic Securities disposed of are held for more than one year.

Preferential tax rates apply to long term capital gains of a Dissenting U.S. Holder that is an individual, estate, or trust. Deductions for capital losses are subject to complex limitations under the Code.

Passive Foreign Investment Companies

Qualification

A foreign corporation generally will be considered a passive foreign investment company ("**PFIC**") if, for a given tax year, (a) 75% or more of the gross income of the corporation for such tax year is passive income or (b) 50% or more of the assets held by the corporation either produce passive income or are held for the production of passive income, based on the fair market value of such assets. With respect to sales by a corporation, "gross income" generally includes sales revenues less cost of goods sold, plus income from investments and from incidental or outside operations or sources. "Passive income" includes, for example, dividends, interest, certain rents and royalties, certain gains from the sale of stock and securities, and certain gains from commodities transactions. Active business gains arising from the sale of commodities generally are excluded from passive income if substantially all (85% or more) of a foreign corporation's commodities are stock in trade or inventory, depreciable property used in a trade or business or supplies regularly used or consumed in the ordinary course of its trade or business, and certain other requirements are satisfied.

For purposes of the PFIC income test and assets test described above, if a corporation owns, directly or indirectly, 25% or more of the total value of the outstanding shares of another corporation, the first corporation will be treated as if it (a) held a proportionate share of the assets of such other corporation and (b) received directly a proportionate share of the income of such other corporation. In addition, for purposes of the PFIC income test and assets test described above, "passive income" does not include any interest, dividends, rents, or royalties that are received or accrued by a corporation from a "related person", to the extent such items are properly allocable to the income of such related person that is not passive income.

In addition, if a corporation is a PFIC and owns shares of another foreign corporation that also is a PFIC (a "**Subsidiary PFIC**"), under certain indirect ownership rules, a disposition of the shares of the Subsidiary PFIC or a distribution received from the Subsidiary PFIC generally will be treated as an indirect disposition by a U.S. Holder or an indirect distribution received by a U.S. Holder. To the extent that gain recognized on the actual disposition by a U.S. Holder of shares of a corporation which is a PFIC or income recognized by a U.S. Holder on an actual distribution received on shares of a PFIC was previously subject to U.S. federal income tax under these indirect ownership rules, such amount generally should not be subject to U.S. federal income tax.

PFIC Status of Celtic

Based on available financial information, Celtic does not believe it has been a PFIC in any year of its existence and does not expect to be a PFIC for the tax year in which the Arrangement occurs. However, PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the taxable year in question and is determined annually. Additionally, the analysis depends, in part, on complex U.S. federal income tax rules which are subject to varying interpretations. Consequently, there can be no assurances regarding the PFIC status of Celtic for any prior tax year or the current year. If Celtic was a PFIC at any time during a U.S. Holder's holding period for the Celtic Shares, then the tax consequences of disposing of such shares, as discussed above, will be significantly modified, and generally worsened, by the PFIC rules discussed below.

Consequences of the Ownership and Disposition of Shares of a PFIC

Default PFIC Rules Under Section 1291 of the Code

A U.S. Holder of Celtic Shares would be subject to special, adverse tax rules in respect of the Arrangement if Celtic were classified as a PFIC for any taxable year during which a U.S. Holder holds or held Celtic Shares. In such event:

- any gain on the exchange of Celtic Shares for cash would be allocated ratably over such U.S. Holder's holding period for the Celtic Shares;

- the amount allocated to the current taxable year and any year prior to the first year in which Celtic was classified as a PFIC would be taxed as ordinary income in the current year;

- the amount allocated to each of the other taxable years would be subject to tax at the highest rate of tax in effect for the applicable class of taxpayer for that year; and

- an interest charge for a deemed deferral benefit would be imposed with respect to the resulting tax attributable to each of the other taxable years, which interest charge is not deductible by non corporate U.S. Holders.

The rules described above would not apply to the disposition of Celtic Shares if Celtic were a PFIC to a U.S. Holder that had made a "mark to market" election, or a qualified electing fund ("**QEF**") election with respect to its Celtic Shares. It is not expected that a U.S. Holder will have made or be able to make a QEF election because Celtic has not provided U.S. Holders with the information necessary to make a QEF election. Any U.S. Holder that made either such election should consult with its own tax advisor.

The PFIC rules are complex, and each U.S. Holder should consult its own tax advisor regarding the PFIC rules, the elections which may be available to it and how the PFIC rules may affect the U.S. federal income tax consequences relating to the ownership of the Celtic Shares and the Arrangement.

Other Tax Considerations

Foreign Tax Credit

A U.S. Holder that pays (whether directly or through withholding) Canadian income tax in connection with the Arrangement may be entitled, at the election of such U.S. Holder, to receive either a deduction or a tax credit for such Canadian income tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit will reduce a U.S. Holder's U.S. federal income tax liability on a dollar-for-dollar basis, whereas a deduction merely reduces a U.S. Holder's income subject to U.S. federal income tax. This election is made on a year by year basis and applies to all foreign taxes paid (whether directly or through withholding) by a U.S. Holder during a year.

There are significant and complex limitations that apply to the foreign tax credit, among which is the general limitation that the credit cannot exceed the proportionate share of a U.S. Holder's U.S. federal income tax liability that such U.S. Holder's "foreign source" taxable income bears to such U.S. Holder's worldwide taxable income. In the determination of the application of this limitation, various items of income and deduction must be classified into foreign and U.S. sources. Complex rules govern this classification process. Generally, gains recognized on the sale of stock or other securities of a foreign corporation by a U.S. Holder should be treated as U.S. source, except as otherwise provided in an applicable income tax treaty, and if an election is properly made under the Code, and interest income earned with respect to a Celtic Debenture will constitute foreign source income for this purpose. In addition, this limitation is calculated separately with respect to "passive income" and "general category income", i.e., income that is other than "passive income". The availability of the foreign tax credit and the application of the limitations on the credit are fact specific, and each U.S. Holder should consult its own U.S. tax advisor regarding its individual circumstances.

Receipt of Canadian Currency

The amount of any Canadian dollars received as a result of the Arrangement, generally will be equal to the U.S. dollar value of such Canadian dollars based on the exchange rate applicable on the date of receipt (regardless of whether such Canadian dollars are converted into U.S. dollars at that time). A U.S. Holder that receives Canadian dollars and converts such Canadian dollars into U.S. dollars at a conversion rate other than the rate in effect on the date of receipt may have a foreign currency exchange gain or loss, which generally would be ordinary income or loss, and generally will be U.S. source income or loss for foreign tax credit purposes.

Each U.S. Holder should consult its own U.S. tax advisor regarding the U.S. federal income tax consequences of receiving, owning, and disposing of Canadian dollars.

Information Reporting; Backup Withholding Tax

Payments of cash made to U.S. Holders participating in the Arrangement generally will be subject to U.S. federal information reporting and may be subject to backup withholding tax, currently at the rate of 28%, if a U.S. Holder (a) fails to furnish such U.S. Holder's correct U.S. taxpayer identification number (generally on Form W 9); or (b) fails to certify, under penalty of perjury, that such U.S. Holder has furnished its correct U.S. taxpayer identification number and that the IRS has not notified such U.S. Holder that it is subject to backup withholding tax. However, U.S. Holders that are corporations generally are excluded from these information reporting and backup withholding tax rules. Backup withholding is not an additional U.S. federal income tax. Any amounts withheld under the U.S. backup withholding tax rules will be allowed as a credit against a U.S. Holder's U.S. federal income tax liability, if any, or will be refunded to the extent it exceeds such liability, if such U.S. Holder furnishes required information to the IRS. A U.S. Holder that does not provide a correct U.S. taxpayer identification number may be subject to penalties imposed by the IRS. Each U.S. Holder should consult its own U.S. tax advisor regarding the information reporting and backup withholding tax rules.

RISK FACTORS

In evaluating whether to approve the Arrangement Resolution, Celtic Securityholders should carefully consider the following risk factors.

Risks Relating to the Arrangement

There can be no certainty that all conditions precedent to the Arrangement will be satisfied or waived, nor can there by any certainty of the timing of their satisfaction or waiver. Failure to complete the Arrangement could materially negatively impact the trading prices of the Celtic Shares and Celtic Debentures.

The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside of the control of the Corporation and the Purchaser Parties, including receipt of the Regulatory Approvals, approval of the Celtic Shareholders and the granting by the Court of the Final Order. There can be no certainty, nor can the Corporation nor the Purchaser Parties provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, Celtic expects that the market price of the Celtic Shares and Celtic Debentures will be adversely affected.

If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding as unsecured debt obligations of Celtic or its successor following Closing. In this situation, Celtic expects that the market price of the Celtic Debentures will be adversely affected.

Termination of the Arrangement Agreement

The Arrangement Agreement may be terminated by the Parties in certain circumstances. Accordingly, there is no certainty, nor can Celtic provide any assurance, that the Arrangement Agreement will not be terminated by any Party before the completion of the Arrangement. Failure to complete the Arrangement could materially negatively impact the trading prices of the Celtic Shares and the Celtic Debentures. Moreover, if the Arrangement Agreement is terminated, there is no assurance that the Celtic Board will be able to find a party willing to pay an equivalent or a more attractive price for Celtic Shares and Celtic Debentures than the price to be paid pursuant to the terms of the Arrangement Agreement.

Additional Risks Relating to Celtic Debentures Outstanding Following Completion of the Arrangement

Following completion of the Arrangement, there can be no assurances that Celtic's level of indebtedness will not materially increase as compared to Celtic's current level of indebtedness. If the Celtic Debentures remain outstanding following completion of the Arrangement, any such increase in Celtic's indebtedness may have a negative effect on the ability of Celtic to pay interest or any other amounts required to be paid on the Celtic Debentures, including upon conversion of the Celtic Debentures pursuant to their terms and the repayment of principal and a premium, if applicable, upon maturity or pursuant to any offer required to be made by Celtic to purchase the Celtic Debentures following the Effective Date.

Risks Relating to the Corporation

If the Arrangement is not completed, the Corporation will continue to face the risks that it currently faces with respect to its affairs, business and operations and future prospects. Such risk factors are set forth and described in the Corporation's Annual Information Form for the year ended December 31, 2011 which has been filed on SEDAR.

In addition, the failure of Celtic to comply with certain terms of the Arrangement Agreement may result in Celtic being required to pay the Termination Fee to the Purchaser, the result of which could have a material adverse effect on Celtic's financial position and results of operations and its ability to fund growth prospects and current operations.

Risks Relating to Kelt

General

An investment in Kelt should be considered highly speculative due to the nature of its activities and the stage of its development upon completion of the Arrangement. Kelt was incorporated for the purposes of participating in the Arrangement and acquiring the Kelt Assets and has not carried on any active business other than in connection with the Arrangement and related matters and as discussed in this Information Circular. Following completion of the Arrangement, Kelt will carry on the exploration for, and the development and production of, oil and natural gas in respect of the Kelt Assets. The risks and uncertainties set forth below and in Appendix F – "*Information Concerning Kelt – Risk Factors*" are not the only ones facing Kelt. Additional risks and uncertainties not presently known to Kelt or that Kelt currently considers immaterial may also impair the business and operations of Kelt and cause the price of the Kelt Shares to decline. If any of such risks actually occur, Kelt's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of the Kelt Shares could decline and purchasers of the Kelt Shares may lose all or part of their investment. Readers should carefully consider the risk factors in Appendix F – "*Information Concerning Kelt – Risk Factors*" in addition to the other information contained in Appendix F – "*Information Concerning Kelt*" and this Information Circular before investing in Kelt Shares.

Working Capital

The estimated available working capital and bank credit of Kelt upon completion of the Arrangement and the Private Placement and following establishment of the Credit Facility is inherently difficult to calculate and is dependent upon assumptions such as the completion of the Arrangement and the Private Placement and the establishment of the Credit Facility, future results of and expenditures by Celtic operations to the date of calculation, the costs of the Arrangement and other factors. The actual available working capital and bank credit of Kelt upon the completion of the Arrangement and the Private Placement and following establishment of the Credit Facility may be materially different than the current estimates and such a difference could have a material adverse effect on the financial position of Kelt and its ability to fund its exploration, development and production activities relating to the Kelt Assets. See Appendix F – "*Information Concerning Kelt – Risk Factors – Risks Relating to Kelt and the Kelt Assets – Working Capital*".

Failure to Achieve Stock Exchange Listing for Kelt Shares

Kelt has applied to list the Kelt Shares on the TSX. Listing is subject to Kelt fulfilling all of the requirements of the TSX. There can be no assurance that the TSX will list the Kelt Shares. See "*The Arrangement – Stock Exchange Listings – Kelt Shares*".

See also Appendix F – "*Information Concerning Kelt – Risk Factors – Risks Relating to an Investment in the Kelt Shares - No Prior Public Market for the Kelt Shares*".

Other Risks

For a complete description of the other risks relating to the business and operations of Kelt, see Appendix F – "*Information Concerning Kelt – Risk Factors*".

PROCEDURES FOR THE SURRENDER OF CELTIC SHARES AND CELTIC DEBENTURES AND RECEIPT OF CONSIDERATION

Procedures for Celtic Shareholders

The details of the procedures for the deposit of physical certificates representing Celtic Shares and the delivery by the Depositary of the Celtic Share Consideration and Kelt Shares payable to former registered Celtic Shareholders are set out in the Letter of Transmittal accompanying this Information Circular. Registered Celtic Shareholders who have not received a Letter of Transmittal should contact Valiant Trust Company at 310, 606 – 4th Street S.W., Calgary, Alberta T2P 1T1, by telephone at 1-866-313-1872 or by email at inquiries@valianttrust.com. The Letter of Transmittal will also be filed under Celtic's company profile at www.sedar.com.

Only registered Celtic Shareholders are required to submit a Letter of Transmittal. **If you are a Beneficial Shareholder holding your Celtic Shares through a nominee such as a broker or dealer, you should carefully follow any instructions provided to you by such nominee.**

Registered Celtic Shareholders must validly complete, duly sign and return the enclosed Letter of Transmittal together with the certificate(s) representing their Celtic Shares, to the Depositary at one of the offices specified in the Letter of Transmittal.

Registered Celtic Shareholders who deposit a validly completed and duly signed Letter of Transmittal, together with accompanying share certificate(s), will be forwarded the consideration to which they are entitled as soon as practicable after the later of the Effective Date and the date of receipt by the Depositary of the Letter of Transmittal and accompanying certificate(s) representing Celtic Shares. Once registered Celtic Shareholders surrender their share certificates, they will not be entitled to sell the Celtic Shares to which those certificates relate.

Registered Celtic Shareholders who do not forward to the Depositary a validly completed and duly signed Letter of Transmittal, together with their share certificate(s), will not receive the consideration to which they are otherwise entitled until deposit is made. Whether or not Celtic Shareholders forward their share certificate(s) upon the completion of the Plan of Arrangement on the Effective Date, Celtic Shareholders will cease to be shareholders of the Corporation as of the Effective Date and will only be entitled to receive the Celtic Share Consideration and Kelt Shares to which they are entitled under the Plan of Arrangement or, in the case of registered Celtic Shareholders who properly exercise Dissent Rights, the right to receive fair value for their Celtic Shares in accordance with Section 191 of the ABCA, as modified by the Interim Order.

The method of delivery of certificates representing Celtic Shares and all other required documents is at the option and risk of the person depositing their Celtic Shares. Any use of the mail to forward certificates representing Celtic Shares and/or the related Letters of Transmittal shall be at the election and sole risk of the person depositing Celtic Shares, and documents so mailed shall be deemed to have been received by the Corporation only upon actual receipt by the Depositary. If such certificates and other documents are to be mailed, the Corporation recommends that registered mail be used with proper insurance and an acknowledgement of receipt requested.

A cheque representing the aggregate Celtic Share Consideration and certificate(s) representing the Kelt Shares payable under the Arrangement to a former registered holder of Celtic Shares who has complied with the procedures set out above and in the Letter of Transmittal will be, as soon as practicable after the Effective Date and after the receipt of all required documents: (i) forwarded to the former Celtic Shareholder at the address specified in the Letter of Transmittal by first-class mail; or (ii) made available at the office of the Depositary at which the Letter of Transmittal and the certificate(s) representing Celtic Shares were delivered for pick-up by the Celtic Shareholder, as requested by the Celtic Shareholder in the Letter of Transmittal. If no address is provided on the Letter of Transmittal, cheque(s) and certificate(s) will be forwarded to the address of the holder as shown on the register maintained by the Transfer Agent. Under no circumstances will interest accrue or be paid by Celtic, the Purchaser, ExxonMobil or the Depositary on the Celtic Share Consideration or the Kelt Shares for the Celtic Shares to persons depositing Celtic Shares with the Depositary, regardless of any delay in making any payment for the Celtic Shares.

Where a certificate representing Celtic Shares has been lost or destroyed, the registered holder of that share certificate should immediately complete the Letter of Transmittal as fully as possible and forward it, together with an affidavit describing the loss, to the Depositary in accordance with instructions in the Letter of Transmittal. The

Depositary has been instructed to respond with replacement share certificate requirements, which are also set out in Section 4.2 of the Plan of Arrangement. A copy of the Plan of Arrangement is attached as Schedule "B" to the Arrangement Agreement, which is attached to this Information Circular as Appendix C. All required documentation must be completed and returned to the Depositary before a cheque will be issued.

The Depositary will act as the agent of persons who have deposited Celtic Shares pursuant to the Arrangement for the purpose of receiving the consideration to be paid to Celtic Shareholders pursuant to the Arrangement and transmitting it to such persons, and receipt of such consideration by the Depositary will be deemed to constitute receipt of payment by persons depositing Celtic Shares pursuant to the Arrangement.

Beneficial Shareholders whose Celtic Shares are registered in the name of an intermediary (a bank, trust company, securities broker, trustee or other nominee) should contact that intermediary for instructions and assistance in delivering those Celtic Shares.

Procedures for Celtic Debentureholders

The Celtic Debentures have been issued in "book-entry only" form. Accordingly, CDS & Co. is the sole registered holder of Celtic Debentures. If the Arrangement is completed with the participation of the Celtic Debentures, payment of the Celtic Share Consideration and Kelt Shares to which Celtic Debentureholders are entitled pursuant to the Arrangement will be made to CDS & Co., and CDS & Co. and the applicable participants will distribute the payment through the book-entry only system to the beneficial owners of the Celtic Debentures. Beneficial Celtic Debentureholders do not need to submit a letter of transmittal and should contact the broker, dealer, bank, trust company or other nominee through which they hold their Celtic Debentures if they have any questions concerning obtaining payment for their Celtic Debentures upon the completion of the Arrangement.

The Depositary will act as the agent of persons who have deposited Celtic Debentures pursuant to the Arrangement for the purpose of receiving the consideration to be paid to Celtic Debentureholders pursuant to the Arrangement and transmitting it to such persons, and receipt of such consideration by the Depositary will be deemed to constitute receipt of payment by persons depositing Celtic Debentures pursuant to the Arrangement.

Fractional Kelt Shares

No certificates representing fractional Kelt Shares shall be issued upon the exchange of the Celtic Shares or the right to receive any Kelt Shares for Celtic Shares (or upon the exchange of any other property or securities exchanged for Kelt Shares pursuant to the Plan of Arrangement). In lieu of any fractional Kelt Share, each registered Celtic Shareholder or other applicable Person otherwise entitled to a fractional interest in a Kelt Share will receive (and in the case of other applicable Persons otherwise entitled to a fractional interest in a Kelt Share pursuant to the events set forth in the Plan of Arrangement, will be deemed to receive) the next highest whole number of Kelt Shares; and for greater certainty, such procedure shall not apply in respect of beneficial holders holding through a broker, investment dealer or other nominee.

Cancellation of Rights of Celtic Securityholders

From and after the Effective Time, each certificate, agreement or other instrument (as applicable) that immediately prior to the Effective Time represented Celtic Securities shall be deemed to represent only the right to receive the consideration in respect of such Celtic Securities under the Plan of Arrangement, less any amounts withheld pursuant to the terms thereof. Any such certificate, agreement or other instrument (as applicable) formerly representing Celtic Securities not duly surrendered on or before the day that is three years less one day from the Effective Date shall cease to represent a claim by or interest of any kind or nature against Celtic, Kelt or the Purchaser. **On such date, any and all cash consideration to which such former holder was entitled shall be deemed to have been surrendered to the Purchaser, and the consideration in the form of Kelt Shares to which such former holder was entitled shall be deemed to be cancelled, and none of the Purchaser, Celtic, Kelt or any other Person shall have any obligations to issue such Kelt Shares.**

Any payment made by way of cheque by the Depositary or the Corporation pursuant to the Plan of Arrangement that has not been deposited or has been returned to the Corporation or that otherwise remains unclaimed, in each case, on or before the second anniversary of the Effective Time shall be returned by the Depositary to the Purchaser and any

right or claim to payment thereunder that remains outstanding on the day that is three years less one day from the Effective Date shall cease to represent a right or claim by or interest of any kind or nature, and the right of a former holder of Celtic Securities to receive the consideration for such Celtic Securities pursuant to the Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited for no consideration.

If the Debentureholders' Vote is not obtained, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding as unsecured debt obligations of Celtic or its successor following Closing.

LEGAL MATTERS

Certain legal matters in connection with the Arrangement will be passed upon for the Corporation by Borden Ladner Gervais LLP insofar as Canadian legal matters are concerned and by Dorsey & Whitney LLP insofar as U.S. legal matters are concerned.

Certain legal matters in connection with the Arrangement will be passed upon for the Purchaser Parties by Blake, Cassels & Graydon LLP insofar as Canadian legal matters are concerned.

RIGHTS OF DISSENT

The following description of the rights of Dissenting Securityholders is not a comprehensive statement of the procedures to be followed by a Dissenting Securityholder who seeks payment of the fair value of their Celtic Securities and is subject to, and qualified in its entirety by, the reference to the full text of the Interim Order, which is attached to this Information Circular as Appendix B, and the text of Section 191 of the ABCA, which is attached to this Information Circular as Appendix I. Pursuant to the Interim Order, Dissenting Securityholders are given rights analogous to rights of dissenting shareholders under the ABCA. A Dissenting Securityholder who intends to exercise the right to dissent should carefully consider and comply with the provisions of Section 191 of the ABCA, as modified by the Interim Order. Failure to comply with the provisions of that section, as modified by the Interim Order, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

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

Under the Interim Order, a registered Celtic Securityholder is entitled, in addition to any other rights the holder may have, to dissent and to be paid by the Corporation the fair value of the Celtic Securities held by the holder in respect of which the holder dissents, determined as of the close of business on the last business day before the day on which the resolution from which such holder dissents was adopted. **Only registered Celtic Securityholders may dissent. Persons who are beneficial owners of Celtic Securities registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that they may only do so through the registered owner of such Celtic Securities. The Celtic Debentures have been issued in the form of a global certificate in the name of CDS & Co. and, as such, CDS & Co. is the sole registered holder of the Celtic Debentures. In addition, some, but not all, of the Celtic Shares are held through global certificates registered in the name of CDS & Co. Accordingly, a beneficial owner of Celtic Securities desiring to exercise Dissent Rights must make arrangements for the registered holder of such Celtic Securities to dissent on behalf of the holder. Alternatively, in the case of the Celtic Shares, Beneficial Shareholders could make arrangements for the Celtic Shares to be registered in such holder's name prior to the time the written objection to the Arrangement Resolution is required to be received by the Corporation.**

A Dissenting Securityholder must send to Celtic a written objection to the Arrangement Resolution, which written objection must be received by Celtic, c/o Borden Ladner Gervais LLP, Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary, Alberta, T2P 0R3, Attention: David Madsen, by 5:00 p.m. (Calgary time) on December 12, 2012 (or the business day that is two business days prior to the date of the Meeting if it is not held on December 14, 2012). No Celtic Securityholder who has voted Celtic Securities in favour of the Arrangement Resolution shall be entitled to exercise Dissent Rights with respect to such Celtic Securities. Pursuant to the Interim Order, a registered Celtic Shareholder may not exercise the right to dissent in respect of only a portion of such holder's Celtic Shares and CDS & Co., as the sole registered Celtic

Debentureholder, may not exercise the right of dissent in respect of only a portion of a beneficial holder's interest in the Celtic Debentures.

It is a condition to the Purchaser's obligation to complete the Arrangement that Celtic Shareholders holding no more than 5% of the Celtic Shares shall have exercised Dissent Rights that have not been withdrawn as at the Effective Date. In addition, no registered Celtic Debentureholder who has exercised its Dissent Rights shall be entitled to be paid the fair value of its Celtic Debentures in the event that the Debentureholders' Vote is not obtained at the Meeting in accordance with the Interim Order.

An application may be made to the Court by the Corporation or by a Dissenting Securityholder to fix the fair value of the Dissenting Securityholder's Celtic Securities. If such an application to the Court is made by either the Corporation or a Dissenting Securityholder, the Corporation must, unless the Court otherwise orders, send to each Dissenting Securityholder who holds the same type of Celtic Securities for which the application was made, a written offer to pay such person an amount considered by the Corporation to be the fair value of the Celtic Securities held by such Dissenting Securityholders. The offer, unless the Court otherwise orders, will be sent at least 10 days before the date on which the application is returnable, if the Corporation is the applicant, or within 10 days after the Corporation is served with notice of the application, if a Dissenting Shareholder is the applicant. The offer will be made on the same terms to each Dissenting Securityholder who holds the same type of Celtic Securities for which the application was made and will be accompanied by a statement showing how the fair value was determined.

In such circumstances, a Dissenting Securityholder may make an agreement with the Corporation for the purchase of its Celtic Securities in the amount of the Corporation's offer (or otherwise) at any time before the Court pronounces an order fixing the fair value of the applicable Celtic Securities.

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

On the Arrangement becoming effective, or upon the making of an agreement between the Corporation and the Dissenting Securityholder as to the payment to be made by the Corporation to the Dissenting Securityholder, or the pronouncement of a Court order, whichever first occurs, the Dissenting Securityholder will cease to have any rights as a Celtic Securityholder other than the right to be paid the fair value of such Celtic Securityholder's Celtic Securities in the amount agreed to between the Corporation and the Celtic Securityholder or in the amount of the judgment, as the case may be. Until one of these events occurs, the Celtic Securityholder may withdraw its dissent, or if the Arrangement has not yet become effective, the Corporation may rescind the Arrangement Resolution, and in either event, the dissent and appraisal proceedings in respect of that Celtic Securityholder will be discontinued.

The Corporation shall not make a payment to a Dissenting Securityholder if there are reasonable grounds for believing that the Corporation is or would after the payment be unable to pay its liabilities as they become due, or that the realizable value of the assets of the Corporation would thereby be less than the aggregate of its liabilities. In such event, the Corporation shall notify each Dissenting Securityholder that it is lawfully unable to pay Dissenting Securityholders for their Celtic Securities in which case the Dissenting Securityholder may, by written notice to the Corporation within 30 days after receipt of such notice, withdraw its written objection, in which case such Celtic Securityholder shall, in accordance with the Interim Order, be deemed to have participated in the Arrangement as a Celtic Securityholder. If the Dissenting Securityholder does not withdraw its written objection it retains its status as a claimant against the Corporation to be paid as soon as the Corporation is lawfully entitled to do so or, in a liquidation, to generally be ranked subordinate to creditors but prior to its shareholders.

All Celtic Securities held by registered Celtic Securityholders who exercise their Dissent Rights will, if the holders are ultimately entitled to be paid the fair value thereof, be deemed to be transferred to the Corporation in exchange for such fair value as of the Effective Date. If such Celtic Securityholders are ultimately not entitled to be paid the

fair value for the Celtic Securities, such Celtic Securities will be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Securityholder as at and from the Effective Time.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by a Dissenting Securityholder who seeks payment of the fair value of their Celtic Securities. Section 191 of the ABCA, as modified by the Interim Order, requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. **Accordingly, each Dissenting Securityholder who is considering exercising Dissent Rights should carefully consider and comply with the provisions of that section, the full text of which is set out in Appendix I to this Information Circular, as modified by the Interim Order, and consult their own legal advisor.**

OTHER MATTERS OF SPECIAL BUSINESS RELATING TO KELT

The completion of the Arrangement is not conditional upon approval of the Kelt Option Plan, the Kelt RSU Plan or the Private Placement by the Celtic Shareholders.

Kelt Option Plan

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to adopt the Kelt Option Plan, which will authorize the Kelt Board to issue stock options to directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries following completion of the Arrangement. Approval of the Kelt Option Plan will be required by the TSX if the Kelt Shares are listed on the TSX. A copy of the Kelt Option Plan is set out in Appendix G to this Information Circular, and the summary of the Kelt Option Plan contained in this Information Circular is subject to, and is qualified in its entirety by, the full text of the Kelt Option Plan attached hereto.

The purpose of the Kelt Option Plan is to provide directors, officers, employees and consultants of Kelt with an incentive to achieve the longer-term objectives of Kelt; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of Kelt; and to attract and retain in the employ of Kelt or any of its Subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in Kelt.

Description of the Plan

Pursuant to the TSX's security based compensation arrangement policies, Kelt is permitted to maintain a stock option plan. The maximum number of Kelt Shares reserved for issuance at any time pursuant to the Kelt Option Plan and the Kelt RSU Plan shall not exceed 10% of the Kelt Shares issued and outstanding from time to time. The Kelt Board has approved the Kelt Option Plan, pursuant to which Kelt Options to purchase Kelt Shares may be granted following completion of the Arrangement. For a complete description of the Kelt Option Plan, please see Appendix F – "*Information Concerning Kelt – Kelt Option Plan*".

The foregoing summary is subject to the specific provisions of the Kelt Option Plan attached at Appendix G hereto.

Approval Required

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve the following ordinary resolution to adopt the Kelt Option Plan:

> "**BE IT RESOLVED** as an ordinary resolution of the shareholders of Celtic Exploration Ltd. ("**Celtic**") that:
>
> 1. the stock option plan of Kelt Exploration Ltd. ("**Kelt**"), on the terms described in and in the form attached at Appendix G to the Information Circular of Celtic dated November 16, 2012 be and the same is hereby authorized and approved and adopted as the stock option plan of Kelt;

2. any one director or officer of Kelt be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution; and

3. notwithstanding that this resolution has been passed by the shareholders of Celtic, the directors of Kelt are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of Celtic or Kelt, at any time if such revocation is considered necessary or desirable by the directors."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by the Celtic Shareholders who vote in person or by proxy at the Meeting.

Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the approval of the foregoing resolution.

Kelt RSU Plan

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to adopt the Kelt RSU Plan, which provides directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries with the opportunity to acquire Kelt Shares through an award of Kelt RSUs following completion of the Arrangement. Approval of the Kelt RSU Plan will be required by the TSX if the Kelt Shares are listed on the TSX. A copy of the Kelt RSU Plan is set out in Appendix H to this Information Circular, and the summary of the Kelt RSU Plan contained in this Information Circular is subject to, and is qualified in its entirety by, the full text of the Kelt RSU Plan attached hereto.

The purpose of the Kelt RSU Plan is to retain and motivate directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries and to promote greater alignment of interest between service providers and Kelt Shareholders.

Description of the Plan

Pursuant to the TSX's security based compensation arrangement policies, Kelt is permitted to maintain a restricted share unit plan. The maximum number of Kelt Shares reserved for issuance at any time pursuant to the Kelt RSU Plan and the Kelt Option Plan shall not exceed 10% of the Kelt Shares issued and outstanding from time to time. The Kelt Board has approved the Kelt RSU Plan, pursuant to which Kelt RSUs may be awarded following completion of the Arrangement. For a complete description of the Kelt RSU Plan, please see Appendix F – "*Information Concerning Kelt – Kelt RSU Plan*".

The foregoing summary is subject to the specific provisions of the Kelt RSU Plan attached at Appendix H hereto.

Approval Required

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve the following ordinary resolution to adopt the Kelt RSU Plan:

"**BE IT RESOLVED** as an ordinary resolution of the shareholders of Celtic Exploration Ltd. ("**Celtic**") that:

1. the restricted share unit plan of Kelt Exploration Ltd. ("**Kelt**"), on the terms described in and in the form attached at Appendix H to the Information Circular of Celtic dated November 16, 2012 be and the same is hereby authorized and approved and adopted as the restricted share unit plan of Kelt;

2. any one director or officer of Kelt be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution; and

3. notwithstanding that this resolution has been passed by the shareholders of Celtic, the directors of Kelt are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of Celtic or Kelt, at any time if such revocation is considered necessary or desirable by the directors."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by the Celtic Shareholders who vote in person or by proxy at the Meeting.

Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the approval of the foregoing resolution.

Private Placement

In addition, Celtic Shareholders will be asked at the Meeting to consider and, if deemed advisable, to approve an ordinary resolution to authorize the Private Placement, which if fully subscribed will result in aggregate gross proceeds of approximately $13.9 million. Each Kelt Share will be issued at a subscription price of $2.32, which is equal to the estimated NAV of Kelt on a per share basis following completion of the Arrangement. No finders' fees or commissions will be paid in connection with the Private Placement. The Private Placement will be subject to the approval of the TSX if the Kelt Shares are listed on the TSX. Directors, officers and employees of Kelt, as well as certain other persons, will be entitled to subscribe for all or a portion of the Private Placement. The Private Placement is expected to close immediately following completion of the Arrangement.

The estimated NAV of Kelt has been determined based upon the Kelt Sproule Report whereby the net value of proved and probable reserves are discounted at 10% before tax, as well as the fair market value of undeveloped lands. The Kelt Board believes that basing the subscription price of $2.32 per Kelt Share on the estimated NAV of Kelt is the most appropriate method of determining the subscription price for the Kelt Shares under the Private Placement. As the Kelt Shares are not currently traded on any stock exchange, this determination of the subscription price has also been made for the additional reasons set forth below.

The purpose of the Private Placement is to provide additional capital for use by Kelt in its exploration and development activities and for general corporate and working capital purposes. In addition, the Kelt Board believes that the Private Placement is important for Kelt: (a) to facilitate increased ownership in Kelt, at a fair price and in a manner which encourages continued performance; (b) to align the interests of holders of Kelt Shares through the capital commitment being made under the Private Placement by Kelt employees; and (c) to allow Kelt to meet the challenges in retaining qualified personnel in a very competitive employment market. See Appendix F – "*Information Concerning Kelt*".

Historically, in transactions of this nature, securities issued pursuant to the initial private placement subsequently trade at a premium to the subscription price under the private placement which is often at a greater discount to the market price than the maximum allowable discount permitted by the TSX. However, there can be no assurances that the Kelt Shares will trade at a premium to the issue price of the Kelt Shares pursuant to the Private Placement, if and when the Kelt Shares are listed and posted for trading on the TSX.

The following table sets forth information relating to the Kelt Shares which are anticipated to be issued to the directors and officers of Kelt, as well as certain other employees and placees, pursuant to the Private Placement. The table also indicates the estimated amount of additional compensation that each of the directors and officers of Kelt will be entitled to receive by virtue of their current employment with Celtic as a result of the change of control of Celtic in connection with their respective Employment Agreements and the number and value of Celtic Options held by the directors and officers of Kelt for which vesting will be accelerated:

Private Placement Placees	Position with Kelt	Number of Kelt Shares issuable pursuant to the Private Placement	Estimated Severance Amount [1]	Number and Value of unvested Celtic Options which vest upon the Arrangement becoming effective[2][3]	*Pro Forma* Holdings of Kelt Shares[4]
Robert J. Dales[5]	Director	150,000	N/A	51,666 Celtic Options ($442,041)	720,697 (1.07%)
Douglas J. Errico	Vice President, Land	306,000	N/A	58,001 Celtic Options ($438,980)	377,435 (0.56%)
Alan G. Franks	Vice President, Production	479,000	$399,471	205,000 Celtic Options ($1,606,446)	610,415 (0.91%)
William C. Guinan[5]	Corporate Secretary and Director	250,000	N/A	51,666 Celtic Options ($442,041)	565,236 (0.84%)
Sadiq H. Lalani	Vice President, Finance and Chief Financial Officer	633,000	$474,921	218,334 Celtic Options ($1,657,659)	1,021,757 (1.52%)
Patrick Miles	Vice President, Exploration	479,000	N/A	153,336 Celtic Options ($1,735,865)	630,668 (0.94%)
Eldon A. McIntyre[5]	Director	150,000	N/A	51,666 Celtic Options ($442,041)	2,638,254 (3.93%)
Neil G. Sinclair[5]	Director	150,000	N/A	51,666 Celtic Options ($442,041)	887,875 (1.32%)
Douglas O. MacArthur	Vice President, Operations	400,000	$245,856	146,667 Celtic Options ($1,072,301)	578,891 (0.86%)
David J. Wilson	President, Chief Executive Officer and Director	678,000	$509,564	218,334 Celtic Options ($1,657,659)	6,346,291 (9.45%)
Employees[6]	-	2,047,000	N/A	N/A	N/A
Other placees	-	278,000	N/A	N/A	N/A

Notes:

(1) Each of the Employment Agreements provides that in the event of a change of control of the Corporation, each of the officers and employees of Celtic named above is entitled to the following payment: (i) the amount of fifteen months of the then applicable base salary, less required withholdings; (ii) an amount equal to the total of any bonus monies received by or otherwise earned but not yet paid to such officer from the Corporation during the two calendar years immediately prior to the change of control, divided by two; and (iii) an amount equal to 20% of the officers' or employees' then applicable base salary, representing Celtic's cost of providing benefits to such officer or employee during the fifteen months immediately prior to the effective date of the change of control. See also "*The Arrangement – Interests of Directors and Executive Officers in the Arrangement*" for a description of the interests of the directors and executive officers of Celtic in the Arrangement and Appendix F – "*Information Concerning Kelt – Compensation of Executive Officers and Directors*" for a description of the compensation payable to the officers and directors of Kelt.

(2) In order to facilitate the exercise of all Celtic Options upon the Arrangement becoming effective, the Celtic Board has approved the vesting of all outstanding Celtic Options upon: (i) the subsequent consummation of the Arrangement; and (ii) with respect to each particular Celtic Optionholder, the agreement of such Celtic Optionholder to exercise, and where applicable, terminate such Celtic Options pursuant to (and to execute and deliver) an Option Exercise Agreement, in order that all such outstanding Celtic Options shall be fully vested and either be exercised immediately before the Effective Time in accordance with their terms and the Option Exercise Agreements or be terminated in accordance with the Option Exercise Agreements or the Plan of Arrangement. See "*The Arrangement – Effects of the Arrangement – Celtic Options*".

(3) The value of the of unvested Celtic Options which vest upon the Arrangement becoming effective is based on the difference between the respective exercise prices of such Celtic Options and $24.50, being the value of the Celtic Share Consideration.

(4) Assumes that: (i) the Celtic Debentures participate in the Arrangement; (ii) the Effective Date is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided that all other conditions to the completion of the Arrangement have been satisfied); (iii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.9607, being the 20-day VWAP for the period from October 19, 2012 until November 15, 2012; (iv) no Dissent Rights are exercised; (v) all of the Celtic Options are exercised prior to the Arrangement; (vi) the Private Placement is fully subscribed; and (vii) 105,827,094 Celtic Shares and $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15, 2012. To the extent the actual factors and circumstances differ from the assumptions set forth above, the number of Kelt Shares outstanding will also differ.
(5) Such directors are considered by the Kelt Board to be independent pursuant to the polices of the TSX.
(6) Includes persons who will become employees of Kelt, on or shortly after the Arrangement and current employees of Celtic other than the directors and officers of Kelt listed in the table above.

Approval Required

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve the following ordinary resolution to approve the Private Placement:

> "**BE IT RESOLVED** as an ordinary resolution of the shareholders of Celtic Exploration Ltd. ("**Celtic**"), that:
>
> 1. the private placement of up to 6,000,000 common shares ("**Kelt Shares**") of Kelt Exploration Ltd. ("**Kelt**") for aggregate gross proceeds of approximately $13.9 million, at a subscription price per Kelt Share equal to $2.32, being the estimated net asset value of Kelt on a per share basis, substantially on the terms described in the information circular of Celtic accompanying the notice of this meeting, be, and the same is, hereby approved and authorized;
>
> 2. any one director or officer of Kelt be and is hereby authorized and directed to do all things and to execute and deliver all documents and instruments as may be necessary or desirable to carry out the terms of this resolution; and
>
> 3. notwithstanding that this resolution has been passed by the shareholders of Celtic, the directors of Kelt are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of Celtic or Kelt, at any time if such revocation is considered necessary or desirable by the directors."

In order for the foregoing resolution to be passed, it must be approved by a simple majority of the votes cast by the Celtic Shareholders who vote in person or by proxy at the Meeting, excluding votes cast in respect of Celtic Shares held by any Person who will participate in the Private Placement and their associates or Affiliates.

Unless otherwise directed, the persons named in the enclosed form of proxy, if named as proxy, intend to vote FOR the approval of the foregoing resolution.

INFORMATION CONCERNING CELTIC

General

Celtic was incorporated under the ABCA on April 16, 2002 as Desco Exploration Ltd. On September 30, 2002, the Corporation filed Articles of Amendment to change its name from "Desco Exploration Ltd." to "Celtic Exploration Ltd." On April 22, 2010, the Corporation filed Articles of Amendment whereby the issued and outstanding Celtic Shares were split by changing each Celtic Share into two (2) Celtic Shares.

Celtic is engaged in the exploration for, and the development and production of, oil and natural gas. Celtic's current activities are primarily focused in the Greater Kaybob area, in the Greater Resthaven area and in the Grande Cache area, all in west central Alberta. Other operating areas include the Princess, Bantry, Michichi, Richdale and Drumheller areas in southern Alberta, in east central Alberta in the Ashmont and Figure Lakes areas, in northern Alberta in the Utikuma Lake area and in the Inga area of north east British Columbia.

The head office of the Corporation is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

Market for Celtic Securities

The Celtic Shares and the Celtic Debentures are listed and traded on the TSX. The trading symbol for the Celtic Shares is "CLT" and the trading symbol for the Celtic Debentures is "CLT.DB".

The following sets forth trading information for the Celtic Shares on the TSX for the periods indicated:

Period	High	Low	Volume
2011			
November	$27.08	$22.81	7,719,590
December	$25.00	$21.30	5,802,713
2012			
January	$23.25	$18.33	19,506,900
February	$19.48	$17.60	13,621,812
March	$18.16	$14.08	18,761,930
April	$14.81	$11.23	18,467,100
May	$14.96	$11.76	12,855,419
June	$14.40	$11.02	16,096,593
July	$18.06	$13.42	14,667,586
August	$17.50	$15.96	8,940,812
September	$19.75	$16.16	12,233,954
October	$26.60	$17.90	52,460,124
November 1 – 15	$26.24	$25.90	9,966,331

The following sets forth trading information for the Celtic Debentures on the TSX for the periods indicated:

Period[(1)]	High	Low	Volume
2012			
April	$101.75	$96.00	248,440
May	$102.25	$96.66	132,190
June	$102.84	$97.75	47,220
July	$111.77	$102.10	174,665
August	$110.00	$106.12	45,040
September	$116.39	$106.75	76,230
October	$136.03	$113.00	739,097
November 1 – 15	$135.00	$134.70	162,700

Note:
(1) The Celtic Debentures were listed and began trading on the TSX on April 12, 2012.

On October 16, 2012, the last trading day prior to the date of the public announcement of the Arrangement, the closing price of the Celtic Shares on the TSX was $18.12. The last trade of the Celtic Debentures on the TSX on October 16, 2012 was $113.50.

Auditors

PricewaterhouseCoopers LLP have been the auditors of Celtic since 2002.

Additional Information

Additional information relating to the Corporation is available to the public free of charge on SEDAR at www.sedar.com. Financial information in respect of the Corporation and its affairs is provided in the Corporation's

annual audited financial statements for the year ended December 31, 2011 and the related management's discussion and analysis. Copies of the Corporation's financial statements and related management's discussion and analysis are available upon request and without charge from the Corporation at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3, Attention: Chief Financial Officer.

INFORMATION CONCERNING KELT

Kelt was incorporated under the ABCA on October 11, 2012 under the name "1705972 Alberta Ltd." On October 19, 2012, Articles of Amendment were filed to change the name of the company to "Kelt Exploration Ltd." On November 7, 2012, Kelt filed Articles of Amendment to remove private company restrictions on share transfers and to amend the minimum numbers of directors to three (3).

Kelt is currently a wholly-owned subsidiary of Celtic. Kelt was incorporated for the purposes of participating in the Arrangement and acquiring the Kelt Assets and has not carried on any active business other than in connection with the Arrangement and related matters and as discussed in this Information Circular. Pursuant to the Plan of Arrangement and the Kelt Conveyance Agreement, the Kelt Assets will be transferred from Celtic to Kelt.

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

See Appendix F – "*Information Concerning Kelt*".

INFORMATION CONCERNING THE PURCHASER PARTIES

ExxonMobil is a corporation existing under the laws of Canada. ExxonMobil, directly and through its Subsidiaries, is engaged in the business of the exploration for and development and production of oil and gas in Canada. ExxonMobil has a long history in Canada that dates back to the 1940s. The company is a leader in the Atlantic Canada offshore, where it operates the Sable project in Nova Scotia, and is lead owner of the Hibernia project in Newfoundland and Labrador, where it is developing the Hebron project. ExxonMobil has additional assets in western and northern Canada.

The Purchaser (formerly 1690731 Alberta ULC) is an unlimited liability corporation incorporated on July 20, 2012 under the ABCA. The registered office of the Purchaser is located at Suite 3500, 855-2nd Street S.W., Calgary, Alberta T2P 4J8. The Purchaser was incorporated for the sole purpose of completing the Arrangement and is an indirect wholly-owned subsidiary of ExxonMobil.

GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation of proxies by the management of Celtic to be used at the Meeting. Solicitations of proxies will be primarily by mail, but may also be by newspaper publication, in person or by telephone, fax or oral communication by directors, officers, employees or agents of Celtic. All costs of the solicitation will be borne by the Corporation.

Celtic has also retained Georgeson Shareholder Communications Canada, Inc. to assist it in connection with communicating to Celtic Securityholders in respect of the Arrangement. In connection with these services, Georgeson Shareholder Communications Canada, Inc. is expected to receive a fee of $24,500 plus reasonable out of pocket expenses.

Appointment and Revocation of Proxies

Holders of Celtic Shares and Celtic Debentures are entitled to consider and vote upon the Arrangement Resolution, each as a separate class of securities.

Accompanying this Information Circular is: (a) in the case of registered Celtic Shareholders, a form of proxy printed on white paper; and (b) in case of registered Celtic Debentureholders, a form of proxy printed on green paper, for use at the Meeting. Registered Celtic Shareholders may also use the internet site at www.valianttrust.com to transmit their voting instructions. Beneficial holders of Celtic Shares and Celtic Debentures should read the information under "– *Advice for Beneficial Holders*" below.

The persons named in the enclosed form of proxy are directors and/or officers of Celtic. A Celtic Securityholder desiring to appoint a person (who need not be a Celtic Securityholder) to represent such Celtic Securityholder at the Meeting other than the persons designated in the accompanying form of proxy may do so by crossing out the names of the persons designated in the form of proxy and by inserting such person's name in the blank space provided in the appropriate form of proxy and delivering the completed proxy to the offices of Valiant Trust Company, Suite 310, 606-4th Street, S.W., Calgary, Alberta T2P 1T1, Attention: Proxy Department. A form of proxy must be received by Valiant Trust Company at least 48 hours (excluding Saturdays, Sundays and holidays) prior to the time set for the Meeting or any adjournment or postponement thereof. Failure to so deposit a form of proxy shall result in its invalidation. The time limit for the deposit of proxies may be waived by the Chairman of the Meeting at his discretion, without notice.

A Celtic Securityholder who has given a form of proxy may revoke it as to any matter on which a vote has not already been cast pursuant to its authority by an instrument in writing executed by such Celtic Securityholder or by his attorney duly authorized in writing or, if the Celtic Securityholder is a corporation, by an officer or attorney thereof duly authorized, and deposited either at the above mentioned office of Valiant Trust Company on or before the last business day in Calgary, Alberta preceding the day of the Meeting or any adjournment or postponement thereof or with the Chairman of the Meeting on the day of the Meeting or any adjournment or postponement thereof.

The Celtic Board has fixed the Record Date for the Meeting as at the close of business on November 14, 2012. Celtic Securityholders of Celtic of record as at the Record Date are entitled to receive notice of, to attend and to vote at the Meeting on the resolutions applicable to them, provided that, to the extent a Celtic Shareholder transfers ownership of any Celtic Shares after the Record Date and the transferee of those Celtic Shares produces properly endorsed certificates evidencing such Celtic Shares or otherwise establishes ownership of such shares and demands, not later than 10 days before the Meeting, to be included in the list of Celtic Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Celtic Shares at the Meeting.

Signature of Proxy

The form of proxy must be executed by the Celtic Securityholder, or if the Celtic Securityholder is a corporation, the form of proxy should be signed in its corporate name and its corporate seal must be affixed to the form of proxy or the form of proxy must be signed by an authorized officer whose title should be indicated. A proxy signed by a person acting as attorney, executor, administrator or trustee, or in some other representative capacity, should reflect such person's full title as such and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

Voting of Proxies

The persons named in the accompanying forms of proxy will vote the Celtic Securities in respect of which they are appointed in accordance with the direction of the Celtic Securityholder appointing them. **In the absence of such direction, such Celtic Securities will be voted FOR the approval of the Arrangement Resolution and such Celtic Shares will be voted FOR the approval of each of the Kelt Option Plan, the Kelt RSU Plan and the Private Placement.**

Exercise of Discretion of Proxy

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the accompanying Notice of Meeting and this Information Circular and with respect to other matters that may properly come before the Meeting. At the date of this Information Circular, management of Celtic knows of no amendments, variations or other matters to come before the Meeting other than the matters referred to in the Notice of Meeting.

Voting Celtic Securities and Principal Holders Thereof

As at November 15, 2012 there were 105,827,094 Celtic Shares issued and outstanding and $172.2 million principal amount Celtic Debentures outstanding. To the knowledge of the directors and officers of Celtic, as of November 15, 2012, no person or company beneficially owns, directly or indirectly, or exercises control or direction, over more than 10% of the Celtic Shares or the Celtic Debentures, other than David J. Wilson, who beneficially owns, or controls or directs, directly or indirectly, 10,612,699 Celtic Shares, on a non-diluted basis, as of the date hereof, representing approximately 10.03% of the issued and outstanding Celtic Shares.

Advice for Beneficial Holders

The information set forth in this section is of significant importance to many Celtic Securityholders, as a substantial number of the Celtic Shareholders do not hold Celtic Shares in their own name, and all Celtic Debentures are held in the name of CDS & Co.

Beneficial Shareholders

Celtic Shareholders who do not hold their Celtic Shares in their own name ("**Beneficial Shareholders**") should note that only proxies deposited by the Celtic Shareholders whose name appears on the records of the Corporation as a registered holder of Celtic Shares can be recognized and acted upon at the Meeting. If Celtic Shares are listed in an account statement provided to a Celtic Shareholder by a broker, then in almost all cases those Celtic Shares will not be registered in the Celtic Shareholder's name on the records of the Corporation. Such Celtic Shares will more likely be registered under the name of the Celtic Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Celtic Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Celtic Shares held by brokers or their nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, brokers/nominees are prohibited from voting Celtic Shares for their clients. The Corporation does not know and cannot determine for whose benefit the Celtic Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Celtic Shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Celtic Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered Celtic Shareholders. However, its purpose is limited to instructing the registered Celtic Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge"**). Broadridge typically mails a scannable Voting Instruction Form in lieu of the form of proxy. The Beneficial Shareholder is requested to complete and return the Voting Instruction Form to them by mail or facsimile. Alternatively, the Beneficial Shareholder can call a toll-free telephone number to vote the Celtic Shares held by the Beneficial Shareholder or the Beneficial Shareholder can complete an on-line voting form to vote their Celtic Shares. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of the Celtic Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote Celtic Shares directly at the Meeting as the Voting Instruction Form must be returned as directed by Broadridge well in advance of the Meeting in order to have the Celtic Shares voted.**

Beneficial Debentureholders

The Celtic Debentures have been issued in the form of a global certificate in the name of CDS & Co. and, as such, CDS & Co. is the sole registered holder of the Celtic Debentures. CDS & Co. will vote the Celtic Debentures at the Meeting, in person or by proxy, in accordance with instructions received from the beneficial Celtic Debentureholders as of the Record Date. In the absence of instructions from a beneficial holder as to voting, CDS & Co. will not exercise the votes attaching to the Celtic Debentures held by such holder. Beneficial Celtic Debentureholders as of the Record Date wishing to vote their Celtic Debentures at the Meeting must provide instructions to the broker, dealer, bank, trust company or other nominee through which they hold their Celtic Debentures in sufficient time prior to the holding of the Meeting to permit the broker, dealer, bank, trust company or other nominee to instruct CDS & Co. as how to vote the Celtic Debentures at the Meeting. Voting instructions will

be sought from beneficial Celtic Debentureholders in the same manner as for Beneficial Shareholders, as described above under " – *Beneficial Shareholders*" above.

Procedure and Votes Required

The Interim Order provides that each holder of Celtic Securities at the close of business on the Record Date will be entitled to receive notice of, to attend and to vote on the Arrangement Resolution at the Meeting. Each such Celtic Securityholder will be entitled to vote in accordance with the provisions set out below.

Pursuant to the Interim Order:

(a) (i) each Celtic Shareholder entitled to vote at the Meeting will be entitled to one vote for each Celtic Share held; and (ii) each Celtic Debentureholder entitled to vote at the Meeting will be entitled to one vote for each $1,000 principal amount of Celtic Debentures held;

(b) subject to further order of the Court, the required vote to approve the Arrangement Resolution by: (i) Celtic Shareholders, shall be the Shareholders' Vote; and (ii) Celtic Debentureholders, shall be the Debentureholders' Vote;

(c) the quorum at the Meeting in respect of Celtic Shareholders shall be persons present not being less than two (2) in number and holding or representing by proxy not less than ten percent (10%) of the Celtic Shares entitled to be voted at the Meeting;

(d) the quorum at the Meeting in respect of Celtic Debentureholders shall be a majority in number of registered Celtic Debentureholders present in person or represented by proxy at the Meeting holding or representing by proxy not less than twenty-five percent (25%) of the principal amount of Celtic Debentures entitled to be voted at the Meeting;

(e) if within 30 minutes of the appointed time of the Meeting a quorum in respect of the Celtic Shareholders is not present, the Meeting, in respect of the Celtic Shareholders, shall stand adjourned to the same day in the next week if a business day and, if such day is not a business day, the Meeting shall be adjourned to the next business day following one week after the day appointed for the Meeting at the time and place as determined by the Chairman of the Meeting, and if at such adjourned meeting a quorum of Celtic Shareholders is not present, the Celtic Shareholders present shall be a quorum for all purposes. Notwithstanding that a quorum of Celtic Debentureholders is not present at the Meeting or any adjournment thereof, the Meeting, or adjournment, will still proceed in respect of the Celtic Shareholders (if a quorum in respect thereof is present). Notice of any such adjournment shall be provided in any manner permitted by the Interim Order; and

(f) if within 30 minutes of the appointed time of the Meeting a quorum in respect of the Celtic Debentureholders is not present, the Meeting, in respect of the Celtic Debentureholders, shall stand adjourned to the same day in the next week if a business day and, if such day is not a business day, the Meeting shall be adjourned to the next business day following one week after the day appointed for the Meeting, at the time and place as determined by the Chairman of the Meeting. Notice of any such adjournment shall be provided in any manner permitted by the Interim Order. Such notice shall state that at the adjourned meeting, the Celtic Debentureholders present in person or by proxy shall form a quorum.

Questions and Other Assistance

If you are a Celtic Securityholder and you have any questions about the information contained in the Information Circular or require assistance in completing your form of proxy, please contact Celtic's proxy solicitation agent, Georgeson Shareholder Communications Canada, Inc., using the contact details listed on the back page of this Information Circular.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No director, executive officer, employee or former director, executive officer or employee of the Corporation, or any associate of any such director, executive officer or employee is, or has been at any time since the beginning of the most recently completed financial year of the Corporation, indebted to the Corporation or, at any time since the beginning of the most recently completed financial year of the Corporation has any indebtedness of any such person been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed under "*The Arrangement – Interests of Directors and Executive Officers in the Arrangement*", no informed person (as defined in Form 51-102F5 under NI 51-102) of the Corporation, or any associate or Affiliate of any informed person, has had any material interest, direct or indirect, in any transaction, or proposed transaction, which has materially affected or would materially affect the Corporation since the commencement of the most recently completed financial year of the Corporation.

EXEMPTIONS FROM INSTRUMENTS

Pursuant to a decision dated November 16, 2012 (*Re Celtic Exploration Ltd.*, 2012 ABASC 482) issued by the Alberta Securities Commission, as principal regulator, and the Ontario Securities Commission, pursuant to National Policy 11-203 – *Process for Exemptive Relief Applications in Multiple Jurisdictions*, Celtic obtained exemptive relief from:

(a) the requirement to include in this Information Circular the annual financial statements in respect of the Kelt Assets for the years ended December 31, 2011, 2010 and 2009 and the interim financial statements in respect of the Kelt Assets for the interim period ended September 30, 2012 and the comparative period in the immediately preceding financial year as required by Section 14.2 of NI 51-102 and Sections 32.1(b), 32.2(1) and 32.3(1) of Form 41-101F1 – *Information Required in a Prospectus* ("**Form 41-101F1**"), as prescribed under National Instrument 41-101 – *General Prospectus Requirements*, in favour of including: (i) an audited statement of financial position of Kelt as at October 31, 2012 and audited statements of changes in equity and cash flows for the period from the date of incorporation of Kelt on October 11, 2012 to October 31, 2012; (ii) financial statements in respect of the Kelt Assets (but only including the Grande Cache Property and the Inga Property and subsequent to their respective acquisitions by Celtic) consisting of: (A) an unaudited statement of financial position as at September 30, 2012 and December 31, 2011; (B) unaudited statements of changes in owner's net investment for the nine months ended September 30, 2012 and 2011 and unaudited statements of comprehensive income and cash flows for the three and nine months ended September 30, 2012 and 2011; (C) an audited statement of financial position as at December 31, 2011, 2010 and 2009; (D) audited statements of comprehensive income, changes in owner's net investment and cash flows for the years ended December 31, 2011, 2010 and 2009; (E) an unaudited *pro forma* statement of financial position as at September 30, 2012; and (F) unaudited *pro forma* statements of comprehensive income for the nine months ended September 30, 2012 and the year ended December 30, 2011; and (iii) separate audited operating statements for the years ended December 31, 2011, 2010 and 2009 for the Inga Property and the Grande Cache Property; and

(b) the requirements of Section 14.2 of NI 51-102 and Section 5.5 of Form 41-101F1, which require that Celtic include in this Information Circular oil and gas reserve disclosure in respect of the Kelt Assets in accordance with Form 51-101F1, together with reports in Form 51-101F2 and Form 51-101F3, each under NI 51-101, with an effective date as at the most recent date for which this Information Circular includes an audited balance sheet of the issuer. Celtic sought exemptive relief from the requirements to include oil and gas reserve disclosure in respect of the Kelt Assets at that effective date and has instead included in this Information Circular oil and gas reserve disclosure in such forms with an effective date of September 30, 2012.

See Appendix F – "*Information Concerning Kelt*".

AUDITORS' CONSENTS

Consent of PricewaterhouseCoopers LLP

To the Board of Directors of Celtic Exploration Ltd.

We have read the information circular of Celtic Exploration Ltd. dated November 16, 2012 with respect to the proposed plan of arrangement involving Celtic Exploration Ltd., ExxonMobil Canada Ltd., ExxonMobil Celtic ULC, Kelt Exploration Ltd. and the securityholders of Celtic Exploration Ltd. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the inclusion in the above-mentioned information circular of our report to the directors of Celtic Exploration Ltd. on the statement of financial position of Kelt Exploration Ltd. as at October 31, 2012 and the statements of changes in shareholders' equity and cash flows for the period from incorporation on October 11, 2012 to October 31, 2012. Our report is dated November 16, 2012.

We also consent to the inclusion in the above-mentioned information circular of our report to the directors of Celtic Exploration Ltd. on the operating statements for the Grande Cache Property containing revenues, royalties, production and transportation expenses and operating income for the years ended December 31, 2011, 2010 and 2009. Our report is dated November 16, 2012.

We also consent to the inclusion in the above-mentioned information circular of our report to the directors of Celtic Exploration Ltd. on the operating statements for the Inga Property containing revenues, royalties, production and transportation expenses and operating income for the years ended December 31, 2011, 2010 and 2009. Our report is dated November 16, 2012.

We also consent to the inclusion in the above-mentioned information circular of our report to the directors of Celtic Exploration Ltd. on the carve-out of Kelt Assets and Operations from Celtic Exploration Ltd. carve-out financial statements, which comprise the carve-out statement of financial position as at December 31, 2011, 2010, and 2009, and the carve-out statements of profit (loss) and comprehensive income (loss), changes in owner's net investment and cash flows for the years then ended. Our report is dated 16, 2012.

(Signed) "*PricewaterhouseCoopers LLP*"

Chartered Accountants

November 16, 2012

Calgary, Canada

APPENDIX A

ARRANGEMENT RESOLUTION

"**BE IT RESOLVED THAT:**

(a) The arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") of Celtic Exploration Ltd. ("**Celtic**") and involving ExxonMobil Canada Ltd., ExxonMobil Celtic ULC, Kelt Exploration Ltd. and the securityholders of Celtic, as more particularly described and set forth in the Information Circular of Celtic dated November 16**,** 2012 (the "**Circular**") and the Arrangement Agreement, as defined below, and all transactions contemplated thereby, all as may be amended or modified in accordance with their terms, are hereby authorized, approved and adopted.

(b) The plan of arrangement, as it may be or have been amended or modified in accordance with its terms, involving Celtic (the "**Plan of Arrangement**"), the full text of which is set out in Schedule "B" to the arrangement agreement dated as of October 16, 2012 (the "**Arrangement Agreement**"), is hereby authorized, approved and adopted.

(c) The Arrangement Agreement is hereby ratified and approved.

(d) Notwithstanding that this resolution has been passed (and the Arrangement adopted) by any or all of the securityholders of Celtic or that the Arrangement has been approved by the Court of Queen's Bench of Alberta (the "**Court**"), the directors of Celtic are hereby authorized and empowered, at their discretion, without further notice to or approval of the securityholders of Celtic: (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, as applicable, and, if required, approved by the Court; and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

(e) Any officer or director of Celtic is hereby authorized and directed for and on behalf of Celtic to make an application to the Court for an order approving the Arrangement and to deliver to the Registrar the Articles of Arrangement, a certified copy of the Final Order (both as defined in the Arrangement Agreement) and to execute and, if appropriate, deliver such other documents as are necessary or desirable to the Registrar pursuant to the ABCA in accordance with the Arrangement Agreement.

(f) Any officer or director of Celtic is hereby authorized and directed for and on behalf of Celtic to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such Person's opinion may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing."

APPENDIX B

INTERIM ORDER

COURT FILE NUMBER	1201 – 13977
COURT	COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL CENTRE	CALGARY
APPLICANT	CELTIC EXPLORATION LTD.

Clerk's Stamp

IN THE MATTER OF Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended

AND IN THE MATTER OF a proposed arrangement involving Celtic Exploration Ltd., ExxonMobil Canada Ltd., ExxonMobil Celtic ULC, Kelt Exploration Ltd. and the shareholders and debentureholders of Celtic Exploration Ltd.

DOCUMENT **INTERIM ORDER**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT

BORDEN LADNER GERVAIS LLP
Centennial Place, East Tower
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3
Telephone: (403) 232-9500
Facsimile: (403) 266-1395

Attention: David T. Madsen

File No. 428907.000109

DATE ON WHICH ORDER WAS PRONOUNCED: **NOVEMBER 15, 2012**

NAME OF JUDGE WHO MADE THIS ORDER: **JUSTICE A.D. MACLEOD**

UPON the Originating Application (the "**Application**") of Celtic Exploration Ltd. ("**Celtic**") pursuant to Section 193 of the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended (the "**ABCA**");

AND UPON reading the Application and the affidavit of David J. Wilson, President and Chief Executive Officer of Celtic, sworn on November 14, 2012 (the "**Affidavit**") and the documents referred to therein;

AND UPON hearing counsel for Celtic;

AND UPON being advised that the Executive Director of the Alberta Securities Commission (the "**Executive Director**") has been served with notice of this Application as required by subsection 193(8) of the ABCA and that the Executive Director neither consents to nor opposes this Application;

FOR THE PURPOSES OF THIS ORDER:

(a) the capitalized terms not defined in this Order shall have the meanings attributed to them in the management information circular and proxy statement of Celtic to be dated on or about November 16, 2012 (the "**Information Circular**"), a draft copy of which is attached as Exhibit "A" to the Affidavit; and

(b) all references to the "**Arrangement**" used herein mean the arrangement proposed by Celtic, as set forth in the plan of arrangement attached as Schedule "B" to the arrangement agreement between Celtic, ExxonMobil Canada Ltd. ("**ExxonMobil**"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "**Purchaser**"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("**Kelt**") dated October 16, 2012 (the "**Arrangement Agreement**"), which is attached as Appendix C to the Information Circular.

IT IS HEREBY ORDERED AND ADJUDGED THAT:

General

1. The proposed course of action is an "arrangement" within the definition of the ABCA and Celtic may proceed with the Arrangement.

2. Celtic shall seek approval of the Arrangement by the holders ("**Celtic Shareholders**") of common shares of Celtic ("**Celtic Shares**") and the holders (the "**Celtic Debentureholders**") of 5.00% convertible unsecured subordinated debentures due April 30, 2017 of Celtic ("**Celtic Debentures**") in the manner set forth below.

Meeting of Celtic Shareholders

3. Celtic shall call and conduct a special meeting (the "**Meeting**") of Celtic Shareholders and Celtic Debentureholders (collectively, the "**Celtic Securityholders**") to be held on December 14, 2012. At the Meeting, each of the Celtic Shareholders and the Celtic Debentureholders will separately consider and vote upon a special resolution approving the Arrangement (the "**Arrangement Resolution**") and such other business, as applicable, including amendments to the foregoing, as may properly be brought before the Meeting or any adjournment or postponement thereof, all as more particularly described in the Information Circular.

4. The Meeting shall be called, held and conducted in accordance with the applicable provisions of the ABCA, the articles and by-laws of Celtic, the Debenture Indenture (in respect of the Celtic Debentures and except as otherwise provided herein), this Order and any further order of this Court. To the extent that there is any inconsistency or discrepancy between this Order and the applicable provisions of the ABCA, the articles and by-laws of Celtic or the terms of the Debenture Indenture, as applicable, the terms of this Order shall govern.

5. The quorum at the Meeting in respect of the Celtic Shareholders shall be persons present not being less than two (2) in number and holding or representing by proxy not less than ten percent (10%) of the Celtic Shares entitled to vote at the Meeting. The quorum at the Meeting in respect of Celtic Debentureholders shall be a majority in number of registered Celtic Debentureholders present in person or represented by proxy at the Meeting holding or representing by proxy not less than twenty-five percent (25%) of the principal amount of Celtic Debentures entitled to be voted at the Meeting.

6. If within 30 minutes of the appointed time of the Meeting a quorum in respect of the Celtic Shareholders is not present, the Meeting, in respect of the Celtic Shareholders, shall stand adjourned to the same day in the next week if a business day and, if such day is not a business day, the Meeting shall be adjourned to the next business day following one week after the day appointed for the Meeting at the time and place as determined by the Chairman of the Meeting, and if at such adjourned meeting a quorum of Celtic Shareholders is not present, the Celtic Shareholders present shall be a quorum for all purposes. Notwithstanding that a quorum of Celtic Debentureholders is not present at the Meeting or any adjournment thereof, the Meeting, or adjournment, will still proceed in respect of the Celtic Shareholders (if a quorum in respect thereof is present). Notice of any such adjournment shall be provided in any manner permitted by paragraph 20 of this Order.

7. If within 30 minutes of the appointed time of the Meeting a quorum in respect of the Celtic Debentureholders is not present, the Meeting, in respect of the Celtic Debentureholders, shall stand adjourned to the same day in the next week if a business day and, if such day is not a business day, the Meeting shall be adjourned to the next business day following one week after the day appointed for the Meeting, at the time and place as determined by the Chairman of the Meeting. Notice of any such adjournment shall be provided in any manner permitted by paragraph 20 of this Order. Such notice shall state that at the adjourned meeting, the Celtic Debentureholders present in person or by proxy shall form a quorum.

8. The board of directors of Celtic (the "**Celtic Board**") has fixed a record date for the Meeting of November 14, 2012 (the "**Record Date**"). Only Celtic Securityholders whose names have been entered in the applicable register of securities at the close of business on the Record Date will be entitled to receive notice to attend and to vote at the Meeting on the resolutions applicable to them, provided that, to the extent a Celtic Shareholder transfers the ownership of any Celtic Shares after the Record Date and the transferee of those Celtic Shares produces properly endorsed certificates evidencing such Celtic Shares or otherwise establishes ownership of such shares and demands, not later than 10 days before the Meeting, to be included in the list of Celtic Shareholders eligible to vote at the Meeting, such transferee will be entitled to vote those Celtic Shares at the Meeting.

9. Each Celtic Shareholder entitled to vote at the Meeting will be entitled to be one vote for each Celtic Share held in respect of the Arrangement Resolution. Each Celtic Debentureholder entitled to vote at the Meeting

will be entitled to one vote for each $1,000 principal amount of Celtic Debentures held in respect of the Arrangement Resolution.

Conduct of the Meeting

10. The Chairman of the Meeting (the "**Chairman**") shall be any officer or director of Celtic.

11. The only persons entitled to attend and speak at the Meeting shall be Celtic Securityholders or their authorized representatives, the directors and officers of Celtic, the auditors of Celtic and Kelt, representatives of ExxonMobil and the Purchaser, professional legal and financial advisors to Celtic and Kelt, ExxonMobil and the Purchaser, the scruitineers for the Meeting and their representatives, the Executive Director and such other persons who may be permitted by the Chairman.

12. The requisite votes required to pass the Arrangement Resolution shall be at least 66⅔% of the votes cast by Celtic Shareholders present in person or represented by proxy at the Meeting. Celtic Debentureholder approval will also be sought at the Meeting to allow the Celtic Debentureholders to participate in the Arrangement. Participation in the Arrangement by the Celtic Debentureholders will require the approval of the Arrangement Resolution by a majority in number of registered Celtic Debentureholders whose holdings collectively represent at least 66⅔% of the aggregate principal amount of the Celtic Debentures outstanding as of the Record Date. However, Celtic Debentureholder approval is not a condition to the completion of the Arrangement. If the approval of the Celtic Debentureholders is not obtained at the Meeting, the Celtic Debentures will be excluded from the Arrangement and will remain outstanding as unsecured debt obligations of Celtic or its successor following completion of the Arrangement.

13. The scrutineer for the Meeting shall be Valiant Trust Company, acting through its representatives for that purpose, and its duties shall include:

    (a) supervising and reporting to the Chairman on the deposit and the validity of the proxies;

    (b) reporting to the Chairman on the respective quorums of the Meeting;

    (c) reporting to the Chairman on the polls taken or ballots cast at the Meeting; and

    (d) providing to the Celtic Board and to the Chairman written reports on matters related to their duties.

Notice of the Meeting

14. The Information Circular, substantially in the form attached as Exhibit "A" to the Affidavit, with amendments thereto as Celtic or counsel to Celtic may determine to be necessary or desirable (provided that such amendments are not inconsistent with the terms of this Order) and including a Notice of Special

Meeting of Celtic Securityholders (the "**Notice of Meeting**"), a Notice of Originating Application and this Order, together with any other communications or documents determined by Celtic to be necessary or advisable (collectively, the "**Meeting Materials**"), shall be sent to: (i) Celtic Securityholders who hold Celtic Shares or Celtic Debentures ("**Celtic Securities**") as of the Record Date; and (ii) the directors and auditors of Celtic, by one or more of the following methods:

(a) in the case of registered Celtic Securityholders, by prepaid first class or ordinary mail, by courier or by delivery in person, addressed to each such holder at the address of the Celtic Securityholders recorded on the register of Celtic Securityholders on the Record Date, at least 21 days prior to the Meeting;

(b) in the case of non-registered Celtic Securityholders, by providing sufficient copies of the finalized Meeting Materials to intermediaries and registered nominees in a timely manner, in accordance with National Instrument 54-101 of the Canadian Securities Administrators; and

(c) in the case of the directors and auditors of Celtic, by email, facsimile, prepaid first class or ordinary mail, by courier or by delivery in person, addressed to the individual directors or firm of auditors, as applicable, at least 21 days prior to the Meeting.

In calculating the 21-day period referred to in subparagraphs (a) and (c) above, the date of mailing shall be included and the date of the Meeting shall be excluded.

15. Delivery of the Meeting Materials in the manner directed by this Order shall be deemed to be good and sufficient service upon the Celtic Securityholders and the directors and auditors of Celtic of:

(a) this Order;

(b) the Notice of Meeting; and

(c) the Notice of Originating Application and the Application,

all in substantially the forms set forth in the Information Circular. The Meeting Materials will also include an instrument of proxy and, in the case of registered Celtic Shareholders, a letter of transmittal, and such other material as Celtic may consider fit.

16. Notice of any amendments, updates or supplements ("**Amendments**") to any of the Meeting Materials, if necessary to be communicated to the Celtic Securityholders, may be communicated to Celtic Securityholders by press release, newspaper advertisement or by notice to Celtic Securityholders using one of the methods specified in paragraph 14 of this Order.

17. The accidental failure or omission on a *de minimis* basis to give notice of the Meeting or Amendments to any one or more Celtic Securityholders or any other person, or any failure or omission to give notice as a result of events beyond the reasonable control of Celtic (including, without limitation, any inability to utilize postal services), shall not constitute a breach of this Order or a defect in the calling of the Meeting and shall not invalidate any resolution passed or proceedings taken at the Meeting.

Deposit of Proxies and Solicitation of Proxies

18. To be valid, a proxy must be deposited with Celtic in the manner described in the Information Circular.

19. Celtic is authorized to solicit proxies, directly or through its officers, directors and employees, and through agents that it may retain for that purpose, by mail, telephone or other forms of personal or electronic communication.

Adjournments and Postponements

20. Notwithstanding the provisions of the ABCA, Celtic, if it deems it advisable, may adjourn or postpone the Meeting on one or more occasions and for such period(s) of time as Celtic deems advisable, without the necessity of first convening the Meeting or first obtaining any vote of the Celtic Securityholders respecting such adjournment or postponement and without the need for approval of the Court. In the event of any such adjournment or postponement, the Record Date shall not be amended or changed. Notice of any such adjournments or postponements (including, for greater certainty, any adjournment pursuant to paragraphs 6 or 7 of this Order) shall be given by such method as Celtic may determine is appropriate in the circumstances, including by press release, newspaper advertisement or by notice sent to the Celtic Securityholders by one of the methods specified in paragraph 14 of this Order (provided that such authorization shall not derogate from the rights of ExxonMobil, the Purchaser or Kelt, as the other parties to the Arrangement Agreement). If the Meeting is adjourned or postponed in accordance with this Order, the references to the Meeting in this Order shall be deemed to be the Meeting as adjourned or postponed.

Amendments

21. Celtic is authorized to make such amendments, revisions or supplements to the Arrangement as it may determine necessary or desirable, provided that such amendments are made in accordance and in the manner contemplated by the Arrangement and the Arrangement Agreement. The Arrangement as so amended, revised or supplemented shall be deemed to be the Arrangement submitted to the Meeting and the subject of the Arrangement Resolution.

Dissent Rights

22. The registered Celtic Securityholders are, subject to the provisions of this Order and the Arrangement, accorded the right of dissent under Section 191 of the ABCA.

23. In order for a registered Celtic Securityholder to exercise such right of dissent under Section 191 of the ABCA:

    (a) a written objection to the Arrangement Resolution must be received by Celtic c/o its counsel Borden Ladner Gervais LLP, Centennial Place, East Tower, 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3 (Attention: David T. Madsen), by 5:00 p.m. (Calgary time) on December 12, 2012 or, if the Meeting is not held on December 14, 2012, on the business day that is two business days prior to the date of the Meeting;

    (b) a Dissenting Securityholder shall not have voted at the Meeting any of his or her Celtic Securities in respect of which he or she has dissented, either by proxy or in person, in favour of the Arrangement Resolution;

    (c) a registered Celtic Shareholder may not exercise the right of dissent in respect of only a portion of the holder's Celtic Shares held by the Celtic Shareholder;

    (d) CDS & Co., as the sole registered Celtic Debentureholder may not exercise the right of dissent in respect of only a portion of a beneficial holder's interest in the Celtic Debentures;

    (e) the exercise of such right of dissent must otherwise comply with requirements of Section 191 of the ABCA, as modified by this Order; and

    (f) a vote against the Arrangement Resolution or an abstention shall not constitute the written objection required under subparagraph (a) above.

24. The fair value of the applicable Celtic Securities shall be determined as of the close of business on the last business day before the day on which the Arrangement Resolution is adopted, and shall be paid to Dissenting Securityholders by Celtic.

25. Any registered Dissenting Securityholder who duly exercises the right of dissent, as set out in paragraph 23 above, and who:

    (a) is ultimately entitled to be paid fair value for their Celtic Shares or Celtic Debentures, as applicable, shall be deemed not to have participated in the Arrangement and shall be paid an amount equal to such fair value by Celtic (less any applicable withholdings) and will not be entitled to any other payment or consideration, including any payment that would be payable

under the Arrangement had such Celtic Shareholders and Celtic Debentureholders, as applicable, not exercised their dissent rights in respect of such Celtic Shares and/or Celtic Debentures, and they shall be deemed to have transferred their dissenting securities to Celtic for cancellation at the Effective Time; or

(b) is ultimately not entitled, for any reason, to be paid fair value for their Celtic Shares or Celtic Debentures, as applicable, shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Celtic Shares or Celtic Debentures, as applicable, and shall be entitled to receive only the consideration (less any applicable withholdings) that such Celtic Securityholder would have received pursuant to the Arrangement if such Celtic Securityholder had not exercised the right of dissent,

provided, however, that in no case shall Celtic or the Purchaser or any other Person be required to recognize Celtic Securityholders who exercise their rights of dissent as Celtic Securityholders after the Effective Time and for greater certainty, no registered Celtic Debentureholder who has exercised its right of dissent shall be entitled to be paid the fair value for its Celtic Debentures in the event that the Celtic Debentureholders do not approve the Arrangement Resolution at the Meeting.

26. Subject to further order of this Court, the rights available to Celtic Securityholders under the ABCA and the Arrangement to dissent from the Arrangement Resolution shall constitute full and sufficient rights of dissent for the Celtic Securityholders with respect to the Arrangement Resolution.

27. Notice to Celtic Securityholders of their right of dissent with respect to the Arrangement Resolution and to receive, subject to the provisions of the ABCA and the Arrangement, the fair value of their Celtic Securities, shall be sufficiently given by a description of those rights in the Information Circular to be sent to Celtic Securityholders in accordance with this Order.

Final Application

28. Subject to further Order of this Court and provided that the Celtic Shareholders have approved the Arrangement at the Meeting in the manner set forth in this Order, and provided the Celtic Board has not revoked its approval, Celtic may proceed with an application for the approval of the Arrangement and the Final Order at 2:00 p.m. (Calgary time) on December 14, 2012 or as soon thereafter as counsel may be heard at the Calgary Courts Centre, Calgary, Alberta. Subject to the Final Order, and to the issuance of the proof of the filing of the Articles of the Arrangement, Celtic, ExxonMobil, the Purchaser, Kelt, all Celtic Securityholders and all other persons will be bound by the Arrangement in accordance with its terms.

29. Any Celtic Securityholder or any other interested party desiring to appear and make submissions at the application for the Final Order (an "**Interested Party**"), shall file with this Court and serve upon Celtic on or before 12:00 noon (Calgary time) on December 7, 2012, a Notice of Intention to Appear including the

Interested Party's address for service in the Province of Alberta and indicating whether such Interested Party intends to support or oppose the application or make submissions thereat, together with a summary of the position such Interested Party intends to advocate before the Court and any evidence or materials which are to be presented to the Court by such Interested Party. Service of such notice on Celtic shall be effected by service upon its counsel, Borden Ladner Gervais LLP, at the address set out below:

Borden Ladner Gervais LLP
Centennial Place, East Tower
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3
Attention: David T. Madsen

30. In the event the application for the Final Order is adjourned, only those parties appearing before this Court for the application for the Final Order and those Interested Parties serving a notice of intention to appear in accordance with paragraph 29 of this Order, shall have notice of the adjourned date.

General

31. Service of Notice of the Originating Application is hereby deemed good and sufficient.

32. Celtic is entitled at any time to seek leave to vary this Order upon the terms that the Court may direct.

"*A.D. MACLEOD*"
J.C.C.Q.B.A.

APPENDIX C

ARRANGEMENT AGREEMENT

ARRANGEMENT AGREEMENT

EXXONMOBIL CANADA LTD.

AND

1690731 ALBERTA ULC

AND

CELTIC EXPLORATION LTD.

AND

1705972 ALBERTA LTD.

Dated as of October 16, 2012

TABLE OF CONTENTS
(continued)

Page

TABLE OF CONTENTS
(continued)

Page

SCHEDULES

ARRANGEMENT AGREEMENT

THIS ARRANGEMENT AGREEMENT is made as of October 16, 2012,

AMONG:

EXXONMOBIL CANADA LTD., a corporation existing under the laws of Canada (hereinafter referred to as "**ExxonMobil**")

AND

1690731 ALBERTA ULC, an unlimited liability corporation existing under the laws of the Province of Alberta (hereinafter referred to as the "**Purchaser**")

AND

CELTIC EXPLORATION LTD., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Celtic**")

AND

1705972 ALBERTA LTD., a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**SpinCo**")

WHEREAS:

A. Purchaser, which is an indirect wholly-owned Subsidiary of ExxonMobil, wishes to acquire all of the issued and outstanding Securities;

B. Celtic wishes to transfer the SpinCo Assets to SpinCo, a wholly-owned Subsidiary of Celtic, and distribute the SpinCo Shares to the Securityholders;

C. the Parties intend to carry out the transactions contemplated herein by way of an arrangement under section 193 of the ABCA substantially on the terms and conditions set forth in the Plan of Arrangement (annexed hereto as Schedule "B");

D. the board of directors of Celtic has unanimously: (i) determined that the Arrangement is in the best interests of Celtic; (ii) determined that the Arrangement is fair to the Securityholders; (iii) approved the Arrangement, this Agreement and the transactions contemplated hereby; and (iv) resolved to recommend that the Securityholders vote in favour of the Arrangement;

E. as an inducement to the willingness of ExxonMobil and the Purchaser to enter into this Agreement, all of the directors and officers of Celtic have entered into lock-up agreements with ExxonMobil and the Purchaser, which shall be delivered to the Parties contemporaneously with the execution of this Agreement; and

F. the Parties have entered into this Agreement to provide for the matters referred to in the foregoing recitals and for other matters relating to such transaction;

NOW THEREFORE, in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties hereto do hereby covenant and agree as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, including the recitals hereto, the following defined terms have the meanings hereinafter set forth:

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Acquisition Proposal**" means any inquiry or the making of any offer or proposal, whether or not in writing, from any Person, or group of Persons Acting Jointly or in Concert, prior to the termination of this Agreement or consummation of the Arrangement, as applicable, which constitutes, or could reasonably be expected to lead to (in either case whether in one transaction or a series of transactions):

(a) any direct or indirect sale, issuance or acquisition of shares or other equity interests (or securities convertible into or exercisable for such shares or interests) in Celtic or any Subsidiary of Celtic that, when taken together with the securities of Celtic held by the proposed acquiror and any Person Acting Jointly or in Concert with such acquiror, represent 20% or more of the voting securities of Celtic or a Subsidiary of Celtic or rights or interests therein or thereto;

(b) any direct or indirect acquisition or purchase (or any lease, joint venture, acquisition of royalty interest, farm-in, farm-out, development agreement, long-term supply agreement or other arrangement having the same economic effect as an acquisition or purchase) of a substantial amount of the Assets;

(c) an amalgamation, arrangement, merger, business combination, consolidation or other similar transaction involving Celtic or any Subsidiary of Celtic;

(d) a take-over bid, tender offer, issuer bid, exchange offer, share exchange, recapitalization, liquidation, dissolution, reorganization or other similar transaction involving Celtic or any Subsidiary of Celtic; or

(e) any other transaction, the consummation of which would or could reasonably be expected to materially impede, interfere with, prevent or delay the transactions contemplated by this Agreement or the Arrangement or which would or may reasonably be expected to materially reduce the benefits to ExxonMobil or the Purchaser under this Agreement or the Arrangement;

except that for the purpose of the definition of "Superior Proposal" below, the references in the definition of Acquisition Proposal to "20% or more of the voting securities" shall be deemed to be references to "50% or more of the voting securities", and the references to "a substantial amount of the Assets" shall be deemed to be references to "all or substantially all of the Assets", and the term Acquisition Proposal shall exclude the Arrangement and the transactions contemplated by this Agreement;

"**Acting Jointly or in Concert**" has the meaning ascribed thereto under Applicable Securities Laws of Canada;

"**Affiliate**" has the meaning ascribed thereto under the Securities Act;

"**Agreement**", "**herein**", "**hereof**", "**hereto**", "**hereunder**" and similar expressions mean and refer to this arrangement agreement (including the schedules hereto) as supplemented, modified or amended, and not to any particular Article, Section, Schedule or other portion hereof;

"**Annual Financials**" has the meaning ascribed thereto in Section 4.2(o);

"**Applicable Laws**" (in the context that refers to one or more Persons) means any domestic or foreign, federal, state, provincial or local law (statutory, common or otherwise, and including Applicable Securities Laws), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement enacted, adopted, promulgated or applied by a Governmental Entity, and any terms and conditions of any grant of approval, permission, authority or license of any Governmental Entity, that is binding upon or applicable to such Person or Persons or its or their business, undertaking, property or securities and emanate from a Person having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities, as the same may be amended from time to time prior to the Effective Date;

"**Applicable Securities Laws**" means, collectively, and as the context may require, (i) the applicable securities legislation of each of the provinces and territories of Canada, and the rules, regulations, instruments, orders and policies published and/or promulgated thereunder and the polices and rules of the TSX; and (ii) U.S. Securities Laws, as the foregoing may be amended from time to time prior to the Effective Date;

"**Arrangement**" means the arrangement under the provisions of section 193 of the ABCA on the terms and conditions set forth in the Plan of Arrangement, subject to any amendments or variations thereto in accordance with Section 6.1 of the Plan of Arrangement;

"**Arrangement Resolution**" means the special resolution to approve the Arrangement to be considered at the Meeting by the Securityholders substantially in the form attached as Schedule "A" hereto;

"**Articles of Arrangement**" means the articles of arrangement in respect of the Arrangement required under subsection 193(10) of the ABCA to be sent to the Registrar for filing after the Final Order has been granted, giving effect to the Arrangement;

"**Assets**" means all of the assets, properties, facilities, Permits, rights or other privileges (whether contractual or otherwise) of, and securities owned by, Celtic and its Subsidiaries and, for greater certainty, including the Leases and the Interests;

"**Business Day**" means a day on which banks are generally open for the transaction of commercial business in Calgary, Alberta or New York, New York, but does not in any event include a Saturday or Sunday or statutory holiday in Alberta or New York, New York;

"**Celtic**" means Celtic Exploration Ltd., a corporation existing under the ABCA;

"**Celtic Board**" means the board of directors of Celtic as it may be comprised from time to time, including any duly constituted and acting committee thereof;

"**Celtic Capital Budget**" means the document entitled "Celtic Capital Budget" as included in the Disclosure Letter regarding capital expenditures to be made in respect of the business, operations and assets of Celtic, other than the SpinCo Assets;

"**Celtic Circular Information**" means the information included in the Information Circular, other than the Purchaser Circular Information and the SpinCo Circular Information;

"**Certificate of Arrangement**" means the proof of filing to be issued by the Registrar pursuant to subsections 193(11) and 193(12) of the ABCA in respect of the Articles of Arrangement;

"**Commissioner**" means the Commissioner of Competition appointed pursuant to subsection 7(1) of the Competition Act or her or his designee;

"**Common Share Consideration**" means $24.50, being the consideration to be paid by the Purchaser for each Common Share pursuant to the Arrangement;

"**Common Shares**" means the common shares in the capital of Celtic;

"**Competition Act**" means the *Competition Act*, R.S.C. 1985, c. C-34, as amended;

"**Competition Act Approval**" means the occurrence of one or more of the following:

(a) an advance ruling certificate pursuant to section 102 of the Competition Act shall have been issued by the Commissioner in respect of the transactions contemplated by this Agreement, which advance ruling certificate has not been rescinded prior to the Effective Time; or

(b) (i) the applicable waiting period under subsection 123(1) of the Competition Act shall have expired or been terminated early under subsection 123(2) of the Competition Act, or the obligation to submit a notification under Part IX of the Competition Act shall have been waived pursuant to subsection 113(c) of the Competition Act; and (ii) the Commissioner shall have confirmed in writing, that he does not, at that time, intend to make an application under section 92 of the Competition Act in respect of the transactions contemplated by this Agreement, on terms and conditions satisfactory to the Parties, each acting reasonably, and such “no action letter” shall not have been rescinded prior to the Effective Time; or

(c) in lieu of (a) or (b) above where the Purchaser in its sole discretion elects, the Parties shall have notified the Commissioner under section 114 of the Competition Act and the waiting period under section 123 of the Competition Act shall have expired or been terminated and there shall be no threatened or actual application by the Commissioner for an order under section 92 or 100 of the Competition Act;

"**Confidential Information**" has the meaning ascribed thereto in the Confidentiality Agreement;

"**Confidentiality Agreement**" means the confidentiality agreement dated April 24, 2012 between Celtic and ExxonMobil Upstream Ventures (East) Limited;

"**Consultant**" means any Person who provides ongoing management or consulting services to Celtic, including field contractors that provide production services, but excluding the corporate entities that currently provide consulting services to Celtic in respect of drilling and completion operations and those corporate entities' employees and Celtic's field contractors at its Grande Cache property;

"**Contract**" means any contract, agreement, license, franchise, lease, arrangement, commitment, understanding or other right or obligation (written or oral) to which Celtic or any Subsidiary of Celtic is a party or by which Celtic or any Subsidiary of Celtic is bound or affected or to which any of their respective Assets is subject;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Credit Agreement**" means the third amended and restated credit agreement dated as of April 26, 2012 among Celtic, as borrower, and a syndicate of lenders, in respect of Celtic's $335,000,000 term credit facility;

"**Damages Event**" has the meaning ascribed thereto in Section 6.1;

"**Debenture Indenture**" means the debenture indenture dated as of April 12, 2012 between Celtic and Valiant Trust Company, establishing and setting forth, among other things, the terms of the Debentures;

"**Debentureholders**" means the holders of the Debentures;

"**Debentureholders Vote**" has the meaning ascribed thereto in Section 2.1(b)(iii);

"**Debentures**" means the 5.00% convertible unsecured subordinated debentures of Celtic due April 30, 2017;

"**Depositary**" means such Person as the Purchaser may appoint to act as depositary for the Securities in relation to the Arrangement, with the approval of Celtic, acting reasonably;

"Designated Officers" means, collectively, David J. Wilson, Sadiq H. Lalani, Michael R. Shea, Alan G. Franks, William C. Guinan and Pat Miles;

"**Director of Investments**" means the Director of Investments appointed under section 6 of the Investment Canada Act;

"**Disclosed Information**" means the information contained in the files, reports, data, documents, agreements and other information relating to Celtic and its Subsidiaries, as provided by Celtic to the Purchaser or its Affiliates or their respective employees in connection with the transactions contemplated hereby in electronic form by email delivery, on CD-ROM or on Celtic's WebEx internet site;

"**Disclosed Personal Information**" has the meaning ascribed thereto in Section 3.9(b);

"**Disclosure Letter**" means the disclosure letter dated as of the date hereof from Celtic to, and as acknowledged and agreed to by, ExxonMobil and the Purchaser, as may be amended or supplemented by written agreement between ExxonMobil and the Purchaser and Celtic prior to the Effective Time;

"**Dissent Rights**" means the rights of dissent granted in favour of registered Securityholders in respect of the Arrangement to be described in the Plan of Arrangement and the Interim Order;

"**Effective Date**" means the date the Arrangement becomes effective pursuant to the ABCA, being the date shown on the Certificate of Arrangement;

"**Effective Time**" means the time at which the Arrangement becomes effective on the Effective Date pursuant to the ABCA;

"**Employee Obligations**" means any obligations or liabilities of Celtic to pay any amount to or on behalf of its directors, officers, consultants or Employees (other than for salary, accrued bonuses, vacation pay and directors' fees in the ordinary course and in amounts consistent with historic practices, and not including payments made in respect of Options) and, without limiting the generality of the foregoing, Employee Obligations shall include the obligations of Celtic to officers or other Employees for severance, or other termination payments resulting solely from the change of control of Celtic pursuant to completion of the Arrangement;

"**Employees**" means all of the employees of Celtic;

"**Encumbrance**" means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, right of third parties or other charge, encumbrance, or any collateral securing the payment obligations of any Person, as well as any other agreement or arrangement with any similar effect whatsoever;

"**Environment**" means the natural environment (including soil, land surface or subsurface strata), surface waters, groundwater, sediment, ambient air (including all layers of the atmosphere), organic and inorganic matter and living organisms, and any other environmental medium or natural resource and all sewer systems;

"**Environmental Laws**" means all Applicable Laws relating in whole or in part to the protection of the Environment and employee and public health and safety, and includes, without limitation, those Applicable Laws relating to the storage, generation, use, handling, manufacture, processing, labelling, advertising, sale, display, transportation, treatment, Release and disposal of Hazardous Substances;

"**Executive Officers**" means, collectively, David J. Wilson, Sadiq H. Lalani, Michael R. Shea, Alan G. Franks and Pat Miles;

"**ExxonMobil**" means ExxonMobil Canada Ltd., a corporation organized under the laws of Canada;

"**Fairness Opinions**" means, collectively, the opinions from the Financial Advisors as to the fairness, from a financial point of view, of the consideration being offered under the Arrangement to the Securityholders;

"**Financial Advisors**" means, collectively, RBC Dominion Securities Inc. and FirstEnergy Capital Corp.;

"**Financial Statements**" has the meaning ascribed thereto in Section 4.2(o);

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to paragraph 193(9)(a) of the ABCA, in a form acceptable to both Celtic and the Purchaser, each acting reasonably, as such order may be amended by the Court (with the consent of both Celtic and the Purchaser, each acting reasonably) at any time prior to the Effective Time or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended (provided that any such amendment is acceptable to both Celtic and the Purchaser, each acting reasonably) on appeal;

"**GAAP**" means accounting principles generally accepted in Canada applicable to public companies at the relevant time;

"**Governmental Entity**" means any (i) national, international, multinational, federal, provincial, state, regional, municipal, local or other government or any governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau ministry or agency, domestic or foreign; (ii) any subdivision, agent, commission, board or authority of any of the foregoing; (iii) any quasi-governmental or private body exercising any regulatory, expropriation or Taxing Authority under or for the account of any of the foregoing; and (iv) the TSX;

"**Hazardous Substances**" means any element, waste or other substance whether natural or artificial and whether consisting of gas, liquid, solid or vapour that is prohibited, listed, defined, designated or classified as dangerous, hazardous, radioactive, explosive or toxic or a pollutant or a contaminant under or pursuant to any applicable Environmental Laws, and specifically including petroleum and all derivatives thereof or synthetic substitutes therefor and asbestos or asbestos-containing materials or any substance which is deemed under Environmental Laws to be deleterious to the Environment or worker or public health and safety;

"**IFRS**" means Canadian generally accepted accounting principles for publicly accountable enterprises, being International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board effective for periods beginning on or after January 1, 2011;

"**Indebtedness**" means, with respect to any Person, without duplication, (i) indebtedness of such Person for borrowed money, secured or unsecured; (ii) every obligation of such Person evidenced by bonds, debentures, notes, derived obligations or other similar instruments; (iii) every obligation of such Person under purchase money mortgages, conditional sale agreements or other similar instruments relating to purchased property or assets; (iv) every capitalized or non-consolidated lease obligation of such Person; (v) every obligation of such Person under Swaps (valued at the termination value thereof); and (vi) every obligation of the type referred to above of any other Person, the payment of which such Person has guaranteed or for which such Person is otherwise responsible or liable;

"**Information Circular**" means the notice of the Meeting and accompanying information circular of Celtic, together with all appendices, schedules and exhibits thereto, to be sent by Celtic to the Securityholders in connection with the Meeting, as amended, supplemented or otherwise modified;

"**Interests**" has the meaning ascribed thereto in Section 4.2(dd);

"**Interim Order**" means an interim order of the Court concerning the Arrangement pursuant to subsection 193(4) of the ABCA in a form acceptable to both Celtic and the Purchaser, each acting reasonably, containing declarations and directions with respect to the Arrangement and the holding of the Meeting, as such order may be affirmed, amended or modified by the Court;

"**Investment Canada Act**" means the *Investment Canada Act*, R.S.C. 1985, c. 28 (1st Supp.), as amended;

"**Investment Canada Approval**" means the responsible Minister under the Investment Canada Act (the "**Minister of Industry**") having sent a notice to ExxonMobil or the Purchaser stating that the Minister of Industry is satisfied that the transactions contemplated by this Agreement are likely to be of net benefit to Canada, or the Minister of Industry having been deemed to be satisfied that the transactions contemplated by this Agreement are likely to be of net benefit to Canada;

"**Leases**" has the meaning ascribed thereto in Section 4.2(dd);

"**Legal Actions**" has the meaning ascribed thereto in Section 4.2(x);

"**Liabilities**" means any and all debts, liabilities and obligations of any nature whatsoever, whether accrued or fixed, absolute or contingent, including those arising under any law, Contract, Permit, license or other undertaking and as a result of any act or omission;

"**Material Adverse Change**" or "**Material Adverse Effect**" means any fact or state of facts, circumstance, change, effect or occurrence that individually or in the aggregate is, or would reasonably be expected to be, material and adverse to the condition (financial or otherwise), business, operations, affairs, Assets, liabilities (contingent or otherwise), capitalization, production, results of operations, prospects or cash flows of Celtic (but excluding SpinCo and the SpinCo Assets), other than any fact or state of facts, circumstance, change, effect or occurrence resulting from:

(a) conditions affecting the oil and gas industry generally in jurisdictions in which Celtic carries on business, and not specifically relating to Celtic, including changes in royalties, Applicable Laws or Taxes (other than any such change in Applicable Laws or Taxes that results in a material increase to the direct acquisition cost of Celtic to the Purchaser, which changes may be taken into account in determining whether there has been a Material Adverse Change or Material Adverse Effect);

(b) general economic, financial, currency exchange, securities or commodity prices in Canada or elsewhere (including any decline in crude oil or natural gas prices on a current or forward basis);

(c) any action or inaction taken by Celtic that is consented to by the Purchaser or expressly contemplated in this Agreement or expressly in writing;

(d) any matter which has, prior to the date hereof, been disclosed in the Disclosure Letter or been publicly disclosed in the Public Disclosure Record;

(e) any generally applicable change in Applicable Laws; or

(f) a change in the market trading price or trading volume of the Common Shares or Debentures (provided, however, that the causes underlying such changes may be considered to determine whether such causes constitute a Material Adverse Effect);

provided, however, that (A) the change or effect referred to in (a), (b) or (e) above does not primarily relate only to (or have the effect of primarily relating only to) Celtic disproportionately or affects Celtic compared to other entities of similar size and operating in the oil and gas industry, in which case, the relevant exclusion from this definition of Material Adverse Change or Material Adverse Effect referred to in (a), (b) or (e) above will not be applicable, and (B) references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretative for purposes of determining whether a "Material Adverse Change" or a "Material Adverse Effect" has occurred;

"**Material Contract**" has the meaning ascribed thereto in Section 4.2(cc);

"**MD&A**" has the meaning ascribed thereto in Section 4.2(o);

"**Meeting**" means the special meeting of the Securityholders, including any adjournment or postponement thereof, to be called and held in accordance with this Agreement and the Interim Order to consider the Arrangement;

"**Minister of Industry**" means the responsible Minister under the Investment Canada Act;

"**Misrepresentation**", "**Material Change**" and "**Material Fact**" have the meanings ascribed thereto under Applicable Securities Laws of Canada;

"**Money Laundering Laws**" has the meaning ascribed thereto in Section 4.2(hhh)(ii);

"**NI 51-102**" means National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators;

"**Non-Competition and Non-Solicitation Agreements**" means the separate agreements to be entered into on the Effective Date by ExxonMobil, the Purchaser and Celtic with SpinCo and each of the Executive Officers as of the date hereof, substantially in the form included in the Disclosure Letter;

"**Option Exercise Agreements**" means the separate conditional option exercise and cancellation agreements to be entered into prior to the Effective Date between Celtic and each Optionholder, substantially in the form attached to the lock-up agreements signed by the Celtic directors and officers on the date hereof;

"**Option Plan**" means the Amended Stock Option Plan of Celtic dated effective April 26, 2007, and all option agreements thereunder, copies of which (or a form of which) are included in the Disclosed Information;

"**Optionholders**" means the holders of Options;

"Options" means the outstanding stock options of Celtic, whether or not vested, granted under the Option Plan, or any prior stock option plan of Celtic, each of which entitles the holders thereof to acquire one Common Share from treasury;

"**Outside Date**" means February 28, 2013, subject to the right of the Purchaser to postpone the Outside Date for up to an additional 90 days (in 30-day increments) if the Regulatory Approvals have not been obtained and have not been denied by a non-appealable decision of a Governmental Entity, by giving written notice to Celtic to such effect no later than 5:00 p.m. (Calgary time) on the date that is not less

than 10 days prior to the original Outside Date (and any subsequent Outside Date), or such later date as may be agreed to in writing by the Purchaser and Celtic;

"**Parties**" means, collectively, the parties to this Agreement, and "**Party**" means any one of them (and where applicable in the context, "**Party**" shall be construed to include both ExxonMobil and the Purchaser, or both Celtic and SpinCo);

"**Permit**" means any license, permit, certificate, franchise, consent, order, grant, easement, covenant, approval, classification, registration or other authorization of and from any Person, including any Governmental Entity;

"**Permitted Encumbrances**" means:

(a) any overriding royalties (including revenue royalties and contingent payments), net profits interests or other similar Encumbrances applicable to the interests of Celtic in its petroleum and natural gas rights and leases and all related tangibles, equipment, facilities and miscellaneous interests as set forth in Celtic's mineral property reports dated May 18, 2012, copies which are included in the Disclosed Information;

(b) easements, rights of way, servitudes or other similar rights, including, without limitation, rights of way and servitudes for highways, railways, sewers, drains, gas or oil pipelines, gas or water mains, electric light, power, telephone or cable television towers, poles, and wires;

(c) the regulations and any rights reserved to or vested in any municipality or governmental, statutory or public authority to levy taxes or to control or regulate the interests of Celtic in any manner, including, without limitation, the right to control or regulate production rates and the conduct of operations;

(d) statutory exceptions to title and the reservations, limitations, provisos and conditions in any grants or transfers from the Crown of mines and minerals;

(e) undetermined or inchoate Encumbrances incurred or created in the ordinary course of business as security for Celtic's share of the costs and expenses of the development or operation of any of its Assets, which costs and expenses are not delinquent as of the Effective Time;

(f) undetermined or inchoate mechanics' liens, builders' liens or materialmens' liens and similar Encumbrances for which payment for services rendered or goods supplied is not delinquent as of the Effective Time;

(g) Taxes, assessments or governmental charges which are not delinquent as of the Effective Time;

(h) Encumbrances granted in the ordinary course of business to a Governmental Entity respecting operations pertaining to petroleum and natural gas rights; and

(i) Encumbrances in respect of securing Indebtedness existing as of the date hereof and in respect of Indebtedness under the Credit Agreement as of the Effective Date;

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Entity, syndicate or other entity, whether or not having legal status;

"**Plan of Arrangement**" means the plan of arrangement set forth in Schedule "B" to this Agreement, as such plan of arrangement may be amended or supplemented from time to time in accordance with the terms thereof and hereof;

"**Plans**" has the meaning ascribed thereto in Section 4.2(rr)(ii);

"**Public Disclosure Record**" means all information publicly filed by or on behalf of Celtic after December 31, 2011 with the Securities Authorities in compliance, or intended compliance, with any Applicable Securities Laws;

"**Purchaser**" means 1690731 Alberta ULC, an unlimited liability corporation existing under the laws of the Province of Alberta, or its permitted assigns hereunder;

"**Purchaser Circular Information**" means all information in respect of ExxonMobil and the Purchaser required to be included in the Information Circular under Applicable Securities Laws and the Interim Order;

"**Registrar**" means the Registrar of Corporations or the Deputy Registrar of Corporations appointed pursuant to section 263 of the ABCA;

"Regulatory Approvals" means, collectively (i) the Competition Act Approval; (ii) the Investment Canada Approval; and (iii) such other sanctions, rulings, consents, orders, exemptions, permits and other approvals (including the lapse, without objection, of a prescribed time under any Applicable Laws that states that a transaction may be implemented if a prescribed time lapses following the giving of notice without an objection being made) of Governmental Entities required in connection with the Plan of Arrangement; except, in the case of (iii) only, for those sanctions, rulings, consents, orders, exemptions, permits and other approvals, the failure of which to obtain individually or in the aggregate, would not reasonably be expected to have a material adverse effect on ExxonMobil and its Subsidiaries, taken as a whole, or on Celtic and its Subsidiaries (either before or after giving effect to the Arrangement) or would not materially impede or delay the completion of the Arrangement;

"**Release**" has the meaning prescribed in any Environmental Law and includes any sudden, intermittent or gradual release, spill, leak, pumping, addition, pouring, emission, emptying, discharge, migration, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Substance, whether accidental or intentional, into the Environment;

"**Representatives**" means, with respect to any Person and its Subsidiaries, collectively, the officers, directors, employees, consultants, advisors (including financial advisors and legal counsel), representatives, agents or other parties acting on its behalf;

"**Right to Match Period**" has the meaning ascribed thereto in Section 3.5(e);

"**Securities**" means, collectively, the Common Shares and the Debentures;

"**Securities Act**" means the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

"**Securities Authorities**" means, collectively, the securities commissions or similar securities regulatory authorities in each of the provinces or territories of Canada and the TSX;

"**Securityholders**" means, collectively, the Shareholders and the Debentureholders;

"**Shareholders**" means the holders of Common Shares;

"**Shareholders Vote**" has the meaning ascribed thereto in Section 2.1(b)(ii);

"**Specific Conveyances**" means all conveyances, assignments, notice of assignments, assignment and novation agreements, transfers, novations, trust declarations and other documents or instruments that are reasonably required or desirable, in accordance with customary oil and gas industry practices, to convey, assign and transfer the SpinCo Assets to SpinCo and to novate SpinCo into the Title and Operating Documents in the place and stead of Celtic with respect to the SpinCo Assets

"**SpinCo**" means 1705972 Alberta Ltd., a wholly-owned Subsidiary of Celtic, incorporated under the ABCA;

"**SpinCo Asset Budget**" has the meaning ascribed thereto in Section 2.3(b);

"**SpinCo Assets**" means the assets and rights generally as set forth in Schedule "C" hereto and as more particularly defined as the "SpinCo Assets" in the SpinCo Conveyance Agreement;

"**SpinCo Board**" means the board of directors of SpinCo as it may be comprised from time to time, including any duly constituted and acting committee thereof;

"**SpinCo Circular Information**" means all information in respect to SpinCo required to be included in the Information Circular under Applicable Securities Laws and the Interim Order;

"**SpinCo Conveyance Agreement**" means the agreement to be entered into on the Effective Date between Celtic and SpinCo to effect the sale and transfer of SpinCo Assets from Celtic to SpinCo, substantially in the form attached hereto as Schedule "D";

"**SpinCo Shares**" means the common shares in the capital of SpinCo;

"**Sproule**" means Sproule Associates Limited, independent petroleum engineers of Calgary, Alberta;

"**Sproule Report**" means the report prepared by Sproule dated February 8, 2012 evaluating the crude oil, natural gas and natural gas liquids reserves attributable to Celtic's oil and natural gas assets at December 31, 2011 included in the Disclosed Information;

"**Subsidiary**" has the meaning ascribed thereto in the Securities Act (and in the case of Celtic, for greater certainty, shall include SpinCo);

"**Superior Proposal**" means an unsolicited written *bona fide* Acquisition Proposal:

(a) that is not subject to a financing condition and the funds or other consideration necessary for the consummation of the Acquisition Proposal at the time and on the basis set forth therein are, or are reasonably likely to be (as evidenced by a written financing commitment from one or more reputable and financially sound financial institutions), available, as demonstrated to the satisfaction of the Celtic Board, acting in good faith (after receiving advice from the Financial Advisors and outside legal counsel);

(b) that the Celtic Board determines in good faith (after receiving advice from the Financial Advisors and outside legal counsel) is capable of being completed in accordance with its terms without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the Person making such proposal;

(c) that did not result from or involve a breach of Section 3.5 or any other agreement between Celtic and the third party making such Acquisition Proposal and that complies with all Applicable Laws;

(d) that is not subject to any due diligence or access condition; and

(e) in respect of which the Celtic Board has determined in good faith (after the receipt of advice from its legal counsel in respect of (A) below, and the Financial Advisors in respect of (B) below, in each case as reflected in the minutes of the Celtic Board), that (A) failure to recommend such Acquisition Proposal would be inconsistent with its fiduciary duty under Applicable Laws; and (B) such Acquisition Proposal, if consummated in accordance with its terms, would result in a transaction more favourable to the Securityholders from a financial point of view than the transactions contemplated by this Agreement (including in each case after taking into account any modifications to this Agreement proposed by the Purchaser as contemplated by Section 3.5(e));

"**Superior Proposal Notice**" has the meaning ascribed thereto in Section 3.5(e);

"**Swaps**" means any transaction which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, hedge, commodity option, equity or equity index swap, equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option, forward sale, exchange traded futures contract or any other similar transaction (including any option with respect to any of these transactions or any combination of these transactions);

"**Tax**" or "**Taxes**" means any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever however denominated, including any interest, penalties or other additions that may become payable in respect thereof, imposed by any Taxing Authority, whether computed on a separate, consolidated, unitary, combined or other basis, which taxes will include, without limiting the generality of the foregoing, all income or profits taxes (including, but not limited to, federal income taxes and provincial income taxes), payroll and employee withholding taxes, employment insurance premiums, unemployment insurance, social insurance taxes, Canada Pension Plan contributions, sales and use taxes (including goods and services and provincial (including harmonized) sales taxes), value added taxes, ad valorem taxes, excise taxes, franchise taxes, gross receipts taxes, environmental taxes, capital taxes, production taxes, recapture, withholding taxes, employee health taxes, surtaxes, customs, import and export taxes, business license taxes, occupation taxes, real and personal property taxes, stamp taxes, environmental taxes, transfer taxes, workers' compensation and other governmental charges, and other obligations of the same or of a similar nature to any of the foregoing, which Celtic is required to pay, withhold, remit or collect;

"**Tax Act**" means the *Income Tax Act* (Canada), R.S.C. 1985, c. 1 (5th Supp.), as amended, including the regulations promulgated thereunder, as amended from time to time;

"**Tax Returns**" means all reports, estimates, elections, notices, filings, designations, forms, declarations of estimated tax, information statements and returns relating to, or required to be supplied to any Taxing Authority in connection with, any Taxes (including any attached schedules, estimated tax returns, withholding tax returns, and information returns and reports);

"**Taxing Authority**" means any Governmental Entity responsible for the imposition of any Tax (domestic or foreign);

"**Technology**" has the meaning ascribed thereto in Section 4.2(aa)(ii);

"**Termination Fee**" has the meaning ascribed thereto in Section 6.1;

"**Title and Operating Documents**" has the meaning ascribed thereto in the SpinCo Conveyance Agreement;

"**Transaction Costs**" means, collectively, the Employee Obligations and all other costs of Celtic in connection with this Agreement and the Arrangement, including, without limitation, fees and expenses of financial (including the Financial Advisors), legal, regulatory, accounting and engineering advisors, public

relations advisory, printing, mailing, depositary, solicitation (excluding proxy solicitation services contemplated by Section 3.3(l)) and shareholder communication costs and the Meeting costs;

"**TSX**" means the Toronto Stock Exchange;

"**United States**" means the United States of America, its territories and possessions, any state of the United States, and the District of Columbia;

"**U.S. Exchange Act**" means the *United States Exchange Act of 1934*, as amended and the rules and regulations of the United States Securities and Exchange Commission promulgated thereunder;

"**U.S. Securities Act**" means the *United States Securities Act of 1933*, as amended, and the rules and regulations promulgated thereunder;

"**U.S. Securities Laws**" means the U.S. Securities Act, the U.S. Exchange Act and applicable state securities legislation of the United States and all rules, regulations and orders promulgated thereunder, as amended from time to time;

"**U.S. Tax Code**" means the United States *Internal Revenue Code of 1986*, as amended, or any successor thereto; and

"**Wells**" means all of the wells relating to the Interests (including all producing, shut-in, water source, observation, disposal, injection, abandoned, suspended and other wells).

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an "**Article**", "**Section**" or "**paragraph**" followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Agreement.

1.3 Number and Gender; Derivatives

Unless the context otherwise requires, in this Agreement, words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders. If a word is defined in this Agreement a grammatical derivative of that word will have a corresponding meaning. The words "**include**", "**includes**" and "**including**" shall be deemed to be followed by the words "without limitation".

1.4 Date for Any Action

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

1.5 Statute and Agreement References

Any reference in this Agreement to any statute or any Section thereof will, unless otherwise expressly stated, be deemed to be a reference to such statute or Section as amended, restated or re-enacted from time to time. References to any agreement or document will be to such agreement or document (together with all appendices, schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

1.6 Currency

All sums of money that are referred to in this Agreement are expressed in lawful money of Canada unless otherwise noted.

1.7 Accounting Matters

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with GAAP or IFRS, such reference will be deemed to be to the GAAP or the IFRS, as applicable, from time to time approved by the Canadian Institute of Chartered Accountants, the Canadian Accounting Standards Board or any successor institute, and applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.8 Interpretation Not Affected by Party Drafting

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

1.9 Knowledge

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of Celtic, it refers to the actual knowledge of the Designated Officers, after reasonable inquiry, and in their capacity as officers of Celtic and not in their personal capacity, and does not include any constructive, implied or imputed knowledge of Celtic or the Designated Officers.

1.10 Schedules

The following schedules attached hereto are incorporated into and form an integral part of this Agreement:

Schedule "A" – Arrangement Resolution;
Schedule "B" – Plan of Arrangement;
Schedule "C" – SpinCo Assets; and
Schedule "D" – Form of SpinCo Conveyance Agreement

ARTICLE 2
THE ARRANGEMENT

2.1 Plan of Arrangement

(a) The Parties agree to carry out the Arrangement and to use their commercially reasonable efforts to cause the Effective Date to occur as soon as reasonably practicable and in any event by the Outside Date.

(b) Celtic agrees that as soon as reasonably practicable after the date hereof, but in any event prior to November 16, 2012, it will, in a manner reasonably acceptable to the Purchaser, pursuant to section 193 of the ABCA and, in cooperation with the Purchaser, prepare, file and diligently pursue an application for the Interim Order, which will provide, among other things:

(i) for the calling and holding of the Meeting, including confirming the record date for determining the classes of Persons to whom notice is to be provided in respect of

the Arrangement and the Meeting and for the manner in which such notice is to be provided;

(ii) that, subject to the approval of the Court, the requisite approval for the Arrangement Resolution by the Shareholders will be: (i) at least 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders present in person or represented by proxy at the Meeting (such that each Shareholder is entitled to one vote for each Common Share held); and (ii) if required under Applicable Laws, by a majority of the votes cast by the Shareholders present in person or represented by proxy at the Meeting, after excluding the votes of those Persons whose votes are required to be excluded under Multilateral Instrument 61-101 of certain Canadian Securities Administrators (the "**Shareholders Vote**");

(iii) that, subject to the approval of the Court, the requisite approval for the Arrangement Resolution by the Debentureholders will be the favourable vote of holders of a majority of the registered Debentureholders in number holding not less than 66 2/3% of the principal amount of the Debentures (the "**Debentureholders Vote**");

(iv) that, in all other respects, the terms, restrictions and conditions of Celtic's constating documents, by-laws and the Debenture Indenture, including quorum requirements and all other matters, will apply in respect of the Meeting, except as modified by the Interim Order;

(v) for the grant of the Dissent Rights in the manner contemplated in the Plan of Arrangement and the Interim Order;

(vi) for the notice requirements with respect to the presentation of the application to the Court for a Final Order;

(vii) that the Meeting may be adjourned or postponed from time to time by Celtic with the consent of the Purchaser without the need for further approval from the Court, and that the record date for Securityholders entitled to notice of and vote at the Meeting will not change as a result of any such adjournment or postponement, unless required by Applicable Laws; and

(viii) for such other matters as ExxonMobil or the Purchaser may reasonably require subject to obtaining the prior consent of Celtic, such consent not to be unreasonably withheld or delayed.

(c) The Arrangement shall be structured such that, assuming the Arrangement Resolution is approved and the Final Order is obtained, the issuance of the SpinCo Shares issuable to the Securityholders under the Arrangement, will not require registration under the U.S. Securities Act in reliance on Section 3(a)(10) thereof.

(d) The Arrangement shall become effective at the Effective Time on the Effective Date. Following issuance of the Final Order and subject to the satisfaction or waiver of the conditions precedent in Article 5, each of ExxonMobil, the Purchaser, Celtic and SpinCo shall, as soon as practicable, execute and deliver such closing documents and instruments and Celtic shall proceed to file the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement with the Registrar pursuant to section 193 of the ABCA, whereupon the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out therein without any further act or formality. The Certificate of Arrangement will be

conclusive evidence that the Arrangement has become effective on, and be binding on and after, the Effective Time.

2.2 Closing

The closing of the transactions contemplated hereby and by the Arrangement will take place at the offices of Borden Ladner Gervais LLP, in Calgary, Alberta, Canada, on the Effective Date.

2.3 SpinCo and Completion of Transactions

(a) *Conveyance of SpinCo Assets*. Pursuant to the Arrangement and the SpinCo Conveyance Agreement, the SpinCo Assets will be transferred to SpinCo in accordance with the terms and conditions of the SpinCo Conveyance Agreement.

(b) *SpinCo Asset Budget*. The Parties agree that a capital expenditure budget, as set forth in the Disclosure Letter (the "**SpinCo Asset Budget**"), will be made available for the SpinCo Assets for the period specified in the Disclosure Letter, such amount to be funded by Celtic, and that except as contemplated in this Section 2.3(b) and Section 3.4, no capital expenditures or operating expenses will be expended or committed in relation to the SpinCo Assets prior to the Effective Date.

(c) *SpinCo Governance and Incentive Plan Matters*. The board of directors, management and other governance and structuring matters relating to SpinCo including, without limitation, any compensation arrangements, shall be determined by Celtic and shall be satisfactory to the Purchaser, acting reasonably. The Parties acknowledge and agree that Celtic and SpinCo may submit such compensation arrangements to the Shareholders at the Meeting for approval in accordance with the requirements of the TSX, the TSX Venture Exchange or any other stock exchange on which SpinCo intends to seek the listing of the SpinCo Shares, provided that, for greater certainty, the Parties acknowledge and agree that such approval shall not be a condition to the obligation of any Party to complete the Arrangement.

(d) *Further Assurances*. Celtic, as the sole shareholder of SpinCo, covenants and agrees to cause SpinCo to take all steps, to do and perform all such acts and things and to execute and deliver all such agreements, documents and other instruments as are reasonably necessary or desirable to effect and complete the transactions contemplated herein and in the Plan of Arrangement in accordance with the terms and conditions hereof and thereof and any and all covenants and agreements of Celtic contained herein and in the Plan of Arrangement shall, to the extent that they are required to be performed by SpinCo, be and be deemed to be covenants and agreements of both Celtic and SpinCo.

(e) *SpinCo Asset Specific Conveyances.* Celtic shall undertake best efforts to prepare two execution copies of each Specific Conveyance prior to the Effective Date and shall deliver such copies of the Specific Conveyances executed by it to SpinCo on the Effective Date. On the Effective Date, SpinCo shall execute and shall deliver to the Purchaser one originally executed copy of each Specific Conveyance delivered in accordance with this Section 2.3(e) that does not require the signature of any third party. Specific Conveyances that require the signature of third parties shall be dealt with in accordance with the SpinCo Asset Conveyance Agreement.

(f) *Tax Elections*. The Parties agree that Celtic may duly elect (in its return of income under Part I of the Tax Act filed for its taxation year that ends immediately prior to the change of control of Celtic on the Effective Date), in the manner and within the time presented by the Tax Act, that the provisions of Section 256(9) of the Tax Act do not apply with respect to the acquisition of control of Celtic occurring on the Effective Date.

2.4 ExxonMobil Guarantee

ExxonMobil hereby unconditionally and irrevocably guarantees in favour of Celtic the due and punctual performance by the Purchaser of each and every covenant and obligation of the Purchaser arising under this Agreement and the Arrangement or any agreements entered into by the Purchaser in connection with or ancillary to or to effect any transaction contemplated by the Agreement or the Arrangement, including, without limitation, the due and punctual payment of the consideration required to acquire the Securities pursuant to the Arrangement and the due and punctual payment of any indemnity required to be paid by the Purchaser hereunder. ExxonMobil hereby agrees that Celtic will not have to proceed first against the Purchaser before exercising its rights under this guarantee against ExxonMobil.

2.5 Celtic Guarantee

Prior to the Effective Time, Celtic hereby unconditionally and irrevocably guarantees in favour of ExxonMobil and the Purchaser the due and punctual performance by SpinCo of each and every covenant and obligation of SpinCo arising under this Agreement, the Arrangement or any agreements entered into by SpinCo in connection with, ancillary to or to effect any transaction contemplated by this Agreement or the Arrangement. The foregoing guarantee shall in no manner survive or be effective following the Effective Time. Celtic hereby agrees that neither ExxonMobil nor the Purchaser shall have to proceed first against SpinCo before exercising their respective rights under this guarantee against Celtic.

2.6 Employee Obligations; Option Exercise Agreements

(a) The Parties acknowledge and agree that the Arrangement will result in a "change of control" for purposes of the employment agreements to which Employees are a party. ExxonMobil and the Purchaser acknowledge and agree that the Employee Obligations will, if not previously paid, become payable on or following the Effective Date and agree to cause Celtic to allocate and pay such amounts in accordance with the terms of the relevant agreements or as detailed in the Disclosure Letter on the Effective Date. The Disclosure Letter includes particulars of the Employee Obligations and includes: (i) the name of each individual entitled to a payment; (ii) a description of the agreement or plan or other legal requirement under which the payment arises and relevant section references, if applicable; (iii) the total amount of each individual's payment; and (iv) the method of calculating such payment or estimated payment in those circumstances where the total payment may not be ascertainable with certainty.

(b) The Parties acknowledge and agree that the Arrangement will result in a "change of control" for purposes of the Option Plan and agree that the Celtic Board may approve the vesting of all outstanding Options effective immediately before the Effective Time and conditional upon: (i) the subsequent consummation of the Arrangement, and (ii) with respect to a particular Optionholder, the agreement of such Optionholder to exercise and, where applicable, terminate such Options pursuant to (and to execute and deliver) an Option Exercise Agreement, in order that all such outstanding Options shall be fully vested and will be either exercised immediately before the Effective Time in accordance with their terms and the Option Exercise Agreements or be terminated in accordance with the Option Exercise Agreements or the Plan of Arrangement. The Disclosure Letter sets forth, based on certain assumptions, the estimated cash amounts payable to each Optionholder, and the estimated withholding tax related thereto, upon the exercise of Options in connection with the Arrangement pursuant to the Option Exercise Agreements.

(c) Celtic shall be exclusively responsible for any withholding obligations of Taxes pursuant to the Tax Act from any amounts paid for the Employee Obligations and in connection with the exercise or settlement of any Options prior to the Effective Time (including pursuant to the Option Exercise Agreements), and Celtic shall (and where applicable, shall cause the Depositary to) deliver the consideration for the foregoing net of such

amounts to Employees and Optionholders, as applicable. Any such amounts deducted, withheld and remitted by Celtic will be treated for all purposes under this Agreement as having been paid to the Employees and Optionholders, as applicable, in respect of which such deduction, withholding and remittance was made; provided that such deducted and withheld amounts are actually remitted to the appropriate Taxing Authority.

(d) The Parties acknowledge that no deduction will be claimed by Celtic in respect of any payment made to a holder of Options in computing the Parties' taxable income under the Tax Act, and Celtic shall: (i) where applicable, make and file an election in prescribed form pursuant to subsection 110(1.1) of the Tax Act in respect of the cash payments made in exchange for the surrender of Options, and (ii) provide evidence in writing of such election to holders of Options, it being understood that holders of Options shall be entitled to claim any deductions available to such persons pursuant to the Tax Act in respect of the calculation of any benefit arising from the surrender of Options.

2.7 Withholding Taxes

It is acknowledged that, except in respect of withholdings contemplated in the Plan of Arrangement, the Securityholders will be exclusively responsible for the payment of all applicable Taxes pertaining to the disposition of the Securities under the Arrangement. The Purchaser, Celtic and the Depositary will be entitled to deduct and withhold from any consideration otherwise payable to any Securityholder under the Arrangement, including any amounts applicable as a result of the conversion of or payment for the Debentures, such amounts as Celtic, the Purchaser or the Depository is required or reasonably believes to be required to deduct and withhold from such consideration in accordance with applicable Tax laws. Any such amounts will be deducted, withheld and remitted from the consideration payable pursuant to the Plan of Arrangement and will be treated for all purposes under this Agreement as having been paid to the Securityholders in respect of which such deduction, withholding and remittance was made; provided that such deducted and withheld amounts are actually remitted to the appropriate Taxing Authority.

2.8 Application of Funds by Depositary

Upon completion of the Arrangement, the Purchaser shall cause the Depositary to apply the funds deposited with the Depositary as contemplated in Section 5.3(c) to make the payments required by the Plan of Arrangement. Any portion of the funds deposited with the Depositary as contemplated in Section 5.3(c) which are paid by Celtic pursuant to the Plan of Arrangement shall be considered to be loaned by the Purchaser to Celtic for the sole purpose of Celtic paying such consideration under the Arrangement.

ARTICLE 3
COVENANTS

3.1 Mutual Covenants Regarding the Arrangement

From the date of this Agreement until the Effective Date or termination of this Agreement, subject to the other provisions of this Agreement (including Section 3.6), each Party will:

(a) not take, or cause to be taken, any action or cause anything to be done that would cause its obligations hereunder not to be fulfilled in a timely manner; and not take any action, refrain from taking any commercially reasonable action, or permit any action to be taken or commercially reasonable action to not be taken, which is inconsistent with this Agreement or which would render or may reasonably be expected to render any representation or warranty made by it in this Agreement untrue in any material respect prior to the Effective Date or which would reasonably be expected to materially impede the consummation of the Arrangement or to prevent or delay the consummation of the transactions contemplated hereby, in each case, except as permitted by this Agreement;

(b) take, or cause to be taken, all other action and to do, or cause to be done, all other things necessary, proper or advisable under Applicable Laws to complete the Arrangement, including using reasonable commercial efforts to oppose, lift or rescind any injunction or restraining or other order seeking to stop, or otherwise adversely affecting its ability to consummate, the Arrangement and to defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging this Agreement or the consummation of the transactions contemplated hereby; and

(c) use reasonable commercial efforts to enter into mutually acceptable arrangements for the provision, commencing on the Effective Date, of transitional services by SpinCo and its officers to Celtic and its successors, and by Celtic and its successors to SpinCo, for a period not to exceed 12 months following the Effective Date.

Each Party will use its reasonable commercial efforts to cooperate with the other in connection with the performance by the other of their obligations under this Section 3.1 and this Agreement including, without limitation, continuing to provide reasonable access to information and to maintain ongoing communications as between officers of each Party, subject in all cases to the Confidentiality Agreement.

3.2 Covenants of ExxonMobil and the Purchaser

Subject to the other provisions of this Agreement (including Section 3.6), each of ExxonMobil and the Purchaser covenants and agrees that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of Celtic (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws, it will:

(a) use reasonable commercial efforts to take all necessary actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement, including using its reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Section 5.1 and Section 5.3 as soon as reasonably practicable, to the extent the fulfillment of the same is within the control of ExxonMobil and the Purchaser, as applicable;

(b) promptly advise Celtic in writing of any breach by ExxonMobil and the Purchaser of any of their representations, warranties, covenants, obligations or agreements contained in this Agreement, or of any matter which, either individually or in the aggregate, could reasonably be expected to prevent, delay or impede the consummation of the Arrangement or the transactions contemplated hereby, or either ExxonMobil or the Purchaser from performing their respective obligations under the Agreement or the Arrangement;

(c) provide Celtic with the Purchaser Circular Information in a timely manner and ensure that the Purchaser Circular Information provided by them expressly for inclusion in the Information Circular does not, at the time of the mailing of the Information Circular, contain any Misrepresentation;

(d) indemnify and save harmless each of Celtic and SpinCo and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which Celtic, SpinCo or their respective directors, officers, employees advisors and agents may be subject or which Celtic, SpinCo or their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:

(i) any Misrepresentation or alleged Misrepresentation contained solely in any Purchaser Circular Information included in the Information Circular that was provided to Celtic by ExxonMobil or the Purchaser or their Affiliates expressly for inclusion in the Information Circular;

(ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any Misrepresentation or alleged Misrepresentation contained solely in the Purchaser Circular Information included in the Information Circular that was provided to Celtic by ExxonMobil or the Purchaser or their Affiliates expressly for inclusion in the Information Circular; and

(iii) ExxonMobil or the Purchaser not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement,

except that neither ExxonMobil nor the Purchaser will be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of any information contained in the Information Circular other than the Purchaser Circular Information included in the Information Circular that was provided to Celtic by ExxonMobil or the Purchaser or their Affiliates expressly for inclusion in the Information Circular or the negligence of Celtic or SpinCo or the non-compliance by Celtic or SpinCo with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;

(e) maintain from ExxonMobil's preferred insurer, or ExxonMobil shall self-insure, for a period of six years from the Effective Time, customary policies of directors' and officers' liability insurance providing coverage on a "trailing" or "run-off" basis for each person covered by Celtic's current directors and officers liability insurance policy with respect to claims arising from facts or events which occurred prior to the Effective Time; and will not take any action, or to cause Celtic to take any action, to terminate such directors' and officers' liability insurance or any indemnity agreements in favour of current and former directors and officers of Celtic in place prior to the date hereof (true and correct copies of which were provided in the Disclosed Information);

(f) furnish to Celtic or Celtic's counsel any request from any Governmental Entity for any information in respect of any third party complaint, investigation or hearing (or investigations indicating the same may be contemplated) to the extent that it relates to or could materially impede the completion of the Arrangement;

(g) make all necessary filings and applications under Applicable Laws required to be made on the part of ExxonMobil and the Purchaser in connection with the transactions contemplated herein, including, without limitation, for all Regulatory Approvals, and shall take all commercially reasonable action necessary to be in compliance with such Applicable Laws;

(h) promptly notify Celtic in writing of any change in any representation or warranty provided by ExxonMobil or the Purchaser in this Agreement, which change is or may be of such a nature as to render any representation or warranty misleading or untrue; and

(i) ensure the Purchaser has available funds to permit the payment of the consideration for the Securities under the Arrangement and will take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required.

3.3 Covenants of Celtic and SpinCo Regarding the Arrangement

Celtic and, where applicable, SpinCo covenant and agree that, from the date of this Agreement until the Effective Date or termination of this Agreement, except with the prior written consent of the Purchaser (such consent not to be unreasonably withheld or delayed), and except as otherwise expressly permitted or specifically contemplated by this Agreement (including the Plan of Arrangement) or required by Applicable Laws:

(a) Celtic will provide the Purchaser and its legal counsel with reasonable opportunity to review and comment upon drafts of all materials to be filed with the Court in connection with the Arrangement, including by providing on a timely basis a description of any information required to be supplied by the Purchaser for inclusion in such material, prior to the service and filing of such material, and will give reasonable consideration to the comments of the Purchaser and its counsel with respect to any information to be included in such material and any other matters contained therein;

(b) Celtic will ensure that all material filed with the Court in connection with the Arrangement is consistent in all material respects with the terms of this Agreement and the Plan of Arrangement;

(c) Celtic will not object to legal counsel to the Purchaser making such submissions on the application for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided such submissions are in all material respects consistent with this Agreement and the Plan of Arrangement;

(d) Celtic will use its reasonably commercial efforts to take all such steps as are necessary to set the record date for the Meeting as a date not later than November 14, 2012;

(e) Celtic will, subject to the terms of this Agreement and in accordance and compliance with the Interim Order, as soon as practicable (and in any event no later than December 14, 2012), convene and hold the Meeting in accordance with the Interim Order and Applicable Laws for the purpose of considering the Arrangement Resolution and, unless this Agreement will have been terminated in accordance with Section 8.1(a), Celtic will not cancel the Meeting or fail to put the Arrangement Resolution before the Securityholders for their consideration without the Purchaser's prior written consent, other than as may be required under the Interim Order or Applicable Laws; and Celtic will not propose to adjourn or postpone the Meeting without the prior consent of the Purchaser except as required by Applicable Laws or by a Governmental Entity and except as required under Sections 3.5(i) or 5.4(b); and Celtic shall, if requested by the Purchaser, adjourn the Meeting one or more times for the purposes of obtaining any required quorum or attempting to obtain the requisite approval of the Arrangement Resolution by either or both of the Shareholders Vote or the Debentureholders Vote;

(f) Celtic will subject to compliance by ExxonMobil and the Purchaser with their obligations set forth in Section 3.2(c), as soon as practicable after the execution and delivery of this Agreement, prepare the Information Circular together with any other documents required by Applicable Securities Laws or other Applicable Laws in connection with the Meeting required to be filed or prepared by Celtic (including in respect of the distribution of the SpinCo Shares to the Securityholders), and, subject to Section 3.2(c), as soon as practicable after the execution and delivery of this Agreement (and in any event no later than November 19, 2012), Celtic shall, unless otherwise agreed by the Purchaser, cause the Information Circular and other documentation required in connection with the Meeting to be sent to the Securityholders and be filed as required by the Interim Order and Applicable Laws;

(g) Celtic will provide the Purchaser and its legal counsel a reasonable opportunity to review and comment on drafts of the Information Circular and other documents to be sent to the Securityholders in connection with the Meeting or the Arrangement, and will give reasonable consideration to any comments made by the Purchaser and its legal counsel, provided that all information included in the Information Circular and any other documents to be sent to the Securityholders in connection with the Meeting or the Arrangement relating to ExxonMobil and the Purchaser will be in form and content satisfactory to the Purchaser, acting reasonably;

(h) Celtic will ensure that the Information Circular (other than any Purchaser Circular Information included in the Information Circular that was provided to Celtic by ExxonMobil or the Purchaser or their Affiliates expressly for inclusion in the Information Circular) complies with Applicable Laws and, without limiting the generality of the foregoing, that the Information Circular is consistent with the terms of the Interim Order, will not contain a Misrepresentation and provides the Securityholders with information in sufficient detail to permit them to form a reasoned judgment concerning the matters before them and, subject to Section 3.5(c)(vi), will include, without limitation (i) based upon, among other things, the Fairness Opinions, the unanimous determination of the Celtic Board that the Arrangement is in the best interests of Celtic, is fair to the Securityholders, and the unanimous recommendation that the Securityholders vote in favour of the Arrangement; (ii) the Fairness Opinions stating that the consideration to be received by the Securityholders pursuant to the Arrangement is fair, from a financial point of view, to the Securityholders; and (iii) any financial statements, oil and gas reserves and operational information and other disclosure required under Applicable Securities Laws that are required to be included in the Information Circular including, without limitation, in connection with the transfer of the SpinCo Assets to SpinCo;

(i) Celtic will indemnify and save harmless each of ExxonMobil and the Purchaser and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which ExxonMobil or the Purchaser or their respective directors, officers, employees, advisors or agents may be subject or which ExxonMobil or the Purchaser or their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:

(i) any Misrepresentation or alleged Misrepresentation in the Information Circular other than in respect of the Purchaser Circular Information or in any material filed by Celtic in connection with the transactions contemplated by this Agreement in compliance or intended compliance with any Applicable Laws;

(ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any Misrepresentation or any alleged Misrepresentation in the Information Circular other than in respect of the Purchaser Circular Information or in any material filed by or on behalf of Celtic in compliance or intended compliance with Applicable Securities Laws; and

(iii) Celtic not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that Celtic will not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of any Purchaser Circular Information included in the Information Circular that was provided to Celtic by ExxonMobil or the Purchaser or their Affiliates expressly for inclusion in the Information Circular or the negligence of ExxonMobil or the Purchaser or the non-compliance by

ExxonMobil and the Purchaser with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement;

(j) SpinCo will indemnify and save harmless each of ExxonMobil, the Purchaser and Celtic and their respective directors, officers, employees, advisors and agents from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which ExxonMobil, the Purchaser or Celtic or their respective directors, officers, employees, advisors or agents may be subject or which ExxonMobil, the Purchaser or Celtic or their respective directors, officers, employees, advisors or agents may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:

(i) any Misrepresentation or alleged Misrepresentation in the Information Circular that is SpinCo Circular Information or in any material filed by or on behalf of SpinCo in connection with the transactions contemplated by this Agreement in compliance or intended compliance with any Applicable Laws;

(ii) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any Misrepresentation or any alleged Misrepresentation in the Information Circular that is SpinCo Circular Information or in any material filed by or on behalf of Celtic in compliance or intended compliance with Applicable Securities Laws; and

(iii) SpinCo not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement;

except that SpinCo will not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of any Purchaser Circular Information included in the Information Circular that was provided to Celtic or SpinCo by ExxonMobil or the Purchaser or their Affiliates expressly for inclusion in the Information Circular or the negligence of ExxonMobil or the Purchaser or the non-compliance by ExxonMobil and the Purchaser with any requirement of Applicable Laws in connection with the transactions contemplated by this Agreement; and notwithstanding anything else in this Agreement, the foregoing indemnity by SpinCo in favour of ExxonMobil, the Purchaser and Celtic shall survive the completion of the Arrangement and any termination of this Agreement;

(k) Celtic will provide notice to the Purchaser of the Meeting and allow the Purchaser's Representatives to attend the Meeting;

(l) Celtic will, subject to Section 3.5(c)(vi) hereof, solicit proxies to be voted at the Meeting in favour of matters to be considered at the Meeting, including the Arrangement Resolution, including if so requested by the Purchaser, and at the cost of the Purchaser, using dealer and proxy solicitation services approved by the Purchaser, acting reasonably (the costs of which are agreed will not form part of the Transaction Costs), and cooperating with any Persons engaged by Celtic to solicit proxies in favour of the approval of the Arrangement Resolution;

(m) Celtic will promptly advise the Purchaser of the number or amount of Securities for which Celtic receives notices of dissent or written objections to the Arrangement and provide the Purchaser with copies of such notices and written objections and subject to Applicable Laws, will provide the Purchaser with an opportunity to review and comment upon any written communications proposed to be sent by or on behalf of Celtic to any Securityholder exercising or purporting to exercise Dissent Rights in relation to the Arrangement Resolution and reasonable consideration will be given to any comments

made by the Purchaser and its counsel prior to sending any such written communications. Celtic will not settle any claims with respect to Dissent Rights without the prior written consent of the Purchaser (such consent not to be unreasonably withheld);

(n) Celtic will promptly inform the Purchaser of any requests or comments made by Securities Authorities in connection with the Information Circular; and each of the Parties will cooperate with the other and will diligently do all such acts and things as may be necessary in the manner contemplated in the context of the preparation of the Information Circular and use its reasonable commercial efforts to resolve all requests or comments made by Securities Authorities with respect to the Information Circular and any other required filings under Applicable Laws as promptly as practicable after receipt thereof;

(o) Celtic will advise the Purchaser, as the Purchaser may request, and on a daily basis on each of the last ten Business Days prior to the proxy cutoff date for the Meeting, as to the aggregate tally of the proxies received by Celtic in respect of the Arrangement Resolution and any other matters to be considered at the Meeting, and provide the Purchaser with copies of any materials, or grant access to information regarding the Meeting, generated by any proxy solicitation firm;

(p) Celtic will, subject to obtaining such approvals as are required by the Interim Order, proceed with and diligently pursue the application to the Court for the Final Order;

(q) Celtic will provide the Purchaser's legal counsel, on a timely basis, with copies of any notice and evidence served on Celtic or its legal counsel in respect of the application for the Final Order or any appeal therefrom;

(r) Celtic and SpinCo will use reasonable commercial efforts to take all necessary actions to give effect to the transactions contemplated by this Agreement and the Plan of Arrangement, including using reasonable commercial efforts to satisfy or cause the satisfaction of the conditions set forth in Sections 5.1 and 5.2 as soon as reasonably practicable, to the extent the satisfaction of the same is within the control of Celtic or SpinCo, as applicable;

(s) Celtic will, in accordance with Section 2.1(d), (i) file the Articles of Arrangement, the Final Order and such other documents as may be required to give effect to the Arrangement with the Registrar and (ii) obtain the Certificate of Arrangement from the Registrar;

(t) Celtic will promptly notify the Purchaser in writing of any change in any representation or warranty provided by Celtic or SpinCo in this Agreement, which change is or may be of such a nature as to render any representation or warranty misleading or untrue;

(u) Celtic will promptly advise the Purchaser in writing of any breach by Celtic or SpinCo of any covenant, obligation or agreement of Celtic or SpinCo contained in this Agreement, or of any matter which, either individually or in the aggregate, could reasonably be expected to prevent, delay or impede the consummation of the Arrangement or the transactions contemplated hereby, or either Celtic or SpinCo from performing their respective obligations under the Agreement or the Arrangement;

(v) Celtic will ensure that it has available funds to permit the payment of the Termination Fee having regard to its other liabilities and obligations, and will take all such actions as may be necessary to ensure that it maintains such availability to ensure that it is able to pay such amount when required;

(w) Celtic and SpinCo will make all necessary filings and applications under Applicable Laws, including Applicable Securities Laws, required to be made on the part of Celtic and SpinCo in connection with the transactions contemplated herein, including, without limitation, for all Regulatory Approvals, and will take all actions necessary to be in compliance with such Applicable Laws including, without limitation, application to the TSX or the TSX Venture Exchange for the approval of the listing of the SpinCo Shares (provided however, that the Parties acknowledge and agree that such listing approval shall not be a condition to the obligation of any Party to complete the Arrangement);

(x) Celtic will use its commercially reasonable efforts to obtain the written consent, waiver or other agreement of such number of lenders under the Credit Agreement and any other Material Contract as is necessary to effect a consent or a waiver of the "change of control" under the Credit Agreement or any Material Contract arising as a result of the completion of the Arrangement, such consent, waiver or other agreement to be in form and substance satisfactory to ExxonMobil and the Purchaser, acting reasonably;

(y) Celtic will use reasonable commercial efforts to obtain resignations and mutual releases (in a form satisfactory to the Purchaser and such resigning person, each acting reasonably), to be effective at the Effective Time, from the directors and officers of Celtic as requested from time to time by the Purchaser prior to the Effective Time;

(z) Celtic will take any and all actions necessary such that, to the extent permissible thereunder, minority approval of the Arrangement Resolution by the Shareholders is not required under Multilateral Instrument 61-101 of certain Canadian Securities Administrators, including to form any independent committee of the Celtic Board required to make any determination in respect thereto and to make any determinations and disclosure in respect thereof;

(aa) Celtic will promptly upon execution of this Agreement publicly announce, by way of a news release in a form approved by the Purchaser, acting reasonably, that the Celtic Board has unanimously: (i) determined that the Arrangement is fair to the Securityholders, (ii) determined that the Arrangement is in the best interests of Celtic, (iii) approved the Arrangement and the entering into of the Arrangement Agreement; and (iv) resolved to recommend the Securityholders vote in favour of the Arrangement; and

(bb) Celtic shall use its commercially reasonable efforts to, at least three Business Days prior to the date on which application will be made for the Interim Order, obtain and deliver to the Purchaser executed Option Exercise Agreements from each holder of Options.

3.4 Covenants of Celtic and SpinCo Regarding the Conduct of Business

Celtic and, where applicable, SpinCo covenant and agree that, during the period from the date of this Agreement until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, unless the Purchaser otherwise consents in writing, or except as is otherwise expressly permitted or contemplated by this Agreement (including the Plan of Arrangement), or as is otherwise required by Applicable Laws:

(a) the business of Celtic will, in all material respects, be conducted only (and Celtic will not take any action except) in the ordinary course of business consistent with past practice, as contained in the Celtic Capital Budget (and in respect of the SpinCo Assets, as contained in the SpinCo Asset Budget) or in respect of any other capital expenditures agreed to by the Purchaser prior to the date hereof to the extent such capital expenditures are included in the Disclosure Letter, in a proper and prudent manner, in accordance with good industry practice in Canada and Applicable Laws, and Celtic will use its reasonable commercial efforts to maintain and preserve its business organization, Assets, properties, Employees, consultants, contractors, goodwill and business

relationships, and where it is an operator of any property, it will, in all material respects, operate and maintain such property in a proper and prudent manner in accordance with good industry practice in Canada and the agreements governing the ownership and operation of such property;

(b) Celtic will not, and will not permit SpinCo to, directly or indirectly:

(i) amend its constating documents or by-laws, except that SpinCo is expressly permitted to change its name, amend its articles to remove restrictions on share transfers and change the minimum number of directors;

(ii) declare, set aside or pay any dividend or other distribution or payment (whether in cash, shares or property);

(iii) adjust, split, combine or reclassify any of its securities;

(iv) issue, grant or sell, or agree to issue, grant or sell, any securities of it or any Subsidiary, or securities convertible into or exchangeable or exercisable for, or otherwise evidencing a right to acquire, securities of it or any Subsidiary, other than the issuance of Common Shares pursuant to the terms of outstanding Options and Debentures;

(v) redeem, purchase or otherwise acquire or subject to an Encumbrance, other than a Permitted Encumbrance, any of its outstanding securities or securities convertible or exchangeable into or exercisable for any such securities, unless otherwise required by the terms of such securities;

(vi) amend or modify the terms of any of its securities (including to accelerate the vesting of any Options, except as contemplated by Section 2.6 and the Option Exercise Agreements);

(vii) adopt a plan of liquidation or resolution providing for the winding-up, liquidation or dissolution of Celtic or SpinCo;

(viii) amend its existing accounting policies, practices, methods and principles or adopt new accounting policies, in each case except as required in accordance with IFRS;

(ix) reduce its stated capital;

(x) incorporate, form or organize any Subsidiary; or

(xi) authorize or propose any of the foregoing, or enter into, modify or terminate any Contract with respect to any of the foregoing;

(c) Celtic will promptly notify the Purchaser in writing of:

(i) any material Governmental Entity or third party complaints, investigations or hearings (or communications indicating that the same may be contemplated) in respect of Celtic, SpinCo or the Assets;

(ii) all material matters relating to the Legal Actions;

(iii) any circumstance or development that, to the knowledge of Celtic, would or could reasonably be expected to have a Material Adverse Effect; and

(iv) any change in any fact or matter included in the Disclosed Information, in the Public Disclosure Record or in the Disclosure Letter which would reasonably or could reasonably be expected to be considered material to the Purchaser in the context of this Agreement or which might materially impede the ability of Celtic or SpinCo to consummate the transactions contemplated hereby; provided that the delivery of any such notification will not modify, amend or supersede any fact or matter included in the Disclosed Information, in the Public Disclosure Record or in the Disclosure Letter or any representation or warranty of Celtic or SpinCo contained in this Agreement or in any certificate or other instrument delivered in connection herewith and will not affect any right of either ExxonMobil or the Purchaser hereunder;

(d) neither Celtic nor SpinCo will reorganize, amalgamate or merge with any other Person;

(e) Celtic will not, and will not permit SpinCo to, directly or indirectly, unless such action would be permitted by Section 3.4(f) or Section 3.4(g), as applicable:

(i) sell, pledge, lease, license, dispose of or cause or permit an Encumbrance, other than a Permitted Encumbrance, to be created on, any Assets;

(ii) surrender or abandon any of its petroleum and natural gas rights or tangible depreciable property;

(iii) acquire (by merger, amalgamation, consolidation or acquisition of shares or assets, joint venture, farm-in or farm-out, development agreement or otherwise) any corporation, partnership or other business organization or division thereof or any material assets, or make any investment either by the purchase of securities, contributions of capital, property transfer, or purchase of any property or enter into or extend any option to acquire, or exercise an option to acquire, any property or assets of any other Person;

(iv) incur any Indebtedness (including by way of draw down under the Credit Agreement) or assume, endorse, guarantee or otherwise become responsible for the obligations of any other Person, or make any loans or advances, other than (A) for operating costs and other costs incurred in the ordinary course of business and Indebtedness incurred in accordance with the Celtic Capital Budget or the SpinCo Asset Budget, as applicable; (B) to pay legal fees and financial advisory fees to the Financial Advisors and other Transaction Costs in respect of the Arrangement; (C) to pay the Employee Obligations; and (D) any other capital expenditures agreed to by the Purchaser prior to the date hereof (as included in the Disclosure Letter);

(v) issue any debt securities or amend the terms of any existing, or establish any new, credit facilities or debt instruments, except that SpinCo may establish a new credit facility to take effect following the Effective Time;

(vi) make or commit to make capital expenditures except as disclosed in the Celtic Capital Budget or the SpinCo Asset Budget, as applicable or as agreed to by the Purchaser prior to the date hereof (as included in the Disclosure Letter);

(vii) enter into any Swaps;

(viii) pay, discharge or satisfy any material claims, liabilities or obligations other than the payment, discharge or satisfaction of liabilities reflected or reserved against in the Financial Statements;

(ix) enter into a new line of business; or

(x) authorize or propose any of the foregoing, or enter into or modify any Contract to do any of the foregoing;

(f) except in relation to matters specifically disclosed in the Celtic Capital Budget or the SpinCo Asset Budget, Celtic will not, directly or indirectly:

(i) enter into any Contract with respect to the purchase, sale, disposition or development of any asset or property, including any joint venture or similar arrangement, outside the ordinary course of business or that would impose payment or other obligations on Celtic in excess of $5.0 million;

(ii) enter into any Contract or series of Contracts: (A) relating to production sales, processing or similar agreements having a term greater than 90 days; (B) resulting in a new Contract or series of related new Contracts that would result in any Contract having a term in excess of 12 months and that would not be terminable by Celtic upon notice of 90 days or less from the date of the relevant Contract, or that would impose payment or other financial obligations on Celtic in excess of $5.0 million; or (C) that could reasonably be considered to be a Material Contract or otherwise material to the business or operations of Celtic;

(iii) enter into any Contract that would limit or otherwise restrict Celtic or its successors, or that would, after the Effective Time, limit or otherwise restrict the Purchaser or any of its Affiliates or any of their successors, from engaging or competing in their line of business or in any geographic area;

(iv) waive, release, terminate or amend any existing contractual rights in respect of or relating to Leases totalling greater than $5.0 million in aggregate; or

(v) terminate, cancel or amend any Contract not otherwise contemplated in this Section 3.4(f) that provides for or imposes payment or other financial obligations in excess of $5.0 million over the course of its remaining term;

(g) Celtic will not, and will not permit SpinCo to, directly or indirectly:

(i) enter into any Contract with respect to the purchase, sale, disposition or development of any asset or property, including any joint venture or similar arrangement, except directly in relation to matters specifically disclosed in the SpinCo Asset Budget;

(ii) dispose of any SpinCo Assets;

(h) other than as is necessary to comply with Applicable Laws, Celtic will not, and will not permit SpinCo to:

(i) grant to any officer or director of Celtic or SpinCo an increase in compensation in any form or make any payment to any director, officer, consultant or employee outside of their ordinary and usual compensation for services provided, which ordinary and usual compensation will include bonuses for 2012 for Celtic's officers and Employees calculated in a manner consistent with prior practice and any board of director fees for meetings held in connection with the transactions contemplated by this Agreement or otherwise in the normal course of business, other than in respect of the Employee Obligations;

(ii) grant any general salary increase;

(iii) take any action with respect to the amendment or grant of any change of control, severance or termination pay policies or arrangements;

(iv) enter into or modify any employment agreement with any officer, director or other employee or enter into any agreements with any consultants that are not terminable with 30 days or less notice;

(v) increase any benefits payable under its current severance or termination pay policies;

(vi) adopt any new pension, benefit or compensation plan or materially amend or make any contribution to any existing pension, benefit or compensation plan;

(vii) commence, waive, release, assign, settle or compromise any Legal Actions or any claim or liability, other than the payment, discharge or satisfaction of liabilities: (A) incurred in the usual, ordinary and regular course of business consistent with past practice; or (B) having an individual amount of not more than $5.0 million;

provided that SpinCo may take the actions described in paragraphs (i) to (vi) to effect the appointment or employment of SpinCo directors, officers and employees following the Effective Time as set forth in the Disclosure Letter, provided such actions are solely at the expense of SpinCo following the Effective Time and otherwise comply with the terms of this Agreement;

(i) Celtic will maintain and preserve all of its rights under each material Lease;

(j) except as contemplated herein, Celtic will not file, amend, abandon, fail to progress, or withdraw any material application for regulatory approval in respect of the Assets;

(k) Celtic will not take any action or fail to take any action that would accelerate or trigger defaults or repayments in respect of any material obligation, Contract or Permit, other than the accelerated repayment of outstanding Indebtedness under the Credit Agreement arising as a consequence of this Agreement and the Arrangement;

(l) Celtic will:

(i) duly and on a timely basis file all Tax Returns required to be filed by it on or after the date hereof pursuant to the Tax Act in a manner consistent with past practice and all such Tax Returns will be true, complete and correct;

(ii) fully and timely pay all Taxes shown on such Tax Returns;

(iii) not make or rescind any express or deemed election relating to Taxes, or file any amended Tax Returns, where the result of such action is inconsistent with past practice or the Tax Act;

(iv) not make a request for a Tax ruling or enter into a closing agreement with any Governmental Entity;

(v) not settle any claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to Taxes; and

(vi) properly reserve (and reflect such reserves in its books and records and financial statements, including the Financial Statements) for all Taxes accruing in respect of Celtic which are not due or payable prior to the Effective Date in a manner consistent with past practice and in accordance with the provisions of the Tax Act;

(m) Celtic will use its reasonable commercial efforts to cause the current insurance (or reinsurance) policies maintained by Celtic, including directors' and officers' insurance, not to be cancelled or terminated and to prevent any of the coverage thereunder from lapsing, provided that Celtic shall cancel such insurance (or re-insurance) policies, with effect no earlier than the Effective Time and conditional upon completion of the Arrangement, at the Purchaser's request;

(n) Celtic will not enter into any new Contract or amend any existing Contract with any broker, finder or investment banker as contemplated in Section 4.2(eee), including any amendment of any Contract referred to in Section 4.2(eee);

(o) to the extent that they would be precluded from doing so under the Non-Competition and Non-Solicitation Agreements if such agreements were in effect as of the date hereof (and, for greater certainty, as if Celtic were a party to such agreements in the same manner as is SpinCo), neither Celtic nor SpinCo shall in any manner hire or solicit for hire as an officer, employee, consultant or contractor with SpinCo, any Executive Officer, Employee or Consultant of Celtic, except as agreed to by the Purchaser and as set forth in the Disclosure Letter (which exceptions shall be deemed to be the "Excluded Employees" referenced in the Non-Competition and Non-Solicitation Agreements); and

(p) SpinCo shall not, and Celtic shall not permit SpinCo to, carry on or conduct any business, acquire any assets (including any assets or rights forming part of the SpinCo Assets), assume or incur any Liabilities or allow any Encumbrances to be created against it, in each case prior to the Effective Time, except as is solely necessary to perform its obligations under this Agreement, the Plan of Arrangement and matters ancillary thereto.

3.5 Covenants of Celtic Regarding Non-Solicitation

(a) Celtic will immediately cease and cause to be terminated all existing discussions and negotiations (including, without limitation, through any Representatives), with any parties (other than ExxonMobil and the Purchaser or their Representatives) initiated before the date of this Agreement with respect to any proposal that constitutes, or may reasonably be expected to constitute, or lead to an Acquisition Proposal and, in connection therewith, Celtic shall discontinue access to any of its Confidential Information (and not establish or allow access to any of its Confidential Information, or any data room, virtual or otherwise).

(b) Celtic will not waive, terminate, amend or modify any standstill provisions contained in a confidentiality agreement or otherwise for any Person and covenants and agrees that it will not do so prior to the Effective Date. Celtic will, within three Business Days of entering into this Agreement, request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with Celtic relating to a potential Acquisition Proposal and will use its reasonable commercial efforts to ensure that such requests are honoured in accordance with the terms of the applicable confidentiality agreement with such parties. Celtic undertakes to enforce all standstill, non-disclosure, non-disturbance, non-solicitation and similar covenants that it has entered into prior to date hereof.

(c) Celtic will not, directly or indirectly, do or authorize or permit any of its Representatives to do, any of the following:

(i) solicit, assist, initiate, encourage or in any way knowingly facilitate (including by way of furnishing information, or entering into any form of written or oral agreement, arrangement or understanding) any Acquisition Proposal or inquiries, proposals or offers regarding an Acquisition Proposal;

(ii) enter into or participate in any discussions or negotiations regarding an Acquisition Proposal, or furnish to any other Person any information with respect to its businesses, properties, operations, prospects or conditions (financial or otherwise) in connection with an Acquisition Proposal or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt of any other Person to do or seek to do any of the foregoing;

(iii) waive, modify or release any third party from or otherwise forbear in the enforcement of, or enter into or participate in any discussions, negotiations or agreements to waive modify or release any third party from or otherwise forbear in respect of, any rights or other benefits under confidential information agreements, including, without limitation, any "standstill provisions" thereunder; or

(iv) accept, recommend, approve, agree to, endorse, or propose publicly to accept, recommend, approve, agree to, or endorse any Acquisition Proposal or agreement in respect thereto, or take no position or remain neutral with respect to any Acquisition Proposal;

provided, however, that notwithstanding any other provision hereof, Celtic and its Representatives may, prior to the approval of the Arrangement Resolution by the Shareholders Vote in accordance with Section 2.1(b)(ii):

(v) enter into or participate in any discussions or negotiations with a third party who (without any solicitation, initiation or encouragement, directly or indirectly, after the date of this Agreement, by Celtic or any of its Representatives) seeks to initiate such discussions or negotiations with Celtic that does not result from a breach of this Section 3.5 and, subject to Celtic and such third party having entered into a confidentiality and standstill agreement containing customary provisions (and which agreement shall (1) be no less favourable to Celtic than the Confidentiality Agreement, (2) allow for disclosure thereof, along with all information provided thereunder, to the Purchaser as set out below, (3) allow disclosure by Celtic to the Purchaser of the making and terms of any Acquisition Proposal made by the third party to Celtic as contemplated herein, and (4) contain standstill provisions which do not provide for any waiver or release thereof other than with the prior written consent of Celtic), may furnish to such third party information concerning Celtic and its business, properties and Assets, in each case if, and only to the extent that:

(A) the third party has first made a *bona fide* written Acquisition Proposal that the Celtic Board determines in good faith, after consultation with its outside financial and legal advisors, is or would reasonably be expected to lead to a Superior Proposal; and

(B) prior to furnishing such information to or entering into or participating in any such discussions or negotiations with such third party, Celtic provides prompt notice to the Purchaser to the effect that it is furnishing information to or entering into or participating in discussions or negotiations with such third party, together with a copy of the confidentiality and standstill agreement referenced above and, if not previously provided to the Purchaser, copies of all information provided

to such third party concurrently with the provision of such information to such third party; and

(vi) accept, recommend, approve or enter into an agreement to implement a Superior Proposal from a third party, but only if prior to such acceptance, recommendation, approval or implementation: (A) the Celtic Board has concluded in good faith, after considering all proposals to adjust the terms and conditions of this Agreement as contemplated by Section 3.5(e) and after receiving the advice of outside legal counsel as reflected in minutes of the Celtic Board, that the failure to take such action is inconsistent with the discharge of the fiduciary duties of the Celtic Board under Applicable Laws; (B) Celtic complies with its obligations set forth in Section 3.5(e); and (C) Celtic terminates this Agreement in accordance with Section 8.1(a)(vi) and concurrently therewith pays the Termination Fee to the Purchaser;

(d) Celtic will promptly (and in any event within 24 hours) notify the Purchaser (at first orally and then in writing) of any Acquisition Proposal, any inquiries, offers or proposals with respect to an Acquisition Proposal or any request for non-public information relating to Celtic or its Assets, or any amendments to the foregoing. Such notice will include a copy of any written Acquisition Proposal which has been received or, if no written Acquisition Proposal has been received, a description of the terms, details, conditions and the identity of the Person making any such Acquisition Proposal, inquiry, offer, proposal or request, copies of all information provided to such party (if not previously provided to the Purchaser), any amendments to any of the foregoing and all other information and details reasonably requested by the Purchaser. Celtic shall keep the Purchaser fully informed of the status and details of, and any change to the terms of, any such Acquisition Proposal, inquiry, offer, proposal or request, shall answer the Purchaser's questions with respect thereto, and shall provide to the Purchaser copies of all material or substantive correspondence if in writing or electronic form, and if not in writing or electronic form, a description of the material terms of such correspondence sent to Celtic by or on behalf of any Person making any such Acquisition Proposal, inquiry, offer, proposal or request.

(e) Celtic will give the Purchaser, in writing, at least five Business Days advance notice (the "**Superior Proposal Notice**") of any decision by the Celtic Board to accept, recommend, approve or enter into an agreement to implement a Superior Proposal. The Superior Proposal Notice will include: (i) confirmation that the Celtic Board, in consultation with the Financial Advisors and legal advisors, has determined that the Acquisition Proposal which is the subject matter of the Superior Proposal Notice constitutes a Superior Proposal; (ii) full particulars of the financial consideration payable under such Acquisition Proposal (and, if the Superior Proposal consists, in whole or in part, of shares or other non-cash consideration, the dollar value attributed thereto by Celtic or the Celtic Board); (iii) the identity of the third party making the Superior Proposal; (iv) confirmation that the entering into of a definitive agreement to implement such Superior Proposal is not subject to any due diligence or access condition; and (v) confirmation that a definitive agreement to implement such Superior Proposal has been settled between Celtic and such third party, and Celtic will concurrently provide a copy thereof and, will thereafter promptly provide any amendments thereto, to the Purchaser.

During the five Business Days commencing on the Business Day following such delivery of the Superior Proposal Notice (the "**Right to Match Period**"), Celtic will not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and will not waive, or release the party making the Superior Proposal from, any standstill provisions and will not withdraw, redefine, modify or change its recommendation in respect of the Arrangement. In addition, during the Right to Match Period Celtic will, and will cause its financial and legal advisors to, negotiate in good faith with the Purchaser and its financial and legal advisors to make such adjustments in the terms and conditions

of this Agreement and the Arrangement as would, if made by the Purchaser, cause this Agreement and the Arrangement, as amended, to be financially equal or superior to the Superior Proposal and, accordingly, the Superior Proposal ceasing to be a Superior Proposal.

In the event the Purchaser proposes to amend this Agreement and the Arrangement such that the Superior Proposal ceases to be a Superior Proposal and so advises the Celtic Board prior to the expiry of the Right to Match Period, the Celtic Board will not accept, recommend, approve or enter into any agreement to implement such Superior Proposal and will not withdraw, redefine, modify or change its recommendation in respect of the Arrangement and ExxonMobil, the Purchaser and Celtic will enter into an amended version of this Agreement reflecting such proposed amendments.

(f) The Celtic Board shall promptly reaffirm its recommendation in respect of the Arrangement by press release after (i) any Acquisition Proposal which is publicly announced is determined not to be a Superior Proposal, or (ii) the Parties have entered into an amended agreement pursuant to Section 3.5(e) which results in any Acquisition Proposal not being a Superior Proposal. Celtic shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its counsel.

(g) The Purchaser agrees that all information that may be provided to it by Celtic with respect to any Acquisition Proposal pursuant to this Section 3.5 will be treated as if it were Confidential Information and will not be disclosed or used except in accordance with the provisions of the Confidentiality Agreement or in order to enforce its rights under this Agreement in legal proceedings. The Parties agree that, for greater certainty, actions taken pursuant to the provisions of this Section 3.5 shall not constitute a violation of the Confidentiality Agreement.

(h) Celtic will ensure that the Representatives retained by it are aware of the provisions of this Section 3.5 and will be responsible for any breach of this Section 3.5 by any of them.

(i) If a Right to Match Period extends to a date which is later than the scheduled Meeting date, Celtic shall, at the direction of the Purchaser, either proceed with the Meeting or adjourn or postpone the Meeting to a date that is not more than ten Business Days after the date on which the Meeting was originally scheduled (but in any event not later than five Business Days prior to the Outside Date).

(j) Each successive modification of any Acquisition Proposal (including any Superior Proposal) shall constitute a new Acquisition Proposal (and if applicable, a new Superior Proposal) for purposes of this Section 3.5.

(k) Nothing in this Section 3.5 shall prohibit Celtic or its Representatives from complying with Division 3 of Multilateral Instrument 62-104 and similar provisions under Applicable Securities Laws relating to the provision of directors' circulars in respect of an Acquisition Proposal.

3.6 <u>Mutual Covenants Regarding Regulatory Approvals</u>

(a) As soon as practicable, and in any event no later than fifteen Business Days from the date of this Agreement, (i) the Purchaser and Celtic shall each file with the Commissioner the notice and information required under subsection 114(1) of the Competition Act; and (ii) the Purchaser shall file with the Commissioner a submission in support of a request for an advance ruling certificate under section 102 of the Competition Act or, in the event

that the Commissioner will not issue an advance ruling certificate, a "no action letter" in respect of the Arrangement. The Purchaser shall pay the filing fee relating to the Competition Act filings described above.

(b) ExxonMobil and the Purchaser shall use commercially reasonable efforts to file, as soon as practicable, an application for review pursuant to section 17 of the Investment Canada Act to the Director of Investments.

(c) Each of ExxonMobil, the Purchaser and Celtic will cooperate with each other, including by way of furnishing such information as may be reasonably requested by a Party, in connection with the preparation and submission of all applications, notices, filings, submissions, undertakings, correspondence and communications of any nature (including responses to requests for information and inquiries from any Governmental Entity) as may be or become necessary or desirable in connection with the Competition Act and the Investment Canada Act for the consummation of the Arrangement and, without limiting the generality of the foregoing, in connection with the Competition Act Approval and the Investment Canada Approval.

(d) Each Party will:

(i) promptly inform the other Parties of any material communication received by that Party from any Governmental Entity (including, if applicable, the Commissioner, representatives of the Competition Bureau, the Minister of Industry, the Director of Investments and representatives of the Investment Review Division of Industry Canada) in respect of obtaining or concluding the Regulatory Approvals;

(ii) use commercially reasonable efforts to respond promptly to any request or notice from any Governmental Entity requiring the Parties, or any one of them, to supply additional information that is relevant to the review of the transactions contemplated by this Agreement in respect of obtaining or concluding the Regulatory Approvals;

(iii) subject to Section 3.6(f), permit the other Parties to review in advance any proposed applications, notices, filings, submissions, undertakings, correspondence and communications of any nature (including responses to requests for information and inquiries from any Governmental Entity) in respect of obtaining or concluding the Regulatory Approvals, and will provide the other Parties a reasonable opportunity to comment thereon where timing permits and agree to consider those comments in good faith;

(iv) subject to Section 3.6(f), promptly provide the other Parties with any applications, notices, filings, submissions, undertakings, correspondence and communications of any nature (including responses to requests for information and inquiries from any Governmental Entity) that were submitted to a Governmental Entity in respect of obtaining or concluding the Regulatory Approvals;

(v) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the Commissioner or any of her or his representatives in respect of obtaining or concluding the Competition Act Approval unless it consults with the other Party in advance;

(vi) not participate in any substantive meeting or discussion (whether in person, by telephone or otherwise) with the Director of Investments or any of his or her representatives in respect of obtaining or concluding the Investment Canada Act Approval unless it consults with the other Party in advance; and

(vii) keep the other Parties promptly informed of the status of discussions relating to obtaining or concluding the Regulatory Approvals.

(e) Notwithstanding any requirement in this Section 3.6 in connection with obtaining the Competition Act Approval or the Investment Canada Approval, where a Party (in this Section 3.6 only, a "**Disclosing Party**") is required under this Section 3.6 to provide information to another Party (in this Section 3.6 only, a "**Receiving Party**") that the Disclosing Party deems to be competitively sensitive information or otherwise reasonably determines in respect thereof that disclosure should be restricted, the Disclosing Party may restrict the provision of such competitively sensitive and other information only to external legal counsel of the Receiving Party, provided that the Disclosing Party also provides the Receiving Party a redacted version of any such application, notice, filing, submissions, undertakings, correspondence or communications (including responses to requests for information and inquiries from any Governmental Entity) which does not contain any such competitively sensitive or other restricted information.

(f) Notwithstanding any other provision of this Agreement, nothing in this Agreement shall require, or be construed to require, ExxonMobil or the Purchaser to: (i) disclose to any Person (including Celtic) ExxonMobil's or the Purchaser's plans and undertakings submitted for the purposes of the review under the Investment Canada Act or any drafts thereof or correspondence or discussions with respect thereto; (ii) provide the Commissioner, the Minister of Industry or the Governor in Council any undertakings or meet any requirements in relation to the Competition Act Approval and Investment Canada Approval that are not as to commercial matters and, in any case, are not commercially reasonable to ExxonMobil and the Purchaser; (iii) sell, lease, license, transfer, dispose of, divest or otherwise encumber, or to hold separate pending any such action or proffer, propose, negotiate, offer to effect or consent, commit or agree to any sale, divestiture, lease, licensing, transfer, disposal, divestment or other encumbrance of, or to hold separate any assets, licenses, operations, rights, product lines, businesses or interest of ExxonMobil, the Purchaser, Celtic or any of their respective Subsidiaries or Affiliates; or (iv) take or agree to take any other action, or agree or consent to any limitations or restrictions on freedom of actions with respect to, or its ability to own, retain or make changes in, any assets, licenses, operations, rights, product lines, businesses or interests of ExxonMobil, the Purchaser or Celtic or any of their respective Subsidiaries or Affiliates.

3.7 Covenants of Celtic Regarding Provision of Information; Access

(a) In connection with the implementation of the Arrangement, Celtic shall cooperate with the Purchaser to provide an orderly transition of control. From and after the date hereof, until the Effective Time or termination of this Agreement, Celtic, to the extent it is not restricted from doing so pursuant to confidentiality or other restrictions (in which circumstances it will use its reasonable commercial efforts to obtain a waiver thereof) shall provide the Purchaser and its Representatives access, upon reasonable notice, during normal business hours and at such other time or times as the Purchaser may reasonably request, to its premises (including field offices and sites), books, contracts, records, computer systems, properties, Employees and management personnel and shall furnish promptly to the Purchaser all information concerning its business, properties and personnel as the Purchaser may reasonably request, which information shall remain subject to the Confidentiality Agreement, including for the purposes to permit the Purchaser to be in a position to expeditiously and efficiently integrate the operations of Celtic immediately upon but not prior to the Effective Time. The Parties shall use all reasonable efforts to ensure that they take no actions, through the exchange of confidential information or otherwise, in breach of the Competition Act or any other applicable competition laws, and notwithstanding anything contained in this Agreement,

neither ExxonMobil nor the Purchaser shall control or materially influence Celtic until following the Effective Time.

(b) Without limiting the generality of any of the other provisions of this Agreement, Celtic shall make available to the Purchaser all land, legal, title documents and related files, geologic maps, well files and well logs, books, papers and financial information.

(c) Celtic agrees to permit the Purchaser's Representatives with access to books, records and documents, provided that Celtic is satisfied, acting reasonably, that the confidentiality of the subject matter of the disclosure can be maintained in accordance with the Confidentiality Agreement.

3.8 Covenants of Celtic Regarding Subsequent Filings

Celtic will during the term of this Agreement deliver to the Purchaser as soon as they become available, true and complete copies of any document, report or statement filed by it with Securities Authorities or pursuant to the U.S. Securities Laws subsequent to the date hereof. As of their respective dates, such documents, reports and statements: (a) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they are made, not misleading; and (b) will comply in all material respects with all applicable requirements of Applicable Laws. The financial statements of Celtic issued by Celtic or to be included in such reports and statements will be prepared in accordance with IFRS (except as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Celtic's independent auditors, or except in the case of unaudited interim financial statements, to the extent they may not include footnotes or may be condensed or summary statements) and will present fairly the financial position, results of operations and changes in financial position of Celtic as of the dates thereof and for the periods indicated therein (subject, in the case of any unaudited interim financial statements, to normal year-end audit adjustments).

3.9 Mutual Covenants Regarding Privacy Issues

(a) For the purposes of this Section 3.9, the following definitions will apply:

(i) "**applicable laws**" means, in relation to any Person, transaction or event, all applicable provisions of Applicable Laws by which such Person is bound or having application to the transaction or event in question, including applicable privacy laws;

(ii) "**applicable privacy laws**" means any and all applicable laws relating to privacy and the collection, use and disclosure of Personal Information in all applicable jurisdictions, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada) and/or any comparable provincial law including the *Personal Information Protection Act* (Alberta);

(iii) "**authorized authority**" means, in relation to any Person, transaction or event, any (a) federal, provincial, municipal or local governmental body (whether administrative, legislative, executive or otherwise), both domestic and foreign, (b) agency, authority, commission, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, (c) court, arbitrator, commission or body exercising judicial, quasi-judicial, administrative or similar functions, and (d) other body or entity created with the authority of or otherwise subject to the jurisdiction of any of the foregoing, including any stock or other securities exchange, in each case having jurisdiction over such Person, transaction or event; and

(iv) "**Personal Information**" means information (other than business contact information when used or disclosed for the purpose of contacting such individual in that individual's capacity as an Employee or an official of an organization and for no other purpose) about an identifiable individual disclosed or transferred to ExxonMobil or the Purchaser by Celtic in accordance with this Agreement and/or as a condition of the Arrangement.

(b) The Parties hereto acknowledge that they are responsible for compliance at all times with applicable privacy laws which govern the collection, use or disclosure of Personal Information disclosed to either Party pursuant to or in connection with this Agreement (the "**Disclosed Personal Information**"). Prior to the completion of the Arrangement, neither Party will use or disclose the Disclosed Personal Information for any purposes other than those related to the performance of this Agreement and the completion of the Arrangement. After the completion of the transactions contemplated herein, a Party may only collect, use and disclose the Disclosed Personal Information for the purposes for which the Disclosed Personal Information was initially collected from or in respect of the individual to which such Disclosed Personal Information relates or for the completion of the transactions contemplated herein, unless (i) either Party will have first notified such individual of such additional purpose, and where required by applicable laws, obtained the consent of such individual to such additional purpose, or (ii) such use or disclosure is permitted or authorized by applicable laws, without notice to, or consent from, such individual.

(c) Each Party acknowledges and confirms that the disclosure of the Disclosed Personal Information is necessary for the purposes of determining if the Parties will proceed with the Arrangement, and that the Disclosed Personal Information relates solely to the carrying on of the business or the completion of the Arrangement.

(d) Each Party acknowledges and confirms that it has taken and will continue to take reasonable steps to, in accordance with applicable laws, prevent accidental loss or corruption of the Disclosed Personal Information, unauthorized input or access to the Disclosed Personal Information, or unauthorized or unlawful collection, storage, disclosure, recording, copying, alteration, removal, deletion, use or other processing of such Disclosed Personal Information.

(e) Subject to the following provisions, each Party will at all times keep strictly confidential all Disclosed Personal Information provided to it, and will instruct those employees or advisors responsible for processing such Disclosed Personal Information to protect the confidentiality of such information in a manner consistent with the Parties' obligations hereunder. Prior to the completion of the Arrangement, each Party will take reasonable steps to ensure that access to the Disclosed Personal Information will be restricted to those employees or advisors of the respective Party who have a *bona fide* need to access to such information in order to complete the Arrangement.

(f) Where authorized by applicable laws, each Party will promptly notify the other Party to this Agreement of all inquiries, complaints, requests for access, variations or withdrawals of consent and claims of which the Party is made aware in connection with the Disclosed Personal Information. To the extent permitted by applicable laws, the Parties will fully cooperate with one another, with the Persons to whom the Personal Information relates, and any authorized authority charged with enforcement of applicable privacy laws, in responding to such inquiries, complaints, requests for access, variations or withdrawals of consent and claims.

(g) Upon the expiry or termination of this Agreement, or otherwise upon the reasonable request of either Party, the other Party will forthwith cease all use of the Disclosed Personal Information acquired by it in connection with this Agreement and will return to

the requesting Party or, at the requesting Party's request, destroy in a secure manner, the Disclosed Personal Information (and any copies thereof) in its possession.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of ExxonMobil and the Purchaser

ExxonMobil and the Purchaser hereby jointly and severally represent and warrant to and in favour of Celtic and acknowledge that Celtic is relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement:

(a) *Organization and Qualification*. Each of ExxonMobil and the Purchaser has been duly incorporated, formed or created, as the case may be, and is validly existing under the Applicable Laws of its jurisdiction of formation.

(b) *Authority Relative to this Agreement*. Each of ExxonMobil and the Purchaser has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by ExxonMobil and the Purchaser of the transactions contemplated by the Arrangement have been duly authorized by the board of directors of each of ExxonMobil or the Purchaser, as applicable, and no other proceedings on the part of ExxonMobil and the Purchaser are necessary to authorize this Agreement, the Arrangement or the other transactions contemplated herein, subject to obtaining the Regulatory Approvals. This Agreement has been duly executed and delivered by each of ExxonMobil and the Purchaser and constitutes a legal, valid and binding obligation of each of ExxonMobil and the Purchaser enforceable against each of them in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(c) *No Violations*. Except as contemplated by this Agreement:

(i) neither the execution and delivery of this Agreement by ExxonMobil or the Purchaser nor the consummation of the transactions contemplated by the Arrangement nor compliance by ExxonMobil or the Purchaser with any of the provisions hereof will violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under any of the terms, conditions or provisions of the constating documents or by-laws of ExxonMobil or the Purchaser; or

(ii) other than in connection with or in compliance with the provisions of Applicable Laws in relation to the completion of the Arrangement or which are required to be fulfilled post Arrangement, and except for the requisite approvals of the Court and Governmental Entities (including the Regulatory Approvals):

(A) there is no legal impediment to ExxonMobil's or the Purchaser's consummation of the Arrangement; and

(B) no filing or registration with, or authorization, consent or approval of, any domestic or foreign public body or authority is required of ExxonMobil or the Purchaser in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such

authorizations, consents or approvals which, if not received, would not, individually or in the aggregate, materially impede the ability of ExxonMobil or the Purchaser to consummate the Arrangement.

(d) *Funds Available*. ExxonMobil and the Purchaser collectively have, and will have at the Effective Time, sufficient funds available to satisfy the aggregate Common Share Consideration payable by the Purchaser pursuant to the Arrangement in accordance with the terms of this Agreement and the Plan of Arrangement, and to satisfy all other obligations payable by ExxonMobil or the Purchaser pursuant to this Agreement and the Arrangement.

(e) *Litigation, etc*. There is no claim, action, inquiry, suit, hearing, arbitration, investigation or other proceeding pending or, to the knowledge of ExxonMobil or the Purchaser, threatened against or relating to ExxonMobil or the Purchaser before any Governmental Entity nor are ExxonMobil or the Purchaser subject to any outstanding order, writ, injunction or decree that, either individually or in the aggregate, is reasonably likely to prevent or materially delay consummation of the Arrangement.

(f) *Regulatory Approvals*. Other than as contemplated herein, no other Regulatory Approvals are required to be obtained by ExxonMobil or the Purchaser to allow ExxonMobil and the Purchaser to fulfill their obligations hereunder and under the Plan of Arrangement.

4.2 Representations and Warranties of Celtic

Celtic represents and warrants to and in favour of ExxonMobil and the Purchaser and acknowledges that ExxonMobil and the Purchaser are relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement (and, where applicable and unless the context otherwise requires, each reference to Celtic in this Section 4.2 shall be deemed to include Celtic and each of its Subsidiaries):

(a) *Organization and Qualification*. Celtic has been duly incorporated and is validly subsisting under the Applicable Laws of its jurisdiction of formation and has the requisite power and authority to own its Assets as now owned and to carry on its business as now conducted. Celtic is duly registered or authorized to conduct its affairs or do business, as applicable, and is in good standing in each jurisdiction in which the character of its Assets, owned, leased, operated, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary. Celtic has not received any notice from any Governmental Entity of any restriction on its ability to conduct its business as is currently conducted, or to own, lease, operate, license or otherwise hold its Assets. Copies of the constating documents of Celtic, together with all amendments to date, which are included in the Disclosed Information, are accurate and complete and have not been amended or superseded.

(b) *Authority Relative to this Agreement*. Celtic has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by Celtic of the transactions contemplated by the Arrangement has been duly authorized by the Celtic Board and, subject to the requisite approval of the Securityholders and the obtaining of the Regulatory Approvals and the Final Order, no other proceedings on the part of Celtic are necessary to authorize this Agreement or the Arrangement, other than the approval of the Information Circular and supporting documents by the Celtic Board. This Agreement has been duly executed and delivered by Celtic and constitutes a legal, valid and binding obligation of Celtic enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws of

general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(c) *Subsidiaries or Interests*. Celtic has no Subsidiaries, other than SpinCo, and has no interest in any partnership, corporation or other business organization. Other than SpinCo, Celtic has not had any Subsidiaries since the date of its incorporation.

(d) *Capitalization*. The authorized capital of Celtic consists of an unlimited number of Common Shares and an unlimited number of preferred shares, issuable in series. There are issued and outstanding 105,813,396 Common Shares and no other shares are issued and outstanding. In addition, Celtic has issued and outstanding $172.5 million aggregate principal amount of Debentures. Other than Options to acquire up to 7,681,259 Common Shares and Common Shares issuable upon conversion of the Debentures under the terms of the Debenture Indenture, there are no options, warrants or other rights, plans agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by Celtic of any securities of Celtic (including Common Shares) or any securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of Celtic (including Common Shares). Under the terms of the Debenture Indenture, upon completion of the Arrangement, no Debentures which remained outstanding following the Effective Date would entitle the holders thereof to receive any Common Shares on conversion or otherwise. All outstanding Common Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights, and all Common Shares issued pursuant to the exercise of Options in accordance with the terms of such securities will be duly authorized and validly issued as fully paid and non-assessable, and will not be subject to any pre-emptive rights. Other than the Common Shares, there are no securities of Celtic outstanding which have the right to vote generally with the Shareholders on any matter.

(e) *Significant Shareholders*. To the knowledge of Celtic (after due inquiry), no Person beneficially owns, directly or indirectly, or exercises control or direction over Common Shares representing more than 10.0% of the issued and outstanding Common Shares.

(f) *Outstanding Indebtedness*. As of October 11, 2012, the only outstanding Indebtedness for borrowed money of Celtic, is set forth in the Disclosure Letter.

(g) *No Guarantees*. Other than the indemnification of directors and officers of Celtic pursuant to Applicable Laws, the corporate by-laws, indemnity agreements of Celtic, customary indemnities in favour of Celtic's bankers and the Financial Advisors (each as included in the Disclosed Information or the Disclosure Letter), and agreements entered into in the ordinary course of business, Celtic has not guaranteed, endorsed, assumed, indemnified or accepted any responsibility for, and does not and will not guarantee, endorse, assume, indemnify or accept any responsibility for, contingently or otherwise, any Indebtedness or the performance of any obligation of any other Person.

(h) *Bankruptcy and Insolvency Matters*. (i) No action or proceeding has been commenced or filed by or against Celtic which seeks or could reasonably be expected to lead to (A) receivership, bankruptcy, a commercial proposal or similar proceeding of Celtic, (B) the adjustment or compromise of claims against Celtic or (C) the appointment of a trustee, receiver, liquidator, custodian or other similar officer for Celtic or any portion of its Assets, and no such action or proceeding has been authorized or is being considered by or on behalf of Celtic and no creditor or securityholder has threatened to commence or advised that it may commence, any such action or proceeding; and (ii) Celtic (A) has not made, and is not considering making, an assignment for the benefit of its creditors, or (B) has not requested, and is not considering requesting, a meeting of its creditors to

seek a reduction, compromise, composition or other accommodation with respect to its Indebtedness.

(i) *No Violations*. Other than as permitted or contemplated by this Agreement, none of the execution and delivery of this Agreement by Celtic, the consummation by Celtic of the Arrangement or any of the transactions contemplated by this Agreement or compliance by Celtic with any of the provisions hereof will:

(i) violate, conflict with, or result in a breach of any provision of, require any consent, approval or notice under, or constitute a default (or an event which with or without notice or lapse of time or both, would constitute a default) under, or result in granting to a third party, or the right of a third party to exercise, a right of first refusal, change of control, first opportunity or other right or option to acquire securities, Assets of Celtic under, or grant to a third party a right to force Celtic to purchase one or more assets under, or result in a right of termination or acceleration under, or result in the creation of any Encumbrance upon, any of the Assets of Celtic or cause any Indebtedness of Celtic to come due before its stated maturity or cause any credit commitment to cease to be available under any of the terms, conditions or provisions of (A) its articles of incorporation, by-laws or other constating documents; (B) Leases; (C) Permits; or (D) any note, bond, mortgage, indenture, loan agreement, deed of trust, Encumbrance, or other Contract; or

(ii) subject to obtaining the Regulatory Approvals and the Shareholders Vote in respect of the Arrangement and except for complying with Applicable Securities Laws, (A) violate any Applicable Laws applicable to Celtic or any of its Assets, or (B) cause the suspension or revocation of any Lease or Permit currently in effect; or

(iii) result in any restriction on Celtic from engaging in its business, as now conduced, or from competing with any Person or in any geographical area and does not and will not trigger or cause to arise any rights of any Person under any contract or arrangement to restrict Celtic from engaging in its business, as now conducted; and

(iv) other than in connection with or in compliance with the provisions of Applicable Laws, inclusive of obtaining any required Regulatory Approvals, or which are required to be filed post-Arrangement and except for the requisite approval of the Securityholders, (A) there is no legal impediment to Celtic's consummation of the Arrangement, and (B) no filing or registration with, or authorization, consent or approval of, any Governmental Entity is required by Celtic in connection with the consummation of the Arrangement, except for such filings or registrations which, if not made, or for such authorizations, consents or approvals which, if not received, would not materially impede or delay the ability of Celtic to consummate the Arrangement.

(j) *Funds Available*. Celtic has sufficient funds available to pay the Termination Fee pursuant to Section 6.1.

(k) *Compliance with Applicable Laws; No Orders*. Celtic has complied with all Applicable Laws in all material respects and is not in violation of any Applicable Laws in any material respect. No order, ruling or determination having the effect of suspending the sale of, or ceasing the trading of, the Common Shares, the Debentures or any other securities of Celtic has been issued by any Governmental Entity and is continuing in effect and no proceedings for that purpose have been instituted, are, to the knowledge of Celtic,

pending, contemplated or threatened under any Applicable Laws or by any other Governmental Entity.

(l) *Compliance with Competition Act*. Celtic has complied with, and is not in violation of, the Competition Act.

(m) *Reporting Status and Applicable Securities Laws Matters*. Celtic is a "reporting issuer" and not on the list of reporting issuers in default under Applicable Securities Laws in each province or territory of Canada, and is in compliance with all Applicable Securities Laws in all material respects. The issued and outstanding Common Shares and Debentures are listed and posted for trading on the TSX and are not listed on any other stock exchange. No delisting of, suspension of trading in or cease trading order with respect to any securities of Celtic and, to the knowledge of Celtic, no inquiry or investigation (formal or informal) of any Securities Authority, or any enforcement action by any Securities Authority, is in effect or ongoing or, to the knowledge of Celtic, expected to be implemented or undertaken against Celtic. To the knowledge of Celtic, none of its officers or directors are subject to an order or ruling of any securities regulatory authority or stock exchange prohibiting such individual from acting as a director or officer of a public entity or of an entity listed on a particular stock exchange. Celtic has included in the Disclosed Information all material correspondence between the Securities Authorities, on the one hand, and Celtic, on the other hand, since January 1, 2011, through the date of this Agreement and will provide to the Purchaser any further such correspondences through to the Effective Date.

(n) *Reports*. The documents comprising the Public Disclosure Record were, as of their respective dates, in compliance with all Applicable Laws, other than as set forth in the Disclosure Letter, and did not at the time filed with Securities Authorities or, as applicable, the time of becoming effective, contain any untrue statement of a material fact or do not omit any material data or information required to be stated therein or necessary to make the statements therein, not misleading in light of the circumstances under which they were made.

(o) *Financial Statements*. (i) Celtic's audited financial statements as at and for the fiscal years ended December 31, 2011 and 2010 (including the notes thereto and related management's discussion and analysis ("**MD&A**") (collectively, the "**Annual Financials**")) were prepared in accordance with IFRS, consistently applied (except as otherwise indicated in such financial statements and the notes thereto or in the related report of Celtic's independent auditors); and (ii) Celtic's unaudited financial statements as at and for the three and six months ended June 30, 2012 (including the notes thereto and related MD&A, and which at the Effective Date shall also include any financial statements publicly filed by Celtic prior to the Effective Date in respect of any fiscal quarter ending prior to the Effective Date) (collectively, the "**Interim Financials**" and, together with the Annual Financials, the "**Financial Statements**") were prepared in accordance with IFRS consistently applied (except as otherwise indicated in such financial statements and the notes thereto or, in the case of audited statements, in the related report of Celtic's independent auditors), and in each case fairly present in all material respects the financial position, results of operations and cash flows of Celtic as of the dates thereof and for the periods indicated therein and reflect reserves required by IFRS in respect of all material contingent liabilities, if any, of Celtic. There have been no material changes in Celtic's accounting policies since December 31, 2011.

(p) *Accounting Practices*. Since December 31, 2011, neither Celtic nor, to Celtic's knowledge, any director, officer, Employee, auditor, accountant or representative of Celtic, has received or otherwise had or obtained knowledge of any material complaint, allegation, assertion, expression of concern or claim from any source, whether written or oral, regarding the accounting, internal accounting controls or auditing practices,

procedures, methodologies or methods of Celtic, including any material complaint, allegation, assertion, expression of concern or claim from any source that Celtic has engaged in questionable accounting or auditing practices, which has not been resolved to the satisfaction of the Celtic Board or the audit committee of the Celtic Board.

(q) *No Undisclosed Material Liabilities*. Except: (i) as disclosed or reflected in the Financial Statements; and (ii) for liabilities and obligations (A) incurred in the ordinary course of business and consistent with past practice and in compliance with Applicable Laws since December 31, 2011 and disclosed in the Disclosure Letter; and (B) pursuant to the terms of this Agreement; Celtic has not incurred any material liabilities of any nature, whether accrued, contingent or otherwise, whether or not such material liabilities would be required by IFRS to be reflected on a balance sheet of Celtic.

(r) *Off-Balance Sheet Arrangements*. Celtic is not a party to any off-balance sheet arrangements, as that term is understood under IFRS.

(s) *Auditors*. The auditors of Celtic are independent public accountants as required by Applicable Laws and there is not now, and there has never been, any reportable event (as defined in NI 51-102) with the present or any former auditors of Celtic.

(t) *Books, Records and Disclosure Controls*. The management of Celtic has established and maintained a system of disclosure controls and protocols designed to provide sufficient assurance that information required to be disclosed by Celtic in its annual filings, interim filings or other reports filed or submitted by it under Applicable Securities Laws is recorded, processed, summarized and reported within the time periods specified in the Applicable Securities Laws. Such disclosure controls and protocols include controls and protocols designed to ensure that information required to be disclosed by Celtic in its annual filings, interim filings or other reports filed or submitted under the Applicable Securities Laws is accumulated and communicated to Celtic's management, including its chief executive officer and chief financial officer (or Persons performing similar functions), as appropriate to allow timely decisions regarding required disclosure. Celtic's corporate records and minute books have been maintained in compliance with Applicable Laws and are complete and accurate in all material respects.

(u) *Internal Control Over Financial Reporting*. Celtic maintains internal control over financial reporting and is in compliance with all Applicable Laws and required certification and disclosure requirements with respect to internal control over financial reporting. Such internal control over financial reporting is effective in providing sufficient assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS (and, prior to January 1, 2011, in accordance with GAAP), and includes policies and procedures that: (i) pertain to the maintenance of records that in sufficient detail accurately and fairly reflect the transactions and dispositions of the assets of Celtic; (ii) provide sufficient assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS (and, prior to January 1, 2011, in accordance with GAAP), and that receipts and expenditures of Celtic are being made only in accordance with authorizations of management and directors of Celtic; and (iii) provide sufficient assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Assets of Celtic that could have a material effect on its financial statements. To the knowledge of Celtic, except as disclosed in the Public Disclosure Record, prior to the date of this Agreement, there are no significant deficiencies in the design or operation of, or material weaknesses in, the internal controls over financial reporting of Celtic that are reasonably likely to materially and adversely affect the ability of Celtic to record, process, summarize and report financial information; and there is no fraud, whether or not material, that involves management or other Employees who have a significant role in the internal control over financial reporting of Celtic. There have been

no controls deficiencies or other comments made by Celtic's auditors except as disclosed in the Disclosure Letter.

(v) *Up-the-Ladder Reporting*. To the knowledge of Celtic, no Person has reported evidence of a violation of any Applicable Securities Laws, breach of fiduciary duty or similar violation by Celtic or its officers, directors, Employees, agents or independent contractors to an officer of Celtic, the audit committee (or other committee designated for that purpose) of the Celtic Board or the Celtic Board.

(w) *Absence of Certain Changes*. Since December 31, 2011: (i) Celtic has conducted its business in the ordinary course of business consistent with past practice, except for the transactions contemplated by this Agreement; and in compliance with all Applicable Laws; and (ii) there has been no Material Adverse Effect or Material Adverse Change.

(x) *Litigation*. Other than as disclosed in the Disclosure Letter, there are no claims, actions, enquiries, applications, suits, demands, arbitrations, charges, indictments, hearings or other civil, criminal, administrative or investigative proceedings, or other investigations or examinations, to the knowledge of Celtic, pending or threatened against Celtic (collectively, "**Legal Actions**") and, to the knowledge of Celtic, no facts or circumstances exist that could reasonably be expected to form the basis of a Legal Action against (i) Celtic or against any of its Assets at law or in equity before or by any Governmental Entity, or (ii) any director or officer of Celtic or any Employee in that capacity. Neither Celtic nor any of its Assets is subject to any outstanding judgment, order, writ, injunction or decree that has or could reasonably expect to have a Material Adverse Effect, or may prevent or materially impede the consummation of the transactions contemplated by this Agreement.

(y) *Taxes*.

(i) Celtic has (A) duly and timely filed, or caused to be filed, all Tax Returns required to be filed by it prior to the date hereof, other than those which have been administratively waived, and all such Tax Returns are true, complete and correct and are in accordance with Applicable Laws and have not been amended, (B) paid on a timely basis, all Taxes and all assessments and reassessments of Taxes due on or before the date hereof, other than Taxes which are being or have been contested in good faith and for which adequate accruals have been provided in Financial Statements, (C) duly and timely withheld, or caused to be withheld, all Taxes required or permitted by Applicable Laws to be withheld by it (including Taxes and other amounts required or permitted to be withheld by it in respect of any amount paid or credited or deemed to be paid or credited by it to or for the account of any Person, including any present or former employees, officers or directors and any Persons who are non-residents of Canada for the purpose of the Tax Act) and duly and timely remitted, or caused to be remitted, to the appropriate Tax authority such Taxes required by Applicable Laws to be remitted by it, (D) duly and timely collected, or caused to be collected, any sales or transfer taxes, including goods and services, harmonized sales and provincial or territorial sales taxes, required by Applicable Laws to be collected by it and duly and timely remitted to the appropriate Tax authority any such amounts required by Applicable Laws to be remitted by it, and (E) Celtic has provided adequate accruals in its audited financial statements for the year ended December 31, 2011 and in its unaudited financial statements for the three and six months ended June 30, 2012 (and will do so for any financial statements prepared prior to the Effective Date in respect of any fiscal quarter ending prior to the Effective Date) for Taxes, including income taxes and related future income taxes, all in conformity with IFRS;

(ii) the unpaid Taxes of Celtic did not, as of the date of the Financial Statements, exceed the reserves and provisions for Taxes accrued but not yet due as reflected in the Financial Statements, and Taxes payable by Celtic as of the Effective Date will not exceed such reserves and provisions for Taxes as adjusted through the Effective Date in accordance with the past custom and practice of Celtic and Applicable Laws;

(iii) (A) there are no audits or investigations in progress, pending or threatened by any Governmental Entity with respect to Taxes against Celtic or any of the Assets or tax pools of Celtic, and (B) no deficiencies, litigation, proposed adjustments or matters in controversy with respect to any amount of Taxes or any amount of the tax pools of Celtic have been asserted or have been raised by any Governmental Entity which remain unresolved at the date hereof, and no action or proceeding for assessment or collection of any amount of Taxes has been taken, asserted, or to the knowledge of Celtic, threatened, against Celtic or any of its Assets, except, in each case, as are being contested in good faith and for which adequate accruals have been provided in the Financial Statements;

(iv) there are no currently effective elections, agreements or waivers extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of any amount of Taxes of, or the filing of any Tax Return or any payment of any amount of Taxes by, Celtic;

(v) Celtic is a "taxable Canadian corporation" as defined in the Tax Act;

(vi) there are no Encumbrances for Taxes upon any of the Assets of Celtic;

(vii) Celtic is substantially in compliance with all Applicable Laws of Canada and any province, municipality or other subdivision thereof, including any documentation and recordkeeping requirements thereunder, applicable to the allocation of income and deductions and transactions among related taxpayers;

(viii) Celtic is not a party to any indemnification, allocation or sharing agreement with respect to Taxes that could give rise to a payment or indemnification obligation;

(ix) no amount in respect of any outlay or expense that is deductible for the purposes of computing the income of Celtic for Tax purposes has been owing by Celtic for longer than two (2) years to a Person not dealing at arm's length (for the purposes of the Tax Act) with Celtic at the time the outlay or expense was incurred;

(x) there are no circumstances which exist and would result in, or which have existed and resulted in, sections 80 to 80.04 of the Tax Act applying to Celtic;

(xi) for all transactions between Celtic and any non-resident person with whom Celtic was not dealing at arm's length, Celtic has made or obtained records or documents that meet the requirements of paragraphs 247(4)(a) to (c) of the Tax Act;

(xii) Celtic has not either directly or indirectly transferred any property to or supplied any services to or acquired any property or services from a Person with whom it was not dealing at arm's length (for the purposes of the Tax Act) for consideration other than consideration equal to the fair market value of the property or services at the time of the transfer, supply or acquisition of the property or services;

(xiii) Celtic has disclosed in the Disclosure Letter all schedules and supporting documents in respect of all resource expenditure pools (including Canadian exploration expenses, Canadian development expenses, and Canadian oil and gas property expenses (as defined in the Tax Act)) of Celtic, all of which is properly prepared in accordance with all the applicable provisions (including the "successor rules" and "acquisition of control rules") under the Tax Act;

(xiv) all the opinions, memoranda, and other documents provided by Celtic to the Purchaser in the Disclosed Information in respect of significant Tax issues are true, complete and accurate for purpose of assisting the Purchaser to properly evaluate the Tax consequences of issues addressed therein; and

(xv) Celtic has never acquired a "tax shelter investment" as defined in subsection 143.2(1) of the Tax Act and Celtic has not acquired a property that is a "tax shelter" as defined in subsection 237.1(1) of the Tax Act.

(z) *Tax Pools*. As of December 31, 2011, Celtic had available for deduction against future taxable income, the tax pools disclosed in the Disclosure Letter and since December 31, 2011, Celtic has not taken any action or entered into any transaction outside of the ordinary course of business that would have the effect of reducing such amount.

(aa) *Intellectual Property*.

(i) Celtic has no right, title or interest in and to, nor does Celtic hold any, license in respect of any patents, trade-marks, trade names, service marks, copyrights, know-how, trade secrets, software, technology, or any other intellectual property and proprietary rights that are material to the conduct of any business related to the Assets, as now conducted;

(ii) all computer hardware and their associated firmware and operating systems, application software, database engines and processed data, technology infrastructure and other computer systems used in connection with the conduct of any business related to the Assets (collectively, the "**Technology**") are up-to-date and reasonably sufficient for conducting any business related to the Assets, as now conducted;

(iii) Celtic owns or has validly licensed (and is not in breach of such licenses in any material respect) such Technology and has sufficient virus protection and security measures in place in relation to such Technology; and

(iv) except as set forth in the Disclosure Letter, Celtic has reasonably sufficient back-up systems and audit procedures and disaster recovery strategies adequate to ensure the continuing availability of the functionality provided by the Technology, and have ownership of or a valid license to the intellectual property rights necessary to allow them to continue to provide the functionality provided by the Technology in the event of any malfunction of the Technology or other form of disaster affecting the Technology.

(bb) *Personal Property*. Celtic has good and valid title to, or a valid and enforceable leasehold interest in, all personal property owned or leased by it in connection with the Assets, except as are not, individually or in the aggregate, material. Except as set forth in the Disclosure Letter, Celtic's ownership of or leasehold interest in any such personal property is not subject to any Encumbrances.

(cc) *Contracts*. True and correct copies of all Material Contracts entered into by Celtic have been included in the Disclosed Information and, except as set forth in the Disclosure Letter:

(i) such Material Contracts are valid and binding obligations of Celtic, and, to the knowledge of Celtic, are valid and binding obligations of each other party thereto;

(ii) neither Celtic nor, to the knowledge of Celtic (without inquiry), any of the other parties thereto, is in breach or violation of, or default under (in each case, with or without notice or lapse of time or both) any such Material Contract and Celtic has not has received or given any notice of a default under any such Material Contract which remains uncured;

(iii) to the knowledge of Celtic (without inquiry), there exists no state of facts which after notice or lapse of time or both would constitute a default or breach of any Material Contract or entitle any party to terminate, accelerate, modify or cause a default under, or trigger any pre-emptive rights or rights of first refusal under, any such Material Contracts; and

(iv) all contracts which are required to be filed by Celtic under NI 51-102 have been so filed.

A "**Material Contract**" means any contract, agreement, commitment, arrangement or similar agreement (or any series or combination of related contracts, agreements, commitments or arrangements) that is or could reasonably be considered to be material to Celtic, including, without limitation, one that: (i) includes any "most favored nation" terms and conditions (including, without limitation, with respect to pricing), any exclusive dealing arrangement, any arrangement that grants any right of first refusal or right of first offer or similar right or that limits or purports to limit the ability of Celtic to own, operate, sell, transfer, pledge or otherwise dispose of any assets or business (excluding, in respect of each of the foregoing, customary joint operating agreements); (ii) is a joint venture, alliance or partnership agreement that would reasonably be expected to require Celtic to make expenditures in excess of $5.0 million in the aggregate during the 12-month period following the date hereof; (iii) is a loan, guarantee of indebtedness or credit agreement, note, bond, mortgage, indenture or other binding commitment relating to indebtedness for borrowed money; (iv) is a derivative contract; (v) is an acquisition agreement, asset purchase or sale agreement, stock purchase or sale agreement or other similar agreement pursuant to which: (A) Celtic reasonably expects that it is required to pay total consideration (including assumption of debt) after the date hereof to be in excess of $5.0 million in the aggregate; or (B) any other Person has the right to acquire any assets of Celtic (or any interests therein) after the date of this Agreement with a fair market value or purchase price of more than $5.0 million in the aggregate; (vi) is an agreement providing for the sale by Celtic of hydrocarbons which contains a "take-or-pay" clause or any similar prepayment or forward sale arrangement or obligation (excluding "gas balancing" arrangements associated with customary joint operating agreements) to deliver hydrocarbons at some future time without then or thereafter receiving full payment therefore; (vii) is a settlement or similar agreement with any Governmental Entity or order or consent of a Governmental Entity to which Celtic is subject involving future performance by Celtic; or (viii) is a production off-take or similar arrangement whereby any third party is entitled to receive delivery of any of Celtic's produced hydrocarbon substances at any location.

(dd) *Title*. Although Celtic does not warrant title, except as disclosed in the Disclosure Letter, Celtic does not have any reason to believe that it does not have good and marketable title to or the irrevocable right to produce and sell its petroleum, natural gas and related hydrocarbons (for the purpose of this Section 4.2(dd), the foregoing are referred to as the "**Interests**") and does not have any reason to believe that there are any defects, failures or impairments in the title of Celtic to its Assets, including oil and gas properties The Interests are held free and clear of all Encumbrances (other than Permitted Encumbrances and except as disclosed in the Disclosure Letter) created by, through or under Celtic, and to the knowledge of Celtic, Celtic holds its Interests under valid and subsisting leases, licenses, Permits, concessions, concession agreements, contracts, subleases, reservations or other agreements (collectively, the "**Leases**").

(ee) *Permits*. Celtic has obtained and is in compliance with all Permits that are required by Applicable Laws for Celtic to conduct its business as now conducted or as proposed to be conducted prior to the Effective Time, all such Permits are valid and subsisting, and no such Permits will be impaired or otherwise adversely affected by the entering into of this Agreement or the consummation of the Arrangement.

(ff) *Processing and Transportation Commitments*. All of the third party processing and transportation agreements of Celtic which cannot be terminated within 31 days or less without penalty are disclosed in the Disclosure Letter and other than as set forth in the Disclosure Letter, Celtic has no third party processing or transportation agreements or any obligations to deliver sales volumes to any other Person which cannot be terminated in 31 days or less without penalty.

(gg) *No Restrictions on Business*. Celtic is not a party to or bound or affected by any commitment, agreement, judgment, injunction, order, decree or document binding upon Celtic containing any covenant expressly prohibiting, restricting or limiting its freedom or ability to: (i) compete in any line of business or geographic region, (ii) transfer or move any of its Assets or operations, (iii) conduct any material business practice of Celtic as now conducted, (iv) effect any material acquisition of property by Celtic (including following the transactions contemplated by this Agreement).

(hh) *No Areas of Mutual Interest or Purchase Rights*. Except as disclosed in the Disclosure Letter, (i) there are no material active areas of mutual interest provisions or areas of exclusion in any of the Contracts or otherwise to which the Assets are subject, (ii) there are no rights of first refusal, pre-emptive purchase rights or similar rights applicable to the Assets (including, for greater certainty, the SpinCo Assets) that apply to or are triggered as a result of the Arrangement or the transactions contemplated by this Agreement.

(ii) *Sproule Report*. To the knowledge of Celtic, the Sproule Report complies with the requirements of Applicable Laws (including the requirements of the Canadian Oil and Gas Evaluation Handbook) and has been prepared or audited by an independent qualified reserves evaluator (determined in accordance with Applicable Laws) and the results thereof have been disclosed in accordance with Applicable Laws. Celtic made available to Sproule, prior to the issuance of the Sproule Report, for the purpose of preparing the Sproule Report all information requested by Sproule which information, taken as a whole, did not contain any misrepresentation at the time such information was provided. Celtic has no knowledge of any material adverse change in the information, taken as a whole, provided to Sproule since the date that such information was provided. To the knowledge of Celtic, the Sproule Report reasonably presented the quantity and pre-tax present worth values of the oil and gas reserves of Assets as at December 31, 2011 based upon information available at the time the Sproule Report was prepared and the assumptions as to commodity prices and costs contained therein, there are no other current independent engineering reports with respect to the Assets. Except as disclosed in the Public Disclosure Record in respect of any dispositions of assets made subsequent

to the date of the Sproule Report, and except in respect of production in the ordinary course and as a result of changes in commodity prices, there has been no material change in the disclosure contained in the information derived from the Sproule Report filed by or on behalf of Celtic on SEDAR since the date that such information was so filed, including no material reduction in the amount of estimated hydrocarbon reserves of Celtic, either in aggregate or by individual reserve category, from the amounts set forth in the Public Disclosure Record.

(jj) *Operational Matters*. All rentals, royalties, overriding royalty interests, production payments, net profits, interest burdens, payments and obligations due and payable, or performable, as the case may be, on or prior to the date hereof under, with respect to, or on account of, any direct or indirect Assets have been: (i) duly paid in a timely manner; (ii) duly performed; or (iii) provided for in the accounts of Celtic.

(kk) *Production*. The average daily sales production for Celtic for the month of September 2012 was as set forth in the Disclosure Letter.

(ll) *Production Allowables and Production Penalties*. (i) None of the wells relating to the Interests (including all producing, shut-in, water source, observation, disposal, injection abandoned, suspended and other wells) (the "**Wells**") have been produced in excess of applicable production allowables imposed by any Applicable Laws or any Governmental Entity; and (ii) Celtic has not received notice of any production penalty or similar production restriction of any nature imposed or to be imposed by any Governmental Entity, or any predecessor or successor thereto, and, to Celtic's knowledge, none of the Wells are subject to any such penalty or restriction.

(mm) *Take or Pay and Offset Obligations*. Except as disclosed in the Disclosure Letter, Celtic has no take or pay obligations or similar obligations or requirements of any kind or nature whatsoever. Except as disclosed in the Disclosure Letter, Celtic is not aware of any outstanding offset obligations, and has not received any offset notices or default notices under the terms of any lease to which it is a party.

(nn) *Operation and Condition of Wells*. All Wells for which Celtic: (i) was or is operator, have been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and Applicable Laws; and (ii) was not or is not operator, have, to Celtic's knowledge, been drilled and, if and as applicable, completed, operated and abandoned in accordance with good and prudent oil and gas industry practices in Canada and Applicable Laws.

(oo) *Operation and Condition of Tangibles*. All tangible depreciable property or assets located within, on or about the Assets were or have been constructed, operated and maintained in accordance with good and prudent oil and gas industry practices in Canada and Applicable Laws during all periods in which Celtic was the operator thereof and are in good condition and repair, ordinary wear and tear excepted, and are useable in the ordinary course of business.

(pp) *No Expropriation*. No Assets have been taken or expropriated by any Governmental Entity nor has any notice or proceeding in respect thereof been given or commenced or threatened nor, to the knowledge of Celtic, is there any intent or proposal to give any such notice or to commence any such proceeding.

(qq) *Government Incentives*. All filings made by Celtic under which it has received or is entitled to government incentives have been made in compliance with all Applicable Laws and contain no misrepresentations which could cause any material amount previously paid to Celtic or previously accrued on the accounts thereof to be recovered or disallowed.

(rr) *Pension and Employee Benefits.*

(i) There are no pension plans (including any multi-employer pension plans) that are maintained by or binding upon Celtic or in respect of which Celtic has any actual or potential liability or to which Celtic contributes or is or was at any time required to contribute.

(ii) Celtic has disclosed in the Disclosure Letter a list of all health, welfare, supplemental unemployment benefit, bonus, profit sharing, option, insurance, incentive, incentive compensation, deferred compensation, share purchase, share compensation, disability, pension, supplemental pension or retirement plans and other material Employee or director compensation or benefit plans, policies, trusts, funds, agreements or arrangements for the benefit of directors or former directors of Celtic, Employees (including individuals working on contract with Celtic or other individuals providing services to Celtic of a kind normally provided by employees) or former Employees, which are maintained by or binding upon Celtic or in respect of which Celtic has any actual or potential liability or to which Celtic contributes or is or was at any time required to contribute (collectively, "**Plans**"). True, current and complete copies of the following were included in the Disclosed Information: (A) Plans and all amendments thereto; (B) copies of all material correspondence with any Governmental Entity relating to a Plan; (C) the summary plan description and/or employee booklet for each Plan; (D) forms of agreements providing for the award or grant of Options; and (E) all trust agreements, funding agreements or insurance contracts relating to a Plan.

(iii) All Plans are and have been established, registered (where required), qualified and administered: (A) in accordance with all Applicable Laws; and (B) in accordance with their terms and the terms of agreements between Celtic and its Employees and former Employees who are members of, or beneficiaries under, Plans.

(iv) All current obligations of Celtic regarding Plans have been satisfied. All contributions, premiums or Taxes required to be made or paid by Celtic under the terms of each Plan or by Applicable Laws in respect of Plans have been made in a timely fashion in accordance with Applicable Laws and in accordance with the terms of the applicable Plan.

(v) No currently outstanding notice of under-funding, non-compliance, failure to be in good standing or otherwise has been received by Celtic from any applicable Governmental Entities in respect of any Plan. No Plan provides any non-pension postretirement or post-employment benefits. Celtic would not incur any withdrawal liability from withdrawing from any Plan.

(vi) To the knowledge of Celtic, no Plan is subject to any pending investigation, examination or other proceeding, action or claim initiated by any Governmental Entity, or by any other party (other than routine claims for benefits) and, to the knowledge of Celtic, there exists no state of facts which after notice or lapse of time or both might reasonably be expected to give rise to any such investigation, examination or other proceeding, action or claim or to affect the registration or qualification of any Plan required to be registered or qualified.

(vii) Neither Celtic nor any of its delegates or agents has breached any fiduciary obligation with respect to the administration or investment of any Plan.

(viii) All employee data necessary to administer each Plan is in the possession of Celtic or its agents and is in a form which is sufficient for the proper administration of such Plan in accordance with its terms and all Applicable Laws and such data is complete and correct.

(ix) Except as set forth in the Disclosure Letter or as contemplated or permitted by this Agreement, none of the execution and delivery of this Agreement by Celtic or consummation of the Arrangement or compliance by Celtic with any of the provisions hereof shall result in any payment (including severance, unemployment compensation, bonuses or otherwise) becoming due to any director, officer or Employee of Celtic, or former director, officer or Employee of Celtic, or result in any increase or acceleration of contributions, liabilities or benefits, or acceleration of vesting, under any Plan or restriction held in connection with a Plan.

(x) Celtic has no liabilities or contingent liabilities in respect of any pension, benefit or compensation plan that has been discontinued.

(xi) No Plan has any liabilities thereunder which are not otherwise fully funded, if applicable, or properly accrued and reflected under the Financial Statements as of the date thereof.

(ss) *Insurance*. Celtic is covered by valid and currently effective insurance policies issued in favour of Celtic that Celtic has determined to be commercially reasonable, taking into account the industry in which Celtic operates. With respect to each insurance policy issued in favour of Celtic, or pursuant to which Celtic is a named insured or otherwise a beneficiary under an insurance policy:

(i) the policy is in full force and effect and all premiums due thereon have been paid;

(ii) Celtic is not in breach or default, and Celtic has not taken any action, or failed to take any action that, with notice or the lapse of time, would constitute such a breach or default, or permit termination or modification of, any such policy (except as described in clause (iv));

(iii) to the knowledge of Celtic, no insurer on any such policy has been declared insolvent or placed in receivership, debt restructuring proceedings or liquidation, and no notice of cancellation or termination has been received by Celtic with respect to any such policy;

(iv) to the knowledge of Celtic, none of such policies will terminate or lapse by reason of the transactions contemplated by this Agreement, other than in respect of policies for which Celtic will, simultaneous with any such termination or lapse, enter into replacement policies providing coverage equal to or greater than the current coverage provided by such policies;

(v) no insurer under any such policy has cancelled or generally disclaimed liability under any such policy or indicated any intent to do so or not to renew any such policy;

(vi) there is no claim by Celtic pending under any such policy that has been denied or disputed by the insurer; and

(vii) all claims under such policies have been filed in a timely fashion.

(tt) *Related Party Transactions*. No officer, director or Employee of Celtic, or any Affiliate of such officer, director or Employee: (i) is a party to any contract or transaction with Celtic (other than for legal services and services as Employees, officers or directors); (ii) has any ownership interest in any property, real or personal or mixed, tangible or intangible, used by Celtic in its business; (iii) is indebted to Celtic; or (iv) is competing directly or indirectly with Celtic. Further, to the knowledge of Celtic, no individual related by blood or marriage to any above mentioned officer, director or Employee is a party to any contract or transaction with Celtic (other than for services as Employees, officers or directors) or is indebted to Celtic.

(uu) *Accounts Receivable and Payable*. The trade accounts receivable of Celtic: (i) arose from *bona fide* transactions in the ordinary course of its business consistent with past practices; (ii) have not been discounted materially other than in the ordinary course consistent with past practices; (iii) to Celtic's knowledge, have not been subject to the assertion of any material counterclaims or rights of set off with respect thereto that are material in the aggregate; and (iv) are assessed for collectability on a regular basis and are discounted or written off in an appropriate and timely manner. Payments on the trade accounts payable of Celtic are made to the appropriate third parties in a timely manner without incurring any material payment penalties in connection therewith.

(vv) *Inventory.* The inventories, including raw material, natural gas storage, work in progress, finished goods, spare parts, replacement and component parts of Celtic, taken as a whole, consist of a quality and quantity usable and, with respect to finished goods, saleable in the ordinary course of business except for items that have been materially reserved for, written down or written off in accordance with IFRS consistently applied. Inventory acquired by Celtic since June 30, 2012 has been acquired in the ordinary course of business, in customary quantities.

(ww) *Bank Accounts.* Celtic has provided in the Disclosure Letter an accurate and complete list of each financial institution in or with which Celtic has an account, credit line or safety deposit box, and the names of all persons currently authorized to draw thereon or having access thereto.

(xx) *No Dividends*. Celtic has never declared, paid or resolved to declare or pay any dividends or distributions.

(yy) *Environment*. Except as otherwise set forth in the Disclosure Letter:

(i) Celtic is in compliance in all material respects with all Environmental Laws and has not violated any Environmental Laws in any material respect;

(ii) (A) Celtic has not Released, and, to the knowledge of Celtic, no other Person has Released, any Hazardous Substances (in each case except in compliance with applicable Environmental Laws) on, at, in, under or from any of the immovable properties, any real properties (including the workplace environment), or any lands comprising and/or connected with the Assets currently or, to Celtic's knowledge, previously owned, leased or operated by Celtic that could reasonably be expected to result in liability of or adversely affect Celtic under or related to any Environmental Law, and (B), to the knowledge of Celtic, there are no Hazardous Substances or other conditions that could reasonably be expected to result in liability of or adversely affect Celtic under or related to any Environmental Law on, at, in, under or from any of the immovable properties, any real properties (including the workplace environment), or any lands comprising and/or connected with the Assets currently or, to Celtic's knowledge, previously owned, leased or operated by Celtic;

(iii) to the knowledge of Celtic, all material Releases pertaining to or affecting the Assets have been reported to the appropriate Governmental Entity to the extent required by Environmental Laws;

(iv) there are no pending claims or, to the knowledge of Celtic, threatened claims, against Celtic arising out of any Environmental Laws;

(v) Celtic is not aware of, nor has it received: (A) any order or directive which relates to environmental matters and which requires any work, repairs, construction, or capital expenditures; or (B) any demand or notice with respect to the breach of any Environmental Law applicable to Celtic or the Assets, including, without limitation, any regulations respecting the use, storage, treatment, transportation, or disposition of Hazardous Substances;

(vi) no Encumbrances, other than Permitted Encumbrances, in favour of a Governmental Entity arising under Environmental Laws, are pending or, to the knowledge of Celtic, threatened, affecting Celtic or any real property owned or leased by Celtic;

(vii) Celtic has conducted its business (including, for greater certainty, all waste disposal pertaining to the Assets) in accordance with applicable Environmental Laws in all material respects;

(viii) Celtic is in compliance in all material respects with, all environmental Permits that are required to own, lease, develop and operate the Assets and to conduct its business, as now conducted;

(ix) Celtic has no material environmental assessments, reports, audits and other documents in its possession (to the extent not superseded by a subsequent assessment, report, audit or other document, as applicable) relating to any real property currently owned, leased or operated by Celtic or any real property that relates to the Assets, or any other such assessments, reports, audits and other documents which, to the knowledge of Celtic, are in its possession that relate to the current or past environmental condition of any real property currently owned, leased or operated by Celtic or any real property that relates to the Assets that has not previously been included in the Disclosed Information;

(x) Celtic does not own or operate any underground tanks or tank facilities; and

(xi) in the ordinary course of its business, Celtic periodically reviews the effect of Environmental Laws on its business, operations and properties, in the course of which it identifies and evaluates associated costs and liabilities (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws, or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties). On the basis of such review, Celtic has reasonably concluded that such associated costs and liabilities are not material to Celtic.

(zz) *Notice of Environmental Policies or Laws*. Celtic has not received notice of any proposed environmental, land use or royalty policies or Applicable Laws, other than those that apply to the oil and gas industry generally in the Provinces of Alberta and British Columbia.

(aaa) *First Nations, Metis and Native Issues*. Celtic:

(i) is not a party to any arrangement or understanding with local or First Nations or Metis or tribal or native authorities or communities in relation to the environment or development of communities in the vicinity of the Assets; and

(ii) has not received notice of any claim with respect to the Assets for which Celtic has been served, either from First Nations or Metis or tribal or native authorities or any other Governmental Entity, indicating that any of the Assets infringe upon or has an adverse effect on aboriginal rights or interests of such First Nations or Metis or tribal or native authorities.

(bbb) *Employment Matters*.

(i) Celtic is not a party to or bound or governed by: (A) except as included in the Disclosure Letter, (I) any existing employment agreement with any officer of Celtic or any other Person, or (II) any change of control agreement with any officer or Employee or any written or oral agreement, arrangement or understanding providing for an existing retention, severance or termination compensation or benefits to any officer or senior Employee; or (B) any existing collective bargaining or union agreements or agreements with employees' associations or other organizations.

(ii) To Celtic's knowledge, there are no organizational efforts with respect to the formation of any collective bargaining unit presently being made or threatened.

(iii) There is no labour dispute, strike, slowdown or work stoppage against Celtic or, to the knowledge of Celtic, pending or threatened against Celtic.

(iv) Celtic is in compliance with all applicable employment and labour laws including but not limited to labour relations, employment standards (including minimum wage, overtime, and vacation requirements), human rights, disability, workers' compensation, pay equity, employment equity and occupational health and safety, and there are no claims, actions, complaints, grievances, audits, orders, penalties or assessments in relation thereto.

(v) All contributions and premiums required to be paid to all statutory plans which Celtic is required to comply with have been paid by Celtic, as applicable, in accordance with Applicable Laws.

(ccc) *Confidentiality Agreements*. Celtic has not entered into confidentiality or "standstill" agreements with any Persons respecting the confidentiality of information provided by Celtic to any Persons or reviewed by any Persons in connection with any transaction in the nature described in paragraphs (a) to (d) in the definition of Acquisition Proposal herein.

(ddd) *Vote Required*. (i) The only votes of holders of securities of Celtic necessary (under Celtic's constating documents and by-laws, the ABCA, the Debenture Indenture, other Applicable Laws or otherwise) to approve the Arrangement are, subject to any requirements of the Interim Order, the Shareholders Vote. (ii) Other than the lock-up agreements entered into between the Purchaser and each of the officers and directors of Celtic delivered herewith, there are no shareholders agreements, registration rights agreements, voting trusts, proxies or similar agreements, arrangements or commitments to which Celtic is a party or, to the knowledge of Celtic, with respect to any shares or other equity interests of Celtic or any other Contract relating to disposition, voting or dividends with respect to any equity securities of Celtic.

(eee) *Brokers*. Except as disclosed in the Disclosure Letter, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission from, or to the reimbursement of any of its expenses by, Celtic in connection with this Agreement or the Arrangement. Celtic has provided to the Purchaser a true, correct and complete copy of all agreements relating to the arrangements between it and the Financial Advisors that are in effect at the date hereof and Celtic agrees not to amend any such agreements (which, for greater certainty, includes any increase in the fees or commissions payable thereunder) without the Purchaser's consent. There are no fees payable to the Financial Advisors other than as set forth in such agreements with the Financial Advisors.

(fff) *Swaps*. Other than as set forth in the Disclosure Letter, Celtic: (i) currently has no outstanding Swaps; and (ii) no Swaps will be outstanding as at the Effective Date.

(ggg) *No Multi-Jurisdictional Pipeline Interests*. Celtic holds no ownership or leasehold interests in any pipelines that cross any provincial or international boundaries.

(hhh) *Anti-Corruption*.

(i) Celtic has not, directly or indirectly (A) made, offered or authorized any contribution, payment, promise, advantage or gift of funds or property to any official, employee or agent of any governmental agency, authority or instrumentality of any jurisdiction or any official of any public international organization, or (B) made any contribution to any candidate for public office, in either case where either the payment or the purpose of such contribution, payment, promise, advantage or gift would violate, or was or would be prohibited under, Applicable Laws, including the principles described in the *Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* and the Convention's Commentaries, the U.S. *Foreign Corrupt Practices Act of 1977*, as amended, the *Corruption of Foreign Public Officials Act* (Canada) or the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada) or the rules and regulations promulgated thereunder;

(ii) The operations of Celtic are and have been conducted at all times in compliance with all applicable financial recordkeeping and reporting requirements and all applicable money laundering laws and statutes and the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any Governmental Entity, whether in Canada or other jurisdictions (collectively, the "**Money Laundering Laws**"). No action, suit or proceeding by or before any court or Governmental Entity or any arbitrator involving Celtic with respect to the Money Laundering Laws is pending or threatened; and

(iii) None of Celtic, nor any director, officer, agent, Employee or any other Person acting on behalf of Celtic, has been or is the subject of any sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("**OFAC**") (including but not limited to the designation as a "specially designated national or blocked person" thereunder), the Government of Canada, Her Majesty's Treasury, the European Union or any other relevant sanctions authority; and Celtic is not in violation of any of the economic sanctions of the United States administered by OFAC or economic sanctions of any other relevant sanctions authority or any law or executive order relating thereto (the "**Economic Sanctions**") or is conducting business with any Person subject to any Economic Sanctions.

(iii) *Flow-Through Obligations*. Celtic does not have any obligations to incur or renounce to investors any Canadian exploration expense or Canadian development expense, each as

defined under the Tax Act, pursuant to any flow-through share agreement of which Celtic or any predecessor is a party.

(jjj) *Equity Monetization Plans*. Other than the Option Plan and the Options outstanding thereunder, there are no outstanding stock appreciation rights, phantom equity, profit sharing plan or similar rights, agreements, arrangements or commitments payable to any Employee and which are based upon the revenue, value, income or any other attribute of Celtic.

(kkk) *Pre-emptive Rights*. There are no outstanding rights of first refusal, change of control or other pre-emptive rights of purchase which entitle any Person to acquire any of the Assets of Celtic that will be triggered or accelerated by the Arrangement.

(lll) *Celtic Board Approval*. Based upon, among other things, the Fairness Opinions, the Celtic Board has unanimously: (i) determined that the Arrangement is fair to the Securityholders, (ii) determined that the Arrangement is in the best interests of Celtic, (iii) approved the Arrangement, the transactions contemplated thereby and the entering into of the Arrangement Agreement; and (iv) resolved to recommend the Securityholders vote in favour of the Arrangement.

(mmm) *Rights Plans*. Celtic does not have and will not implement any shareholder rights plan or any other form of plan, agreement, contract or instrument that will trigger any rights to acquire Common Shares or other securities of Celtic or rights, entitlements or privileges in favour of any Person upon the entering into of this Agreement or in connection with the Arrangement.

(nnn) *Outstanding AFEs*. Other than as set forth in the Disclosure Letter, there are no individual outstanding authorizations for expenditure having an unspent amount of $5.0 million or more pertaining to any of the Assets, or other commitments, approvals or authorizations pursuant to which an expenditure of $5.0 million or more may be required to be made by Celtic or in respect of the Assets.

(ooo) *U.S. Applicable Securities Law Matters*. (i) Celtic is a "foreign private issuer" as defined in Rule 3b-4 under the U.S. Exchange Act; and (ii) no class of securities of Celtic is, or during the past 12 months has been, registered or required to be registered pursuant to section 12 of the U.S. Exchange Act, nor is Celtic subject to any reporting obligation pursuant to section 15(d) of the U.S. Exchange Act.

(ppp) *Place of Principal Offices*. Celtic is not incorporated in the United States, is not organized under the laws of the United States and does not have its principal office within the United States.

(qqq) *Location of Assets and U.S. Sales*. All of the Assets of Celtic are located outside the United States and Celtic did not make sales in or into the United States exceeding US$68.2 million during Celtic's most recent completed fiscal year.

(rrr) *Investment Company*. Celtic is not registered or required to be registered as an "investment company" pursuant to the *United States Investment Company Act of 1940*, as amended.

(sss) *Transaction Costs*. The aggregate Employee Obligations will not exceed $2.5 million; the aggregate Transaction Costs will not exceed $11.0 million; and the Disclosure Letter sets out Celtic's *bona fide* good faith estimate of each component of the Transaction Costs, including each component of the Employee Obligations.

(ttt) *Disclosures*. The Disclosed Information is, collectively, complete, true and correct in all material respects as at the respective dates thereof (or, if undated, as of the date of this Agreement) and does not omit any data or information necessary to make the data and information provided not misleading in any material respect.

(uuu) *Disclosure*. Celtic has not withheld from the Purchaser any material information or documents concerning Celtic or its Assets or liabilities during the course of the Purchaser's review of Celtic and its Assets. No representation or warranty contained in this Agreement or other disclosure document provided or to be provided to the Purchaser by Celtic pursuant to this Agreement contains or will contain any untrue statement of a material fact or omits to state a material fact which is necessary in order to make the statements herein or therein not misleading.

4.3 Representations and Warranties of Celtic and SpinCo Regarding SpinCo

Celtic and SpinCo hereby jointly and severally represent and warrant to and in favour of ExxonMobil and the Purchaser and acknowledge that ExxonMobil and the Purchaser are relying upon such representations and warranties in connection with the matters contemplated by this Agreement and the consummation of the Arrangement:

(a) *Organization and Qualification*. SpinCo has been duly incorporated and is validly subsisting under the Applicable Laws of its jurisdiction of formation and has the requisite power and authority to own its assets as now owned and to carry on its business as now conducted. SpinCo is duly registered or authorized to conduct its affairs or do business, as applicable, and is in good standing in each jurisdiction in which the character of its assets, owned, leased, operated, licensed or otherwise held, or the nature of its activities makes such registration or authorization necessary. SpinCo has not received any notice from any Governmental Entity of any restriction on its ability to conduct its business as is currently conducted, or to own, lease, operate, license or otherwise hold its assets. Copies of the constating documents of SpinCo, together with all amendments to date, which are included in the Disclosed Information, are accurate and complete and have not been amended or superseded.

(b) *Authority Relative to this Agreement*. SpinCo has the requisite corporate power and authority to execute this Agreement and to carry out its obligations hereunder. The execution and delivery of this Agreement and the consummation by SpinCo of the transactions contemplated by the Arrangement has been duly authorized by the SpinCo Board and, except as specified herein, no other proceedings on the part of SpinCo are necessary to authorize this Agreement or the Arrangement. This Agreement has been duly executed and delivered by SpinCo and constitutes a legal, valid and binding obligation of SpinCo enforceable against it in accordance with its terms, subject to the qualification that such enforceability may be limited by bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and other Applicable Laws of general application relating to or affecting rights of creditors and that equitable remedies, including specific performance, are discretionary and may not be ordered.

(c) *Parent, Subsidiaries or Interests*. Celtic owns 100% of the issued and outstanding shares of SpinCo. SpinCo has no Subsidiaries and has no interest in any partnership, corporation or other business organization. SpinCo has not had any Subsidiaries since the date of its incorporation.

(d) *Capitalization*. The authorized capital of SpinCo consists of an unlimited number of SpinCo Shares. There is issued and outstanding one (1) SpinCo Share, and no other shares are issued and outstanding. There are no options, warrants or other rights, plans agreements or commitments of any nature whatsoever requiring the issuance, sale or transfer by SpinCo of any securities of SpinCo (including SpinCo Shares) or any

securities convertible into, or exchangeable or exercisable for, or otherwise evidencing a right to acquire, any securities of SpinCo (including SpinCo Shares). All outstanding SpinCo Shares have been duly authorized and validly issued, are fully paid and non-assessable and are not subject to, nor were they issued in violation of, any pre-emptive rights.

(e) *Conduct of Business*. SpinCo has been incorporated solely to participate in the Arrangement and to perform its obligations contemplated in this Agreement, the Arrangement and all matters solely related thereto (including under the SpinCo Conveyance Agreement, the Non-Competition and Non-Solicitation Agreement and all matters ancillary thereto), and except as aforesaid, SpinCo has not conducted or carried on any business, acquired any assets, assumed or incurred any Liabilities or allowed any Encumbrances to be created against it.

(f) *Residency.* SpinCo is not a non-resident for the purposes of the Tax Act.

4.4 Survival of Representations and Warranties

The representations of ExxonMobil and the Purchaser made in this Agreement, and of Celtic made in Section 4.3 of this Agreement, shall expire and be terminated at the Effective Time. The representations and warranties of SpinCo in this Agreement shall survive for a period of 12 months following the Effective Time. This Section 4.4 shall not limit any covenant or agreement of ExxonMobil, the Purchaser, Celtic or SpinCo which, by its terms, contemplates performance after the Effective Time or the date on which this Agreement is terminated, as the case may be.

ARTICLE 5
CONDITIONS PRECEDENT

5.1 Mutual Conditions Precedent

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

(a) *Interim Order*. The Interim Order will have been granted in form and substance satisfactory to the Purchaser and Celtic, acting reasonably, and such order will not have been set aside or modified in a manner unacceptable to the Purchaser and Celtic, each acting reasonably, on appeal or otherwise.

(b) *Arrangement Resolution*. The Arrangement Resolution will have been passed by the Shareholders by not less than the Shareholders Vote by the Outside Date in accordance with the Interim Order and in form and substance satisfactory to the Purchaser and Celtic, acting reasonably.

(c) *Final Order*. The Final Order will have been granted by the Outside Date in form and substance satisfactory to the Purchaser and Celtic, acting reasonably, and such order will not have been set aside or modified in a manner unacceptable to the Purchaser and Celtic, acting reasonably, on appeal or otherwise.

(d) *Articles of Arrangement*. The Articles of Arrangement to be filed by the Outside Date with the Registrar in accordance with the Arrangement will be in form and substance satisfactory to each of the Purchaser and Celtic, acting reasonably.

(e) *Regulatory Approvals*. All Regulatory Approvals will have been obtained or concluded and, in the case of waiting or suspensory periods, will have expired, been terminated or been waived.

(f) *Other Approvals*. In addition to the approvals contemplated in Section 5.1(e), all other third party consents, waivers, permits, orders and approvals required in connection with the consummation of the Arrangement will have been provided or obtained on terms and conditions acceptable to the Parties, acting reasonably, at or before the Effective Time, except where the failure to provide or obtain such would not have a Material Adverse Effect, would not materially adversely affect ExxonMobil and its Subsidiaries, taken as a whole, or would not prevent or materially impede the completion of the transactions contemplated hereby.

(g) *Outside Date*. The Effective Date will be on or before the Outside Date.

(h) *Laws*. No Applicable Law shall be in effect, and no Governmental Entity shall have enacted, issued, promulgated, applied for (or advised any of the Parties in writing that it has determined to make such application), enforced or entered any Applicable Law (whether temporary, preliminary or permanent), in either case that restrains, enjoins or otherwise prohibits consummation of or dissolves the Arrangement or the other transactions contemplated by this Agreement.

The foregoing conditions are for the mutual benefit of ExxonMobil and the Purchaser, on the one hand, and Celtic, on the other hand, and may be waived by the Purchaser (on its own behalf and on behalf of ExxonMobil) or Celtic, in each case in its sole discretion, in whole or in part, at any time without prejudice to any other rights which such Party may have.

5.2 Additional Conditions to Obligations of ExxonMobil and the Purchaser

The obligation of ExxonMobil and the Purchaser to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

(a) *Representations and Warranties*. The representations and warranties of Celtic and SpinCo set forth in this Agreement will be true and correct ((i) for representations and warranties qualified as to materiality and for the representations and warranties in Sections 4.2(a), (b), (c), (d), (i)(i)(A) and (w)(ii) and Section 4.3, true and correct in all respects, and (ii) for all other representations and warranties, true and correct in all material respects) as of the date of this Agreement and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy of which will be determined as of that specified date, and it being understood that the number of Common Shares outstanding may increase from the number outstanding on the date of this Agreement solely as a result of the exercise of the Options as permitted herein or conversion of the Debentures into Common Shares, but only to the extent that such Options or Debentures are specifically described in Section 4.2(d)), and each of Celtic and SpinCo will have provided to ExxonMobil and the Purchaser a certificate of two senior officers or authorized signatories certifying such accuracy.

(b) *Covenants*. Celtic and SpinCo will have complied in all material respects with their respective covenants herein, and each of Celtic and SpinCo will have provided to ExxonMobil and the Purchaser a certificate of two senior officers or authorized signatories certifying compliance with such covenants.

(c) *No Material Adverse Change*. Between the date hereof and the Effective Time, there will not have occurred any Material Adverse Change with respect to Celtic.

(d) *No Action*. No act, action, suit, proceeding, objection or opposition shall have been commenced, pending, threatened, taken, entered or promulgated before or by any Governmental Entity or by any other Person, and no law, regulation, policy, judgment, decision, order, ruling or directive (whether or not having the force of law) shall have been proposed, enacted, promulgated, amended or applied, in any case, (i) to cease trade, enjoin, prohibit or impose material conditions on the Arrangement or the transactions contemplated therein or herein (including any matters described in Sections 3.6(f)(iii) or (iv)), (ii) to cease trade, enjoin, prohibit or impose material conditions on the rights of ExxonMobil or the Purchaser to own or exercise full rights of ownership of the Common Shares, including the rights to vote the Common Shares, upon the completion of the Arrangement or conduct the business conducted by Celtic, (iii) to prohibit or restrict the completion of the Arrangement in accordance with the terms hereof or otherwise relating to the Arrangement, or (iv) that would have a Material Adverse Effect, or would materially adversely affect ExxonMobil and its Subsidiaries, taken as a whole.

(e) *Dissent Rights*. Holders of Common Shares representing not more than 5.0% of the Common Shares then outstanding will have validly exercised, and not withdrawn, Dissent Rights.

(f) *SpinCo Conveyance Agreement and Specific Conveyances.* The SpinCo Conveyance Agreement and, subject to Section 2.3(e) and the terms of the SpinCo Conveyance Agreement, the Specific Conveyances, and all agreements and documents ancillary thereto, all in a form satisfactory to the Purchaser, acting reasonably, shall have been duly executed and delivered by Celtic and SpinCo, as applicable, and ExxonMobil and the Purchaser shall be satisfied, acting reasonably, that the transactions contemplated therein will be completed concurrently with, or immediately following, the Effective Time.

(g) *Options*. ExxonMobil and the Purchaser shall have received the Option Exercise Agreements, in a form satisfactory to the Purchaser, acting reasonably, duly executed by all holders of Options, and pursuant thereto, all Options shall have been exercised or terminated.

(h) *Non-Competition and Non-Solicitation Agreements.* The Non-Competition and Non-Solicitation Agreements, each in a form satisfactory to the Purchaser, acting reasonably, shall have been duly executed and delivered by SpinCo, Celtic and the Executive Officers of Celtic party thereto.

The conditions in this Section 5.2 are for the exclusive benefit of ExxonMobil and the Purchaser and may be asserted by the Purchaser (on its own behalf and on behalf of ExxonMobil) regardless of the circumstances or may be waived by the Purchaser (on its own behalf and on behalf ExxonMobil), in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which ExxonMobil and the Purchaser may have.

5.3 Additional Conditions to Obligations of Celtic and SpinCo

The obligation of Celtic and SpinCo to consummate the transactions contemplated hereby, and in particular the Arrangement, is subject to the following conditions:

(a) *Representations and Warranties*. The representations and warranties of ExxonMobil and the Purchaser set forth in this Agreement will be true and correct (for representations and warranties qualified as to materiality and for the representations and warranties in Sections 4.1(a), (b) and (c)(i), true and correct in all respects, and for all other representations and warranties, true and correct in all material respects) as of the date of this Agreement and as of the Effective Date as if made on and as of such date (except to the extent such representations and warranties speak as of an earlier date, the accuracy

of which will be determined as of that specified date), and each of ExxonMobil and the Purchaser will have provided to Celtic and SpinCo a certificate of two senior officers or authorized signatories certifying such accuracy.

(b) *Covenants*. Each of ExxonMobil and the Purchaser will have complied in all material respects with its covenants herein, and each of ExxonMobil and the Purchaser will have provided to Celtic and SpinCo a certificate of two senior officers or authorized signatories certifying compliance with such covenants.

(c) *Deposit of Funds*. The Purchaser shall have deposited or caused to be deposited in escrow with the Depositary not less than one Business Day prior to the Effective Date the aggregate amount that will be payable to the applicable Securityholders under the Arrangement, and Celtic shall have received written confirmation of the receipt of such funds by the Depositary.

The conditions in this Section 5.3 are for the exclusive benefit of Celtic and SpinCo and may be asserted by Celtic or SpinCo regardless of the circumstances or may be waived by Celtic or SpinCo in its sole discretion, in whole or in part, at any time and from time to time without prejudice to any other rights which Celtic or SpinCo may have.

5.4 Notice and Effect of Failure to Comply with Conditions

(a) Each Party shall give prompt notice to the other Parties of the occurrence, or failure to occur, at any time from the date hereof to the Effective Date of any event or state of facts which occurrence or failure would, or would be likely to, (i) cause any of the representations or warranties of any Party contained herein to be untrue or inaccurate in any material respect, or (ii) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by any Party hereunder; provided, however, that no such notification will affect the representations or warranties of the Parties or the conditions to the obligations of the Parties hereunder.

(b) If any of the conditions precedents set forth in Sections 5.1, 5.2 or 5.3 hereof shall not be complied with or waived by the Party or Parties for whose benefit such conditions are provided on or before the date required for the performance thereof, then a Party for whose benefit the condition precedent is provided may, in addition to any other remedies they may have at law or equity, rescind and terminate this Agreement provided that, prior to the filing of the Articles of Arrangement for the purpose of giving effect to the Arrangement, the Party intending to rely thereon has delivered a written notice to the other Party, specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party delivering such notice is asserting as the basis for the non-fulfillment of the applicable condition or the availability of a termination right, as the case may be. If any such notice is delivered, provided that a Party is proceeding diligently to cure any such matter capable of being cured (and the Parties agree that, for all purposes of this Agreement, non-compliance with or a breach of Section 3.5 cannot be cured), and that has not occurred as a result of a willful breach, to the satisfaction of the other Party, acting reasonably, no Party may terminate this Agreement until the expiration of a period of five Business Days from the date of receipt of such notice (provided that no such cure period shall extend beyond the Outside Date and no such cure period shall be provided for a breach which by its nature cannot be cured). More than one such notice may be delivered by a Party. If a Party seeking termination of this Agreement hereunder delivers a notice of such termination within five Business Days of the scheduled date of the Meeting, unless the Parties agree otherwise, Celtic shall postpone or adjourn the Meeting to the earlier of (i) the date that is ten Business Days from receipt of the termination notice; and (ii) five Business Days prior to the Outside Date.

5.5 Satisfaction of Conditions

The conditions set out in this Article 5 are conclusively deemed to have been satisfied, waived or released when, with the agreement of the Parties, Articles of Arrangement are filed under the ABCA to give effect to the Arrangement.

ARTICLE 6
AGREEMENT AS TO DAMAGES AND OTHER ARRANGEMENTS

6.1 Purchaser Damages

If at any time after the execution of this Agreement:

(a) and provided that there is no unresolved material breach or material non-compliance by ExxonMobil or the Purchaser of or with any of their respective covenants, representations or warranties under this Agreement (which breach or non-compliance would entitle Celtic to terminate this Agreement as provided in Section 8.1(a)(iv)), the Celtic Board fails to unanimously recommend that the Securityholders vote in favour of the Arrangement or withdraws, amends, changes or qualifies, or resolves or proposes publicly to withdraw, amend, change or qualify, in any manner adverse to the Purchaser, any of its recommendations or determinations referred to in Section 4.2(lll);

(b) and provided that there is no unresolved material breach or material non-compliance by ExxonMobil or the Purchaser of or with any of their respective covenants, representations or warranties under this Agreement (which breach or non-compliance would entitle Celtic to terminate this Agreement as provided in Section 8.1(a)(iv)), the Celtic Board fails to publicly reaffirm any of its recommendations or determinations referred to in Section 4.2(lll) in accordance with Section 3.5(f) or within 72 hours of any written request to do so by the Purchaser (or, in the event that the Meeting to approve the Arrangement is scheduled to occur within such 72 hour period, prior to the Meeting);

(c) prior to the date of the Meeting, an Acquisition Proposal (or intention to make one) is publicly announced, proposed, offered or made and (i) the Shareholders do not approve the Arrangement by the required Shareholders Vote; (ii) the Arrangement is not submitted for their approval; or (iii) the Arrangement is not otherwise completed in the manner contemplated by this Agreement; and (either prior to or following termination of this Agreement) either any Acquisition Proposal is consummated or effected or Celtic (or any Subsidiary thereof) enters into a definitive agreement relating to any Acquisition Proposal within twelve months of the date the first Acquisition Proposal is publicly announced, offered or made;

(d) Celtic or the Celtic Board accepts, recommends, approves or enters into a definitive agreement to implement a Superior Proposal; or

(e) Celtic or SpinCo is in breach or non-compliance with any of its covenants made in this Agreement, which breach or non-compliance individually or in the aggregate gives rise to, or would result in, at such time, the failure of a condition in Section 5.1 or 5.2 (after giving effect to any cure period provided in Section 5.4);

(each of the above being a "**Damages Event**"), then in the event of the termination of this Agreement pursuant to Article 8, Celtic will pay to the Purchaser (or to whom the Purchaser may direct in writing) $90 million (the "**Termination Fee**"), as liquidated damages in immediately available funds to an account designated by the Purchaser within one Business Day after the first to occur of the events described above; provided that, in the case of a Damages Event pursuant to Section 6.1(d), such payment shall be made by Celtic to the Purchaser concurrently with the acceptance, recommending, approving or entering

into of the Superior Proposal by Celtic. Following a Damages Event, but prior to payment of the Termination Fee, Celtic will and will be deemed to hold such payment in trust for the Purchaser.

6.2 Liquidated Damages

Celtic acknowledges that the Termination Fee set out in Section 6.1 is a payment of liquidated damages which are a genuine pre-estimate of the damages which the Purchaser will suffer or incur as a result of the event giving rise to such damages and the resultant termination of this Agreement and is not a penalty. Celtic irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive. For greater certainty, ExxonMobil and the Purchaser agree that the payment of the amount pursuant to Section 6.1 is the sole remedy of ExxonMobil and the Purchaser in respect of the event giving rise to such payment; provided, however, that this limitation will not apply in the event of fraud or wilful or intentional breach of this Agreement by Celtic or SpinCo and nothing herein will preclude ExxonMobil and the Purchaser from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of Celtic or SpinCo set forth in this Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith, in accordance with Section 10.9.

6.3 Celtic Expense Reimbursement

If this Agreement is terminated by Celtic or SpinCo as a result of either ExxonMobil or the Purchaser being in breach or non-compliance with any of its covenants made in this Agreement, which breach or non-compliance individually or in the aggregate gives rise to, or would result in, at such time, the failure of a condition in Section 5.1 or 5.3 (after giving effect to any cure period provided in Section 5.4), the Purchaser shall reimburse Celtic for its out-of-pocket expenses incurred directly in connection with the entering into of this Agreement and the proposed completion of the transactions contemplated hereunder, to a maximum of $10 million. The Purchaser shall reimburse Celtic for such expenses as soon as practicable after being provided with evidence of payment of such expenses by Celtic. For greater certainty, and subject to Section 10.12, ExxonMobil and the Purchaser agree that the reimbursement of such expenses pursuant to this Section 6.3 shall not derogate from, and shall be in addition to, any other rights or remedies to which Celtic may be entitled as a result of such a breach or non-compliance, and shall not preclude Celtic from seeking injunctive relief to restrain any breach or threatened breach of the covenants or agreements of ExxonMobil or the Purchaser set forth in this Agreement or otherwise to obtain specific performance of any of such acts, covenants or agreements, without the necessity of posting bond or security in connection therewith, in accordance with Section 10.9.

ARTICLE 7
AMENDMENT

7.1 Amendment

This Agreement may at any time and from time to time before or after the holding of the Meeting be amended by written agreement of the Parties without, subject to Applicable Laws, further notice to or authorization on the part of the Securityholders and any such amendment may, without limitation:

(a) change the time for performance of any of the obligations or acts of the Parties;

(b) waive any inaccuracies or modify any representation or warranty contained herein or in any document delivered pursuant hereto;

(c) waive compliance with or modify any of the covenants herein contained and waive or modify performance of any of the obligations of the Parties; or

(d) waive compliance with or modify any other conditions precedent contained herein;

provided that no such amendment reduces or materially adversely affects the consideration to be received by Securityholders without approval by the affected Securityholders given in the same manner as required for the approval of the Arrangement or as may be ordered by the Court.

7.2 Amendment of Plan of Arrangement

(a) Celtic and the Purchaser reserve the right to amend, modify and/or supplement the Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any amendment, modification or supplement must be contained in a written document which is: (i) filed with the Court and, if made following the Meeting, approved by the Court; and (ii) communicated to Securityholders in the manner required by the Court (if so required).

(b) Any amendment, modification or supplement to the Plan of Arrangement may be proposed by Celtic and the Purchaser (if consented to by all such parties, each acting reasonably) at any time prior to or at the Meeting with or without any other prior notice or communication and, if so proposed and accepted, in the manner contemplated and to the extent required by this Agreement, by the Securityholders, shall become part of the Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to the Plan of Arrangement which is approved or directed by the Court following the Meeting shall be effective only: (i) if it is consented to by Celtic and the Purchaser (each acting reasonably); and (ii) if required by the Court or applicable law, it is consented to by the Securityholders.

(d) Notwithstanding anything contained herein or in the Plan of Arrangement, if the Debentureholders Vote is not obtained prior to the Final Order, the Arrangement shall proceed and the Plan of Arrangement shall be amended to exclude the Debentures, and all ancillary references thereto, from the Plan of Arrangement.

ARTICLE 8
TERMINATION

8.1 Termination

(a) This Agreement may be terminated at any time prior to the Effective Date:

(i) by mutual written consent of the Parties;

(ii) by either the Purchaser or Celtic, if the Arrangement Resolution shall have failed to receive the Shareholders Vote at the Meeting (including any adjournment or postponement thereof) in accordance with the Interim Order;

(iii) by either the Purchaser or Celtic, if the Effective Time shall not have occurred on or prior to the Outside Date, except that the right to terminate this Agreement under this Section 8.1(a)(iii) shall not be available to any Party whose failure to fulfill any of its obligations has been the cause of, or resulted in, the failure of the Effective Time to occur by such date;

(iv) as provided in Section 5.4; provided that the Party seeking termination is not then in breach of this Agreement so as to cause any of the conditions set forth in Sections 5.1, 5.2 and 5.3, as applicable, not to be satisfied;

(v) by the Purchaser upon the occurrence of a Damages Event as provided in Section 6.1 (and which, for greater certainty, for the purposes of Section 6.1(c) shall refer to the events described in Section 6.1(c)(i) or (ii)); or

(vi) by Celtic if it accepts, recommends, approves or enters into an agreement to implement a Superior Proposal; provided that Celtic (A) has complied with its obligations set forth in Section 3.5, and (B) concurrently pays the amount required pursuant to Section 6.1.

(b) If this Agreement is terminated in accordance with the foregoing provisions of this Section 8.1, this Agreement will forthwith become void and no Party will have any further liability or obligation to the other Party hereunder except as provided in Article 6 (provided the right of payment thereunder (being, in the case of Section 6.1(c), the public announcement or making of an Acquisition Proposal arising prior to the termination of this Agreement), this Section 8.1(b), Sections 3.3(i), 3.3(j), 3.9, 9.1, 10.2, 10.4, 10.5, 10.8, 10.11, 10.12 and each Party's obligations under the Confidentiality Agreement, which will survive such termination. Notwithstanding the foregoing, nothing contained in this Section 8.1(b) shall relieve any Party from liability for any fraud or, subject to Section 6.2, breach of any provision of this Agreement.

ARTICLE 9
NOTICES

9.1 Notices

All notices that may or are required to be given pursuant to any provision of this Agreement are to be given or made in writing and served personally or sent by facsimile transmission or email:

(a) in the case of ExxonMobil and the Purchaser, to:

ExxonMobil Canada Ltd. / 1690731 Alberta ULC
16676 Northchase Drive – CORP NC1-2099
Houston, Texas 77060

Attention: Charles S. Ballantine
Facsimile: (281) 654-3705
Email: charles.s.ballantine@exxonmobil.com

with a copy to:

Blake, Cassels & Graydon LLP
3500, 855 – 2nd Street S.W.
Calgary, Alberta T2P 4J8

Attention: Chad Schneider
Facsimile: (403) 260-9700
Email: chad.schneider@blakes.com

(b) in the case of Celtic and SpinCo, to:

Celtic Exploration Ltd. / 1705972 Alberta Ltd.
Suite 600, 321 – 6th Avenue S.W.
Calgary, Alberta T2P 3H3

Attention: David J. Wilson
Facsimile: (403) 201-9163
Email: dwilson@celticex.com

with a copy to:

Borden Ladner Gervais LLP
1900, 520 – 3rd Avenue S.W.
Calgary, Alberta T2P 0R3

Attention: William C. Guinan
Facsimile: (403) 266-1395
Email: bguinan@blg.com

or such other address as the Parties may, from time to time, advise the other Party hereto by notice in writing. The date or time of receipt of any such notice will be deemed to be the date of delivery or the time such facsimile transmission or email is received.

ARTICLE 10
GENERAL

10.1 Non-Survival of Representations and Warranties

No investigation by or on behalf of, or knowledge of, a Party, will mitigate, diminish or affect the representations or warranties made by the other Party in this Agreement or any certificate delivered by such other Party pursuant to this Agreement. The respective representations and warranties of the Parties contained in this Agreement will not survive the completion of the Arrangement and will expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms. This Section 10.1 will not limit any undertaking, obligations covenant or agreement of whatever nature of a Party or any of its Subsidiaries which, by its terms, contemplates performance after the Effective Time or date on which this Agreement is terminated, as the case may be.

10.2 Assignment, Binding Effect and Entire Agreement

(a) Except as expressly permitted by the terms hereof, neither this Agreement nor any of the rights, interests or obligations hereunder will be assigned by any of the Parties hereto without the prior written consent of the other Parties hereto. The above notwithstanding, each of ExxonMobil and the Purchaser may assign all or any part of its rights or obligations under this Agreement and any agreements ancillary hereto to one or more of such Party's Affiliates, and provided further that if such assignment takes place, ExxonMobil will continue to be fully liable as primary obligor, on a joint and several basis with any such entity, to Celtic for any default in performance by the assignee of any of ExxonMobil's or the Purchaser's obligations hereunder.

(b) This Agreement will be binding on and will inure to the benefit of the Parties and their respective successors and permitted assigns.

(c) This Agreement, the Confidentiality Agreement and the Disclosure Letter constitute the entire agreement with respect to the subject matter hereof, and supersede all other prior

agreements and understandings, both written and oral, between the Parties and their Affiliates with respect to the subject matter hereof and thereof.

10.3 Public Communications

Each of ExxonMobil and the Purchaser, of the first part, and Celtic and SpinCo, of the second part, agree to consult with each other prior to issuing, or permitting any of its directors, officers, employees or agents to issue, any press releases or otherwise making public statements with respect to this Agreement or the Arrangement or making any filing with any Governmental Entity with respect thereto. Without limiting the generality of the foregoing, no Party will issue any press release regarding the Arrangement, this Agreement or any transaction relating to this Agreement without first providing a draft of such press release to the other Party and reasonable opportunity for comment; provided, however, that the foregoing will be subject to each Party's overriding obligation to make any such disclosure required in accordance with Applicable Laws. If such disclosure is required and the other Party has not reviewed or commented on the disclosure, the Party making such disclosure will use all commercially reasonable efforts to give prior oral or written notice to the other Party, and if such prior notice is not possible, to give such notice promptly following such disclosure.

10.4 Costs

Except as otherwise expressly provided for in Article 6 and in Section 3.6, all fees, costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the Party incurring such cost or expense, whether or not the Arrangement is completed.

10.5 Severability

If any one or more of the provisions or parts thereof contained in this Agreement should be or become invalid, illegal or unenforceable in any respect, the remaining provisions or parts thereof contained herein will be and will be conclusively deemed to be severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof will not in any way be affected or impaired by the severance of the provisions or parts thereof severed. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

10.6 Further Assurances

Each Party hereto will, from time to time and at all times hereafter, at the request of the other Party hereto, but without further consideration, do all such further acts, and execute and deliver all such further documents and instruments and provide all such further assurances as may be reasonably required in order to fully perform and carry out the terms and intent hereof.

10.7 Time of Essence

Time will be of the essence of this Agreement.

10.8 Applicable Laws and Enforcement

This Agreement will be governed, including as to validity, interpretation and effect, by the laws of the Province of Alberta and the laws of Canada applicable therein, and will be construed and treated in all respects as an Alberta contract. Each of the Parties hereby irrevocably attorns to the non-exclusive jurisdiction of the Courts of the Province of Alberta in respect of all matters arising under and in relation to this Agreement and the Arrangement. Each Party hereby waives any right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to this

Agreement or the transactions contemplated hereby or the actions of the Parties in the negotiation, administration, performance and enforcement of this Agreement.

10.9 Injunctive Relief

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that, except as provided for in Section 6.2, the Parties will be entitled to equitable remedies, including specific performance, a restraining order and interlocutory, preliminary and permanent injunctive relief and other equitable relief to prevent breaches of this Agreement, any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief hereby being waived. Such remedies will not be the exclusive remedies for any breach of this Agreement but will be in addition to all other remedies available at law or equity to each of the Parties.

10.10 Waiver

Any Party may, on its own behalf only, (i) extend the time for the performance of any of the obligations or acts of the other Party, (ii) waive compliance with the other Party's agreements or the fulfillment of any conditions to its own obligations contained herein, or (iii) waive inaccuracies in the other Party's representations or warranties contained herein or in any document delivered by the other Party; provided, however, that any such extension or waiver will be valid only if set forth in an instrument in writing signed on behalf of such Party and, unless otherwise provided in the written waiver, will be limited to the specific breach or condition waived.

10.11 Third Party Beneficiaries

Except as provided in Section 3.2(e), and except for the rights of the Securityholders to receive the consideration for their Securities pursuant to the Arrangement following the Effective Time, which rights are hereby acknowledged and agreed by ExxonMobil and the Purchaser, this Agreement is not intended to confer any rights or remedies upon any Person other than the Parties to this Agreement. ExxonMobil and the Purchaser appoint Celtic as the trustee for the directors and officers of Celtic and the Celtic Subsidiaries, as applicable, of the covenants of ExxonMobil and the Purchaser as specified in Section 3.2(e) of this Agreement and Celtic accepts such appointment.

10.12 No Consequential Damages

No Party shall be liable in an action initiated by one against the other for special, indirect, consequential, exemplary or punitive damages resulting from or arising out of this Agreement, including, without limitation, loss of profit or business interruptions, however same may be caused.

10.13 Counterparts, Execution

This Agreement may be executed in two or more counterparts, each of which will be deemed to be an original but all of which together will constitute one and the same instrument. The Parties will be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy will be legally effective to create a valid and binding agreement between the Parties.

[Remainder of page left blank intentionally – signatures follow]

IN WITNESS WHEREOF each of Parties has caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

EXXONMOBIL CANADA LTD.

Per: "*Wayne Harms*"

1690731 ALBERTA ULC

Per: "*Mark J. Schanzer*"

CELTIC EXPLORATION LTD.

Per: "*David J. Wilson*"

1705972 ALBERTA LTD.

Per: "*David J. Wilson*"

SCHEDULE "A"

ARRANGEMENT RESOLUTION

BE IT RESOLVED THAT:

1. The arrangement (the "**Arrangement**") under Section 193 of the *Business Corporations Act* (Alberta) (the "**ABCA**") of Celtic Exploration Ltd. ("**Celtic**") and involving 1690731 Alberta ULC, 1705972 Alberta Ltd. and the securityholders of Celtic, as more particularly described and set forth in the Information Circular of Celtic dated November ●, 2012 (the "**Circular**") and the Arrangement Agreement, as defined below, and all transactions contemplated thereby, all as may be amended or modified in accordance with their terms, are hereby authorized, approved and adopted.

2. The plan of arrangement, as it may be or have been amended or modified in accordance with its terms, involving Celtic (the "**Plan of Arrangement**"), the full text of which is set out in Schedule "B" to the arrangement agreement dated as of October 16, 2012 (the "**Arrangement Agreement**"), is hereby authorized, approved and adopted.

3. The Arrangement Agreement is hereby ratified and approved.

4. Notwithstanding that this resolution has been passed (and the Arrangement adopted) by any or all of the securityholders of Celtic or that the Arrangement has been approved by the Court of Queen's Bench of Alberta (the "**Court**"), the directors of Celtic are hereby authorized and empowered, at their discretion, without further notice to or approval of the securityholders of Celtic (i) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement, as applicable, and, if required, approved by the Court, and (ii) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement.

5. Any officer or director of Celtic is hereby authorized and directed for and on behalf of Celtic to make an application to the Court for an order approving the Arrangement and to deliver to the Registrar the Articles of Arrangement, a certified copy of the Final Order (both as defined in the Arrangement Agreement) and to execute and, if appropriate, deliver such other documents as are necessary or desirable to the Registrar pursuant to the ABCA in accordance with the Arrangement Agreement.

6. Any officer or director of Celtic is hereby authorized and directed for and on behalf of Celtic to execute or cause to be executed and to deliver or cause to be delivered, all such other documents and instruments and to perform or cause to be performed all such other acts and things as in such Person's opinion may be necessary or desirable to give full force and effect to the foregoing resolutions and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

SCHEDULE "B"

PLAN OF ARRANGEMENT

PLAN OF ARRANGEMENT
UNDER SECTION 193 OF THE
***BUSINESS CORPORATIONS ACT* (ALBERTA)**

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Plan of Arrangement, unless there is something in the subject matter or context inconsistent therewith, the following terms shall have the respective meanings set out below and grammatical variations of those terms shall have corresponding meanings:

"**ABCA**" means the *Business Corporations Act*, R.S.A. 2000, c. B-9, as amended, including the regulations promulgated thereunder;

"**Arrangement**" means the arrangement under the provisions of section 193 of the ABCA, on the terms and subject to the conditions set out in this Plan of Arrangement;

"**Arrangement Agreement**" means the agreement made as of October 16, 2012 among ExxonMobil Canada Ltd., the Purchaser, Celtic and SpinCo, and all amendments thereto;

"**Articles of Arrangement**" means the articles of arrangement of Celtic in respect of the Arrangement required under subsection 193(10) of the ABCA to be filed with the Registrar after the Final Order has been granted;

"**Business Day**" means a day on which banks are generally open for the transaction of commercial business in Calgary, Alberta or New York, New York, but does not in any event include a Saturday or Sunday or statutory holiday in Alberta or New York, New York;

"**Celtic**" means Celtic Exploration Ltd., a corporation existing under the ABCA;

"**Certificate of Arrangement**" means the proof of filing to be issued by the Registrar pursuant to subsection 193(12) of the ABCA in respect of the Articles of Arrangement;

"**Common Shares**" means the common shares in the capital of Celtic;

"**Common Share Cash Consideration**" means $24.50 per Common Share;

"**Court**" means the Court of Queen's Bench of Alberta;

"**Debenture Indenture**" means the debenture indenture dated as of April 12, 2012 between Celtic and Valiant Trust Company, establishing and setting forth, among other things, the terms of the Debentures;

"**Debenture Interest Consideration**" means, for each $1,000 principal amount of Debentures, a cash amount equal to the sum of (i) accrued and unpaid interest on such principal amount to, but excluding, the Effective Date, and (ii) an amount equal to the amount of interest that would otherwise be payable thereon from and including the Effective Date to, but excluding, the date which is 32 days after the Effective Date, which aggregate amount shall be determined in accordance with Section 3.2;

"**Debenture Share Consideration**" means, for each $1,000 principal amount of Debentures, such number of Common Shares that a holder of Debentures would be entitled to receive upon the conversion of the Debentures in accordance with their terms immediately following the Effective Time (if the Debentures were not acquired by Celtic under the Arrangement and without giving effect to Section 6.5 of

the Debenture Indenture), including the Make Whole Premium, which number of Common Shares shall be determined in accordance with Section 3.2;

"**Debentureholders**" means the holders of the Debentures;

"**Debentureholders Approval**" means the approval of the Arrangement by the Debentureholders at the Meeting in accordance with the Interim Order;

"**Debentures**" means the 5.00% convertible unsecured subordinated debentures of Celtic due April 30, 2017;

"**Depositary**" means such Person as the Purchaser may appoint to act as depositary for the Securities in relation to the Arrangement, with the approval of Celtic, acting reasonably;

"**Dissent Rights**" means the dissent rights described in Section 5.1 of this Plan of Arrangement;

"**Dissenting Securities**" means Common Shares and/or Debentures, as applicable, held by Dissenting Securityholders;

"**Dissenting Securityholder**" means any registered Shareholder or Debentureholder, as applicable, who has duly and validly exercised its Dissent Rights pursuant to Section 5.1 of this Plan of Arrangement and the Interim Order and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights;

"**Effective Date**" means the date the Arrangement becomes effective under the ABCA, being the date shown on the Certificate of Arrangement;

"**Effective Time**" means the time at which the Arrangement becomes effective on the Effective Date pursuant to the ABCA;

"**Encumbrances**" means any mortgage, hypothec, prior claim, lien, pledge, assignment for security, security interest, guarantee, right of third parties or other charge, encumbrance, or any collateral securing the payment obligations of any Person, as well as any other agreement or arrangement with any similar effect whatsoever;

"**Final Order**" means the final order of the Court approving the Arrangement pursuant to subsection 193(9)(a) of the ABCA, as such order may be affirmed, amended or modified by any court of competent jurisdiction;

"**Founding SpinCo Share**" means the one (1) SpinCo Share held by Celtic that was issued to Celtic on the incorporation of SpinCo;

"**Information Circular**" means the notice of the Meeting and accompanying information circular of Celtic, together with all appendices, schedules and exhibits thereto, sent by Celtic to the Securityholders in connection with the Meeting, as amended, supplemented or otherwise modified;

"**Interim Order**" means the interim order of the Court pursuant to subsection 193(4) of the ABCA relating to the Arrangement;

"**Letter of Transmittal**" means the letter of transmittal enclosed with the Information Circular pursuant to which Shareholders (and, if applicable, Debentureholders) are required to deliver certificates representing the Common Shares (and, if applicable, Debentures) in connection with the Arrangement;

"**Make Whole Premium**" means the Make Whole Premium, as defined in the Debenture Indenture, in relation to the Debentures;

"**Meeting**" means the special meeting of Securityholders, including any adjournment or postponement thereof, held in accordance with the Arrangement Agreement and the Interim Order to consider the Arrangement;

"**Option Exercise Agreement**" means a duly executed conditional option exercise and cancellation agreement entered into prior to the Effective Date between Celtic and an Optionholder;

"**Option Plan**" means the Amended Stock Option Plan of Celtic dated effective April 26, 2007, and all option agreements thereunder;

"**Optionholders**" means the holders of Options;

"**Options**" means the outstanding stock options of Celtic, whether or not vested, granted under the Option Plan, or any prior stock option plan of Celtic, each of which entitles the holders thereof to acquire one Common Share from treasury;

"**Person**" includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate group, body corporate, corporation, unincorporated association or organization, Governmental Entity (as defined in the Arrangement Agreement), syndicate or other entity, whether or not having legal status;

"**Plan of Arrangement**", "**hereof**", "**herein**", "**hereunder**" and similar expressions means this Plan of Arrangement, including any appendices hereto, and any amendments, variations or supplements hereto made from time to time in accordance with the terms hereof, the Arrangement Agreement or made at the direction of the Court in the Final Order;

"**Purchaser**" means 1690731 Alberta ULC, an unlimited liability corporation existing under the laws of the Province of Alberta;

"**Purchaser Promissory Note**" means the unsecured, subordinated demand promissory note of the Purchaser issued pursuant to Section 3.1(f) of this Plan of Arrangement, which promissory note shall be in a principal amount equal to the fair market value of the SpinCo Shares acquired by the Purchaser from Celtic in Section 3.1(f) hereof;

"**Registrar**" means the Registrar of Corporations duly appointed under section 263 of the ABCA;

"**Securities**" means, collectively, the Common Shares and the Debentures;

"**Securityholders**" means, collectively, Shareholders and Debentureholders;

"**Shareholders**" means the holders of the Common Shares (and for greater certainty includes, following such issuance, the holders of Common Shares issued upon the conversion of the Debentures in Section 3.1(c) hereof);

"**SpinCo**" means 1705972 Alberta Ltd., a corporation existing under the laws of the Province of Alberta;

"**SpinCo Assets**" means the assets owned by Celtic to be sold and transferred to SpinCo pursuant to the SpinCo Conveyance Agreement;

"**SpinCo Conveyance Agreement**" means the agreement to be entered into on the Effective Date between Celtic and SpinCo to effect the sale and transfer of the SpinCo Assets from Celtic to SpinCo;

"**SpinCo Share**" means a common share in the capital of SpinCo; and

"**Tax Act**" means the *Income Tax Act*, R.S.C. 1985, c.1 (5th Supp.) and the regulations thereto, as now in effect and as they may be amended from time to time prior to the Effective Time.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Plan of Arrangement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an "Article", "Section" or "paragraph" followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Plan of Arrangement.

1.3 Number and Gender

In this Plan of Arrangement, unless the context otherwise requires, words used herein importing the singular include the plural and vice versa. Words importing gender include all genders. The words "include", "includes" and "including" shall be deemed to be followed by the words "without limitation".

1.4 Date of Any Action

In the event that any date on which any action is required to be taken hereunder by any of the parties hereto is not a Business Day, such action shall be required to be taken on the next succeeding day which is a Business Day.

1.5 Time

Time shall be of the essence in every matter or action contemplated hereunder. All times expressed herein or in the Letter of Transmittal are local time in Calgary, Alberta unless otherwise stipulated herein or therein.

1.6 Currency

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada.

1.7 Statutory References

References in this Plan of Arrangement to any statute or sections thereof shall include such statute as amended or substituted and any regulations or rules promulgated thereunder from time to time in effect.

ARTICLE 2
EFFECT OF THE ARRANGEMENT

2.1 Arrangement Agreement

This Plan of Arrangement is made pursuant to, is subject to the provisions of and forms part of, the Arrangement Agreement.

2.2 Effectiveness

This Plan of Arrangement, upon the filing of the Articles of Arrangement and the issuance of the Certificate of Arrangement, will become effective at, and be binding upon Celtic, SpinCo, the Securityholders, the Optionholders, ExxonMobil, the Purchaser and all other persons as and from

the Effective Time, without any further act or formality required on the part of any Person except as expressly provided herein.

2.3 Certificate of Arrangement

The Articles of Arrangement and the Certificate of Arrangement shall be filed and issued, respectively, with respect to the Arrangement in its entirety. The Certificate of Arrangement shall be conclusive evidence that the Arrangement has become effective and that each of the provisions of Article 3 has become effective in the sequence and at the times set out therein.

2.4 Effective Time

Other than as expressly provided for herein, no portion of this Plan of Arrangement shall take effect with respect to any party or Person until the Effective Time.

ARTICLE 3
ARRANGEMENT

3.1 The Arrangement

At the Effective Time, each of the events set out below shall occur and be deemed to occur in the following sequence (and the events set forth in each of Sections 3.1(b), (c), (d), (e), (f), (g) and (h) shall occur and shall be deemed to occur one minute following the event(s) described in the immediately preceding Section), without any further act or formality, unless specifically noted:

(a) subject to Section 5.1 hereof, each of the Common Shares and/or the Debentures, as applicable, held by Dissenting Securityholders shall be, and shall be deemed to be, transferred to Celtic (free and clear of any Encumbrances) for cancellation without any further act or formality and:

(i) such Dissenting Securityholders shall cease to be the holders of such Common Shares or Debentures, as applicable, and to have any rights as holders of such Common Shares or Debentures, as applicable, other than the right to be paid fair value for such Common Shares or Debentures, as applicable, as set out in Section 5.1; and

(ii) such Dissenting Securityholders' names shall be removed as the holders of such Common Shares or Debentures, as applicable, from the registers of Common Shares or Debentures, as applicable, maintained by or on behalf of Celtic;

(b) notwithstanding the terms of the Option Plan (including any award or grant agreement made thereunder) or any Option:

(i) each Option outstanding immediately prior to the Effective Time which has not been conditionally exercised pursuant to an Option Exercise Agreement shall be, and shall be deemed to be, cancelled without any further action on the part of any Optionholder, Celtic or the Purchaser, and the holders of such Options shall cease to be holders of such Options and to have any rights as holders of such Options, and such Optionholders' names shall be removed as the holders from the register or records of Options maintained by or on behalf of Celtic; and

(ii) the Option Plan and any such award or grant agreement, or any other document evidencing ownership of or a right to an Option, shall be terminated, and neither Celtic or the Purchaser shall have any liabilities or obligations with respect to the Option Plan or such agreements or documents;

(c) the Debentures outstanding immediately prior to the Effective Time (other than the Debentures held by a Dissenting Securityholder) shall be, and shall be deemed to be, converted into the Debenture Share Consideration, and Celtic shall pay, in cash, in respect of such converted Debentures, the Debenture Interest Consideration, and:

(i) the Debentureholders whose Debentures have been so converted shall cease to be, and shall be deemed to cease to be, holders of such Debentures and to have any rights as holders of such Debentures other than the right to receive the consideration to which such holders are entitled pursuant to this Section 3.1(c);

(ii) such Debentureholders' names shall be removed from the register of the Debentures maintained by or on behalf of Celtic;

(iii) such Debentures shall be, and shall be deemed to be, cancelled; and

(iv) such Debentureholders' names shall be, and shall be deemed to be, entered in the register of Common Shares maintained by or on behalf of Celtic;

(d) the transactions contemplated by the SpinCo Conveyance Agreement shall become effective and pursuant thereto Celtic shall assign and transfer to SpinCo the SpinCo Assets, and as consideration for the SpinCo Assets SpinCo shall issue to Celtic such number of SpinCo Shares equal to one-half (1/2) of the number of issued and outstanding Common Shares (including the Common Shares issued to former Debentureholders as the Debenture Share Consideration in Section 3.1(c) hereof), all in accordance with the terms of the SpinCo Conveyance Agreement, and Celtic shall be entered into the register of SpinCo Shares maintained by or on behalf of SpinCo;

(e) each issued and outstanding Common Share shall be, and shall be deemed to be, transferred to and acquired by the Purchaser (free and clear of any Encumbrances) in exchange for:

(i) the Common Share Cash Consideration; and

(ii) a right to receive, from the Purchaser, one-half (1/2) of one SpinCo Share;

and as a result thereof:

(iii) the Shareholders whose Common Shares have been so transferred shall cease to be, and shall be deemed to cease to be, holders of such Common Shares and to have any rights as holders of such Common Shares other than the right to receive the Common Share Cash Consideration and the right to receive one-half (1/2) of one SpinCo Share pursuant to this Section 3.1(e);

(iv) such Shareholders' names shall be removed as the holders from the register of Common Shares maintained by or on behalf of Celtic; and

(v) the Purchaser shall be deemed to be the transferee of such Common Shares (free and clear of any Encumbrances) and shall be, and shall be deemed to be, entered in the register of Common Shares maintained by or on behalf of Celtic;

(f) the Purchaser shall acquire (free and clear of all Encumbrances) from Celtic the SpinCo Shares acquired by Celtic in Section 3.1(d) (which for greater certainty shall not include the Founding SpinCo Share) in consideration of the Purchaser issuing to Celtic the Purchaser Promissory Note, and the Purchaser shall be, and shall be deemed to be, entered into the register of SpinCo Shares maintained by or on behalf of SpinCo;

(g) the Purchaser shall transfer and deliver to each Shareholder whose Common Shares were transferred to the Purchaser in Section 3.1(e) one-half (1/2) of one SpinCo Share for each such Common Share; and

(h) the Founding SpinCo Share shall be cancelled for no consideration and Celtic shall be, and shall be deemed to be, removed from the register of SpinCo Shares maintained by or on behalf of SpinCo.

3.2 Debenture Consideration

On or prior to the Effective Date, the Debenture Share Consideration and the Debenture Interest Consideration shall be calculated by Celtic and the Purchaser and the amounts so determined and agreed to by Celtic and the Purchaser shall be inserted in Appendix "A" to this Plan of Arrangement in the copy which is attached to the Articles of Arrangement, and for purposes of the Arrangement the Debenture Share Consideration and the Debenture Interest Consideration shall conclusively be deemed to be the amounts so contained in such Appendix "A".

ARTICLE 4
CERTIFICATES, PAYMENTS AND FRACTIONAL SHARES

4.1 Payment of Consideration

(a) Forthwith following the Effective Time, the Purchaser, Celtic and SpinCo, as applicable, shall, subject to Section 4.1(b) of this Plan of Arrangement, cause to be paid to the Securityholders the amounts payable in respect of the Securities required by Section 3.1 of this Plan of Arrangement, as applicable.

(b) Upon surrender to the Depositary for cancellation of a certificate or certificates which, immediately prior to the Effective Time, represented outstanding Common Shares that were exchanged and transferred pursuant to Section 3.1 hereof, together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the Shareholders represented by such surrendered certificate(s) shall be entitled to receive, and the Depositary shall deliver to such holder, the consideration which such Shareholder has the right to receive under this Plan of Arrangement for such Common Shares (including certificates representing the number of SpinCo Shares issued to such holder and the amount of cash payable to such holder under and in accordance with the Arrangement), less any amounts withheld pursuant to Section 4.3 hereof, and any Common Share certificate(s) so surrendered shall forthwith be cancelled.

(c) The Depositary shall deliver the consideration in respect of those Debentures which are represented by a Global Debenture (as such term is defined in the Debenture Indenture) to the Depository, as defined in the Debenture Indenture, in accordance with normal industry practice for payments relating to securities held on a book-entry only basis. Debentureholders whose interest in Debentures is not represented by a Global Debenture shall, upon surrender to the Depositary for cancellation of a certificate or certificates which, immediately prior to the Effective Time, represented outstanding Debentures that were converted pursuant to Section 3.1(c) hereof, together with a duly completed and executed Letter of Transmittal and such additional documents and instruments as the Depositary may reasonably require, the holders of such Debentures represented by such surrendered certificate(s) shall be entitled to receive, and the Depositary shall deliver to such holder, the consideration which such Debentureholder has the right to receive under this Plan of Arrangement for such Debentures (including certificates representing the number of SpinCo Shares issued to such holder and the amount of cash payable to such holder under and in accordance with the Arrangement),

less any amounts withheld pursuant to Section 4.3 hereof, and any Debenture certificate(s) so surrendered shall forthwith be cancelled.

(d) From and after the Effective Time, each certificate, agreement or other instrument (as applicable) that immediately prior to the Effective Time represented Securities shall be deemed to represent only the right to receive the consideration in respect of such Securities required under this Plan of Arrangement, less any amounts withheld pursuant to Section 4.3 hereof. Any such certificate, agreement or other instrument (as applicable) formerly representing Securities not duly surrendered on or before the day that is three years less one day from the Effective Date shall cease to represent a claim by or interest of any kind or nature against Celtic, SpinCo or the Purchaser, including without limitation cash and SpinCo Shares. On such date, any and all cash consideration to which such former holder was entitled shall be deemed to have been surrendered to the Purchaser, and the consideration in the form of SpinCo Shares to which such former holder was entitled shall be deemed to be cancelled and none of the Purchaser, Celtic, SpinCo or any other Person shall have any obligation to issue such SpinCo Shares.

(e) Any payment made by way of cheque by the Depositary or Celtic pursuant to this Plan of Arrangement that has not been deposited or has been returned to the Depositary or Celtic or that otherwise remains unclaimed, in each case, on or before the second anniversary of the Effective Time shall be returned by the Depositary to the Purchaser and any right or claim to payment hereunder that remains outstanding on the day that is three years less one day from the Effective Date shall cease to represent a right or claim by or interest of any kind or nature, and the right of a former holder of Securities to receive the consideration for such Securities pursuant to this Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited for no consideration.

(f) All distributions made with respect to any SpinCo Shares allotted and issued pursuant to this Arrangement but for which a certificate has not been issued shall be paid or delivered to the Depositary to be held by the Depositary in trust for the registered holder thereof. All monies received by the Depositary shall be invested by it in interest-bearing trust accounts upon such terms as the Depositary may reasonably deem appropriate. The Depositary shall pay and deliver to any such registered holder, as soon as reasonably practicable after application therefor is made by the registered holder to the Depositary in such form as the Depositary may reasonably require, such distributions and any interest thereon to which such holder, is entitled, net of applicable withholding and other taxes. Any money held by the Depositary in respect of such distributions that is unclaimed on or before the second anniversary of the Effective Time shall be returned by the Depositary to SpinCo and any right or claim to payment hereunder that remains outstanding on the day that is three years less one day from the Effective Date shall cease to represent a right or claim by or interest of any kind or nature, and the right of a former holder of Securities to receive such distributions shall terminate and be deemed to be surrendered and forfeited for no consideration.

(g) No former holder of Securities shall be entitled to receive any consideration with respect to such Securities other than the consideration to which such former holder is entitled to receive in accordance with this Section 4.1 and, for greater certainty, no such holder will be entitled to receive any interest, dividends, premium or other payment in connection therewith.

4.2 Lost Certificates

In the event any certificate which immediately prior to the Effective Time represented one or more outstanding Securities that were transferred pursuant to Section 3.1 of this Plan of Arrangement shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will deliver in exchange for such lost, stolen or destroyed certificate, the consideration to which the holder is entitled pursuant to this Plan of Arrangement. When authorizing such delivery in exchange for any lost, stolen or destroyed certificate, the Person to whom such consideration is to be issued and delivered shall, as a condition precedent to the delivery of such consideration, give a bond satisfactory to the Purchaser (acting reasonably) in such sum as the Purchaser may direct, or otherwise indemnify the Purchaser in a manner satisfactory to the Purchaser, acting reasonably, against any claim that may be made against the Purchaser with respect to the certificate alleged to have been lost, stolen or destroyed.

4.3 Withholding Rights

The Purchaser, Celtic and the Depositary shall be entitled to deduct and withhold from any consideration otherwise payable to any Securityholder under this Plan of Arrangement (including, without limitation, any amounts payable pursuant to Section 5.1 hereof and any amounts applicable as a result of the conversion of or payment for the Debentures), such amounts as the Purchaser, Celtic or the Depositary determines, acting reasonably, are required or reasonably believes to be required to be deducted and withheld from such consideration in accordance with the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other applicable law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding was made, provided that such deducted and withheld amounts are remitted to the appropriate taxing authority.

4.4 Fractional Shares

No certificates representing fractional SpinCo Shares shall be issued upon the exchange of the Common Shares or the right to receive any SpinCo Shares for SpinCo Shares (or upon the exchange of any other property or securities exchanged for SpinCo Shares pursuant to this Plan of Arrangement). In lieu of any fractional SpinCo Share, each registered Shareholder or other applicable Person otherwise entitled to a fractional interest in a SpinCo Share will receive (and in the case of other applicable Persons otherwise entitled to a fractional interest in a SpinCo Share pursuant to the events set forth in this Plan of Arrangement, will be deemed to receive) the next highest whole number of SpinCo Shares; and for greater certainty, such procedure shall not apply in respect of beneficial holders holding through a broker, investment dealer or other nominee.

ARTICLE 5
DISSENT RIGHTS

5.1 Dissent Rights

Registered Shareholders and registered Debentureholders may exercise Dissent Rights with respect to the Securities held by such holders in connection with the Arrangement pursuant to the procedure set forth in section 191 of the ABCA, as modified by the Interim Order, provided that registered Securityholders who exercise such Dissent Rights and who:

(a) are ultimately entitled to be paid fair value for their Common Shares or Debentures, as applicable, shall be deemed not to have participated in the transactions in Article 3 (other than Section 3.1(a) hereof) and shall be paid an amount equal to such fair value by Celtic (less any amounts withheld pursuant to Section 4.3 hereof) and will not be entitled to any

other payment or consideration, including any payment that would be payable under the Arrangement had such Shareholders and Debentureholders, as applicable, not exercised their Dissent Rights in respect of such Common Shares and/or Debentures, and they shall be deemed to have transferred their Dissenting Securities to Celtic for cancellation at the Effective Time, notwithstanding the provisions of section 191 of the ABCA; or

(b) are ultimately not entitled, for any reason, to be paid fair value for their Common Shares or Debentures, as applicable, shall be deemed to have participated in the Arrangement, as of the Effective Time, on the same basis as a non-dissenting holder of Common Shares or Debentures, as applicable, and shall be entitled to receive only the consideration contemplated in Section 3.1 hereof (less any amounts withheld pursuant to Section 4.3 hereof) that such Securityholder would have received pursuant to the Arrangement if such Securityholder had not exercised Dissent Rights,

provided, however, that (i) in no case shall Celtic or the Purchaser or any other Person be required to recognize Securityholders who exercise Dissent Rights as Securityholders after the Effective Time and (ii) for greater certainty, no registered Debentureholder who has exercised its Dissent Rights shall be entitled to be paid the fair value for its Debentures under paragraph (a) above in the event that the Debentureholder Approval is not obtained at the Meeting in accordance with the terms of the Interim Order.

In addition to any other restrictions under section 191 of the ABCA, none of the Securityholders who vote or have instructed a proxyholder to vote their Common Shares or Debentures in favour of the Arrangement (but only in respect of such Common Shares or Debentures), shall be entitled to exercise Dissent Rights.

ARTICLE 6
AMENDMENT

6.1 Amendment of this Plan of Arrangement

(a) Celtic and the Purchaser reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior to the Effective Date, provided that any amendment, modification or supplement must be contained in a written document which is: (i) filed with the Court and, if made following the Meeting, approved by the Court; and (ii) communicated to Securityholders in the manner required by the Court (if so required).

(b) Any amendment, modification or supplement to this Plan of Arrangement may be proposed by Celtic and the Purchaser (if consented to by all such parties, each acting reasonably) at any time prior to or at the Meeting with or without any other prior notice or communication and, if so proposed and accepted, in the manner contemplated and to the extent required by the Arrangement Agreement, by the Securityholders, shall become part of this Plan of Arrangement for all purposes.

(c) Any amendment, modification or supplement to this Plan of Arrangement which is approved or directed by the Court following the Meeting shall be effective only: (i) if it is consented to by Celtic and the Purchaser (each acting reasonably); and (ii) if required by the Court or applicable law, it is consented to by the Securityholders.

(d) This Plan of Arrangement may be amended, modified or supplemented following the Effective Time unilaterally by the Purchaser, provided that it concerns a matter that, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the implementation of this Plan of Arrangement and is not adverse to the economic interest of any Securityholder.

(e) Notwithstanding anything contained herein, if the Debentureholders Vote (as defined in the Arrangement Agreement) is not obtained prior to the Final Order, the Arrangement shall proceed and this Plan of Arrangement shall be amended to exclude the Debentures, and all ancillary references thereto, from this Plan of Arrangement (including, for greater certainty, the Dissent Rights in favour of the Debentureholders set out in Article 5 and the provisions of this Section 6.1(e)).

APPENDIX "A"

to the Plan of Arrangement
made pursuant to the
Arrangement Agreement made as of October 16, 2012 among
ExxonMobil Canada Ltd., 1690731 Alberta ULC,
Celtic Exploration Ltd. and 1705972 Alberta Ltd.

Debenture Share Consideration:	• Common Shares
Debenture Interest Consideration:	$•

SCHEDULE "C"

SPINCO ASSETS

All of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases in the following areas:

- Inga area of British Columbia (45,045 gross acres and 18,018 net acres)
- Grande Cache area of Alberta (132,160 gross acres and 69,246 net acres)
- Karr area of Alberta (8,960 gross and net acres) lying north-east of the Smoky River

SCHEDULE "D"

FORM OF SPINCO CONVEYANCE AGREEMENT

KELT ASSET CONVEYANCE AGREEMENT

THIS ASSET CONVEYANCE AGREEMENT made as of the **[●]** day of **[●]**, 20**[●]**,

BETWEEN:

> **CELTIC EXPLORATION LTD.**, a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Celtic**")

AND

> **KELT EXPLORATION LTD**, a corporation existing under the laws of the Province of Alberta (hereinafter referred to as "**Kelt**")

WHEREAS Celtic wishes to sell and Kelt wishes to purchase the interest of Celtic in and to the Kelt Assets, subject to and in accordance with the terms and conditions hereof;

NOW THEREFORE in consideration of the covenants and agreements herein contained and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Parties have agreed as follows:

ARTICLE 1
INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires:

"**AFEs**" means authorities for expenditure, cash calls, operations notices, amounts budgeted pursuant to joint operating agreements, unit agreements, mail ballots and similar notices and calls for funds;

"**Affiliate**" has the meaning ascribed thereto under the *Securities Act*, R.S.A. 2000, c. S-4, as amended;

"**Applicable Laws**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Arrangement Agreement**" means the agreement dated October 16, 2012 among ExxonMobil Canada Ltd., ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC), Celtic and Kelt;

"**Arrangement**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Books and Records**" means all books, records, files and data in all formats (including without limitation paper and electronic formats), wherever located and whatever nature, which relate in whole or in part to the Kelt Assets, including without limitation books, records, files and data relating to geological information, geophysical, hydrological, engineering, technical and production reports, records, logs, drawings, data, operating information, audit reports, tax or financial information and all reports, summaries, documents and other related materials in respect to the valuation of the Kelt Assets;

"**Business Day**" means a day on which banks are generally open for the transaction of commercial business in Calgary, Alberta or New York, New York, but does not in any event include a Saturday or Sunday or statutory holiday in Alberta or New York, New York;

"**Claim**" means any claim, action, cause of action, demand, lawsuit, proceeding, arbitration or governmental investigation, in each case, whether asserted, threatened, pending or existing;

"**Consequential Losses**" means any consequential, incidental, punitive, special, exemplary or indirect damages, cost or deferred profits or revenues, loss of business opportunity, losses based on loss of use or other business interruption losses and damages;

"**Consideration**" has the meaning ascribed to such term in Section 2.6;

"**Conveyance**" means the conveyance of the Kelt Assets from Celtic to Kelt pursuant to this Agreement;

"**Disclosure Letter**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Effective Date**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Effective Time**" means the time at which this Agreement becomes effective pursuant to the Plan of Arrangement;

"**Environment**" means the natural environment (including soil, land surface or subsurface strata), surface waters, groundwater, sediment, ambient air (including all layers of the atmosphere), organic and inorganic matter and living organisms, and any other environmental medium or natural resource and all sewer systems;

"**Environmental and Reclamation Liabilities**" means, in relation to any assets, property or undertaking, any and all past, present and future Losses and Liabilities pertaining to such assets, property or undertaking or arising in connection with ownership of or operations attributable to such assets, property or undertaking in respect of the Environment, including:

(a) Losses and Liabilities in respect of contamination, pollution or other damage to the Environment, including as a result of any Release;

(b) Losses and Liabilities in respect of compliance with Environmental Laws;

(c) Losses and Liabilities in respect of damage caused by the presence, storage, holding, collection, accumulation, assessment, generation, manufacture, disposal, handling, transportation, use, construction, processing, treatment, stabilization or Release of Petroleum Substances or any other Hazardous Substance, including corrosion or deterioration of structures or other property and death or injury to human beings, plants or animals;

(d) Losses and Liabilities for the remediation, restoration or reclamation of the Environment including all obligations to abandon wells, to close, decommission, dismantle and remove tangibles (including fixtures) and remediate, restore and reclaim the surface lands thereof;

(e) Losses and Liabilities arising by reason of the non-compliance with, violation of, alleged violation, or any obligation under Environmental Law;

(f) Losses and Liabilities relating to the presence, storage, holding, collection, accumulation, assessment, generation, manufacture, handling, transportation, use, construction, processing, treatment, stabilization or Release of Hazardous Substances; and

(g) Liabilities for Losses suffered, sustained paid or incurred by Third Parties as a result of any of the matters described in the foregoing provisions of this definition;

"**Environmental Claim**" means any actual or potential Claim made, asserted or threatened by a Person alleging a breach of Environmental Law or other Environmental and Reclamation Liability;

"**Environmental Law**" means all Applicable Laws relating to public health and safety, noise control, pollution or the protection of the Environment or to the generation, production, installation, use, storage, treatment, transportation, Release or threatened Release, including civil responsibility for acts or omissions with respect to the Environment, and all Permits issued pursuant to such Applicable Laws;

"**ERCB**" means the Energy Resources Conservation Board;

"**Facilities**" means the right, title, estate and interest of Celtic in the gas plants, unit facilities under any unit agreement, batteries, separators, compressors, gathering systems, pipelines, production storage facilities, warehouse, pumping and metering equipment and other field facilities, or that are connected with or located on the Lands, including such facilities located within the White Map Area and including such facilities set out and described in Schedule "B";

"**GAAP**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Governmental Authority**" means any:

(a) governmental entity or authority of any nature, including any governmental ministry, agency, branch, department or official, and any court, regulatory board or other tribunal;

(b) individual or body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, regulatory or taxing authority or power of any nature; or

(c) having jurisdiction or power over any Person, property, operation, transaction or other matter or circumstance;

"**GST**" means goods and services tax and harmonized sales tax payable pursuant to the *Excise Tax Act* (Canada);

"**Hazardous Substances**" has the meaning ascribed to such term in the Arrangement Agreement;

"**IFRS**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Indemnified Liabilities**" means all Losses and Liabilities in respect of the Kelt Assets and the operations or activities in connection with Kelt Assets incurred or accrued before, on or after the Effective Date, including, without limitation, all Environmental and Reclamation Liabilities in respect of the Kelt Assets whether or not disclosed in the Disclosure Letter;

"**Kelt Asset Budget**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Kelt Assets**" means the Petroleum and Natural Gas Rights, the Tangibles, the Miscellaneous Interests and the Seismic Data;

"**Kelt Closing Statement**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Kelt Shares**" means the number of shares of Kelt to be issued to Celtic pursuant to Section 3.1(d) of the Plan of Arrangement;

"**Kelt Transaction Expenses**" means all costs, fees and expenses incurred by Celtic in connection with the Arrangement that are primarily attributable to any of Kelt, the Kelt Assets or the transaction contemplated herein, including, but not limited to, stock exchange listing fees for Kelt and the fees and expenses of auditors and reserves engineering firms retained in respect of Kelt and the Kelt Assets, and for greater certainty, excluding Transaction Costs to the extent that such Transaction Costs are not primarily attributable to the Kelt Assets;

"**Lands**" means the lands within the White Map Areas, including those set forth and described in Schedule "A", insofar as rights pertaining to the Petroleum Substances underlying those lands are granted by the Leases;

"**Leased Substances**" means all Petroleum Substances, rights to or in respect of which are granted, reserved or otherwise conferred by or under the Title and Operating Documents (but only to the extent that the Title and Operating Documents pertain to the Lands and to the zones and formations within the White Map Area, including those set out and described in Schedule “A”.

"**Leases**" means the leases in respect of the Lands, including those set forth and described in Schedule "A", by virtue of which the holder thereof is entitled to drill for, own or remove the Petroleum Substances within, upon or under the lands specified therein or by virtue of which the holder thereof is entitled to a share of Petroleum Substances removed from the lands specified therein, and includes, if applicable, all renewals and extensions of such documents issued in substitution therefor;

"**Liabilities**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Licensee Liability Rating**" means the licensee liability rating as set forth by the ERCB under ID-2001-8 and related ERCB regulations, guidelines, interim directives and policies;

"**Losses**" means, in respect of a Person and in relation to a matter, any and all losses, costs, expenses, assessments, reassessments and damages (including all penalties and fines) which such Person suffers, sustains, pays or incurs in connection with such matter and includes Taxes, interest, reasonable costs of legal counsel (on a full indemnity basis) and other consultants and reasonable costs of investigating and defending Claims arising from the matter, regardless of whether such Claims are sustained;

"**Miscellaneous Interests**" means, subject to any and all limitations and exclusions provided for in this definition, the entire interest of Celtic in and to all property, assets, interests and rights pertaining to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells, and the Tangibles, or any of them, but only to the extent that such property, assets, interests and rights pertain to the Petroleum and Natural Gas Rights, the Wells and the Tangibles to which Celtic is entitled at the time of the Conveyance, or any of them, or any rights relating thereto, excluding the Seismic Data, but including any and all of the following:

(a) the Leases, the Title and Operating Documents, the Production Sales Contracts, the Transportation Agreements and the Processing Obligations to the extent that they relate to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or any of them;

(b) any other contracts and agreements not referred to in paragraph (a) above, to the extent that they relate to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or any of them;

(c) all records, books, documents, licences, permits, approvals, drawings (whether in electronic format or otherwise, including all 'as-built' drawings, and including a list of drawings) authorizations, files, or papers which relate to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or any of them;

(d) all subsisting leasehold rights to, and rights to enter upon, use or occupy the surface of any lands which are or may be used to gain access to or use or operate within the White Map Area, the Petroleum and Natural Gas Rights, the Wells, and the Tangibles, or any of them, excluding any such rights that pertain only to a well or wells other than the Wells;

(e) wellbores and any and all casing associated with the Wells; and

(f) the Books and Records;

but specifically excluding any of the foregoing that: (A) may pertain to Celtic's proprietary information or technology or interpretations or Celtic's tax and financial records or economic evaluations, and which do not relate to the Kelt Assets; (B) are owned or licensed by Third Parties, and are not assignable or disposable to Kelt on reasonable terms, or which are subject to restrictions on their delivery, assignment or disclosure by Celtic to any assignee or Third Party which require the payment of any fees to transfer or disclose same which fees Kelt has notified Celtic prior to the time of the Conveyance that it does not wish to pay; (C) are referred to specifically as exclusions in any Schedule; (D) are legal opinions, or documents prepared by Celtic in contemplation of litigation; or (E) pertain to records the originals of which are required to be maintained by Celtic under Applicable Law, in which case copies thereof shall be delivered to Kelt;

"**Party**" means each of Celtic and Kelt;

"**Permits**" means, all licences, permits, approvals and authorizations granted or issued by any Governmental Authorities and relating to the construction, installation, ownership, use or operation of the Kelt Assets;

"**Person**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Petroleum and Natural Gas Rights**" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", held by Celtic in or to the Lands, or any lands pooled or unitized therewith, and the Leases together with any of the following which relate thereto, by whatever name the same are known:

(a) rights to explore for, drill for, extract, win, produce, take, save or market Petroleum Substances therefrom;

(b) rights to a share of the production of Petroleum Substances therefrom;

(c) rights to all Petroleum Substances injected into but not produced therefrom;

(d) rights to a share of the proceeds of sale of, or rights to receive payment calculated by reference to, the quantity or value of the production of Petroleum Substances produced therefrom, other than the rights under agreements for the sale of Petroleum Substances;

(e) rights to acquire any of the rights described in subparagraphs (a) to (d) of this definition;

(f) interests in any rights described in subparagraphs (a) to (e) of this definition; and

including all interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests and other interest, fractional or undivided interests in any of the foregoing, and all freehold, leasehold or other interests in any Lands or lands pooled or unitized therewith;

"**Petroleum Substances**" means any of crude oil, crude bitumen and products derived therefrom, synthetic crude oil, petroleum, natural gas, natural gas liquids, and any and all other substances related to any of the foregoing, whether liquid, solid or gaseous, and whether hydrocarbons or not, including without limitation sulphur;

"**Plan of Arrangement**" means the plan of arrangement as set out in Schedule "B" attached to the Arrangement Agreement as amended or supplemented from time to time in accordance with section 7.2 of the Arrangement Agreement;

"**Prime Rate**" means an annual rate of interest equal to the annual rate of interest announced from time to time by the main Calgary branch of the Canadian Imperial Bank of Commerce as the reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada;

"**Processing Obligations**" means those obligations relating to the processing of Petroleum Substances produced from the Lands, including those described in Schedule "D", if any;

"**Production Sales Contracts**" means the agreements for sale of Petroleum Substances produced from the Lands or lands unitized therewith, including those set forth in Schedule "E";

"**Related Persons**" means, in respect to a Party, that Party's Affiliates, together with that Party's and its Affiliates' directors, officers, employees and other personnel and agents;

"**Release**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Seismic**" means any records, books, documents, licences, reports and data associated with all seismic lines situated on the Lands, including without limitation:

(a) all permanent records of basic field data including, but not limited to, any and all microfilm or paper copies of seismic driller's reports, monitor records, observer's reports and survey notes and any and all copies of magnetic field tapes or conversions thereof;

(b) all permanent records of the processed field data including, but not limited to, any and all microfilm or paper copies of shot point maps, pre- and post-stacked record section including amplitude, phase and structural displays, post-stack data manipulations including filters, migrations and wavelet enhancements, and any and all copies of final stacked tapes and any manipulations and conversions thereof; and

(c) in the case of 3D seismic, in addition to the foregoing, all permanent records or bin locations, bin fold, static corrections, surface elevations and any other relevant information.

"**Seismic Data**" means the Seismic, rights to which are licensed to Celtic, consisting of the seismic lines set out and described in Schedule "C";

"**Specific Conveyances**" means all conveyances, assignments, notice of assignments, assignment and novation agreements, transfers, novations, trust declarations and other documents or instruments that are reasonably required or desirable, in accordance with normal oil and gas industry practices, to convey, assign and transfer the Kelt Assets to Kelt and to novate Kelt into the Title and Operating Documents in the place and instead of Celtic with respect to the Kelt Assets;

"**Tangibles**" means the right, title, estate and interest of Celtic, to the extent they pertain to the Petroleum and Natural Gas Rights, in and to:

(a) all tangible depreciable property and assets which are situated in, on or about the Lands or appurtenant thereto and which are used or were used and not reclaimed or are

intended to be used by or on behalf of Celtic to the extent that they are used in connection with production, gathering, processing, measuring, making marketable, injection, removal, transmission or treatment or storage of Petroleum Substances or operations thereon or relative thereto or appurtenant to or used in connection with the Wells or in connection with water or miscible fluids injection or removal operations that pertain to the Petroleum and Natural Gas Rights including inventory, production equipment, fresh and produced water facilities, flowlines, pipeline connections, meters, dehydrators, motors, compressors, treaters, scrubbers, separators, pumps, tanks, boilers and communication equipment; and

(b) the Facilities;

"**Tax**" and "**Taxes**" have the meanings ascribed to such terms in the Arrangement Agreement;

"**Third Party**" means any individual or entity other than Celtic and Kelt, including without limitation any partnership, corporation, trust, unincorporated organization, union, government and any department and agency thereof and any heir, executor, administrator or other legal representative of an individual;

"**this Agreement**", "**herein**", "**hereto**", "**hereof**" and similar expressions mean and refer to this Kelt Asset Conveyance Agreement;

"**Title and Operating Documents**" means, collectively, any and all certificates of title, leases, reservations, permits, licences, assignments, trust declarations, operating agreements, royalty agreements, gross overriding royalty agreements, participation agreements, farm-in and farmout agreements, sale and purchase agreements, pooling agreements, net profits agreements, net carried interest agreements and any other documents and agreements granting, reserving or otherwise conferring rights to (i) explore for, drill for, produce, take, use or market Petroleum Substances, (ii) share in the production of Petroleum Substances, (iii) share in the proceeds from, or measured or calculated by reference to the value or quantity of, Petroleum Substances which are produced, and (iv) rights to acquire any of the rights described in items (i) to (iii) of this definition; but only if the foregoing pertain in whole or in part to Petroleum Substances within, upon or under the Lands; including without limitation those, if any, set out in Schedule “A” under the heading "Title Document(s)";

"**Transaction Costs**" has the meaning ascribed to such term in the Arrangement Agreement;

"**Transportation Agreements**" means those agreements for the transportation of Petroleum Substances set forth in Schedule "D";

"**Wells**" means the wells identified in Schedule "A", and all other wells which are located on the Lands or lands pooled or unitized therewith or are, or may be or were used in connection with the Petroleum and Natural Gas Rights, and including, without limitation, producing, standing, shut-in, suspended, abandoned, water source, injection or disposal wells but specifically excluding all abandoned wells which have been reclamation certified or declared reclamation exempt as of the Effective Date; and

"**White Map Areas**" means all lands outlined on the plat(s) comprising Schedule “F”, and includes, as the context requires, the surface of such lands and the Petroleum Substances within, upon or under such lands.

1.2 Interpretation Not Affected by Headings, etc.

The division of this Agreement into Articles, Sections, paragraphs and other portions and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation hereof. Unless otherwise indicated, all references to an "Article", "Section" or "paragraph" followed by a number and/or a letter refer to the specified Article, Section or paragraph of this Agreement.

1.3 Number and Gender; Derivatives

Unless the context otherwise requires, in this Agreement, words importing the singular number include the plural and vice versa, and words importing the use of any gender include all genders. If a word is defined in this Agreement a grammatical derivative of that word will have a corresponding meaning. The words "include", "includes" and "including" shall be deemed to be followed by the words "without limitation".

1.4 Date for Any Action

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

1.5 Statute and Agreement References

Any reference in this Agreement to any statute or any Section thereof will, unless otherwise expressly stated, be deemed to be a reference to such statute or Section as amended, restated or re-enacted from time to time. References to any agreement or document will be to such agreement or document (together with all appendices, schedules and exhibits thereto), as it may have been or may hereafter be amended, supplemented, replaced or restated from time to time.

1.6 Currency

All sums of money that are referred to in this Agreement are expressed in lawful money of Canada unless otherwise noted.

1.7 Accounting Matters

Wherever in this Agreement reference is made to a calculation to be made or an action to be taken in accordance with GAAP or IFRS, such reference will be deemed to be to the GAAP or the IFRS, as applicable, from time to time approved by the Canadian Institute of Chartered Accountants, the Canadian Accounting Standards Board or any successor institute, and applicable as at the date on which such calculation or action is made or taken or required to be made or taken.

1.8 Interpretation Not Affected by Party Drafting

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

1.9 Schedules

There are appended to this Agreement the following schedules pertaining to the following matters:

Schedule “A”	Leases, Lands and Wells
Schedule “B”	Facilities
Schedule “C”	Seismic
Schedule “D”	Processing Obligations and Transportation Agreements
Schedule “E”	Production Sales Contracts
Schedule “F”	White Map Areas

Such schedules are incorporated herein by reference as though contained in the body hereof. Wherever any term or condition of such schedules conflicts or is at variance with any term or condition in the body of this Agreement, such term or condition in the body of this Agreement shall prevail.

ARTICLE 2
PURCHASE AND SALE AND CONVEYANCE

2.1 Purchase and Sale

Celtic hereby sells, assigns, transfers, conveys and sets over to Kelt, and Kelt hereby purchases from Celtic, all of the right, title, estate and interest of Celtic (whether absolute or contingent, legal or beneficial) in and to the Kelt Assets, subject to and in accordance with the terms of this Agreement and the Plan of Arrangement.

2.2 Effective Time

Risk, beneficial ownership and possession of Celtic's interest in and to the Kelt Assets passes from Celtic to Kelt at the Effective Time.

2.3 Indemnified Liabilities

(a) Kelt hereby agrees to assume, pay, discharge, and perform all Indemnified Liabilities including, without limitation:

(i) those Losses and Liabilities attributable to periods after the Conveyance under each of the Title and Operating Documents or otherwise relating to or arising with respect to the Kelt Assets; and

(ii) all Kelt Transaction Expenses.

(b) Kelt agrees that it will, following the Conveyance, promptly satisfy and pay all of the Indemnified Liabilities (to the extent due and payable), including all Kelt Transaction Expenses.

2.4 Title and Operating Documents and Miscellaneous Interests

Kelt acknowledges receipt of original copies of the Title and Operating Documents and any other agreements and documents to which the Kelt Assets are subject and the original copies of contracts, agreements, records, books, documents, licences, reports and data comprising Miscellaneous Interests or, if and to the extent such Title and Operating Documents, contracts, agreements, records, books, documents, licences, reports and data also pertain to interests other than the Kelt Assets or may pertain to Celtic's proprietary information or technology or interpretations or Celtic's tax and financial records or economic evaluations relating to the Kelt Assets, photocopies or other copies in lieu of such original copies.

2.5 Specific Conveyances

(a) If and to the extent that any Specific Conveyances are not delivered by Celtic to Kelt at the time of the Conveyance, Celtic and Kelt shall co-operate in delivering to Kelt the remaining Specific Conveyances as soon as is reasonably practicable after the Conveyance.

(b) In respect of any Specific Conveyances that require execution by Third Parties, promptly after the Conveyance or the delivery of such Specific Conveyances after the Conveyance, as the case may be, Kelt shall co-operate with Celtic and provide all

reasonable assistance that Celtic may reasonably request in connection with Celtic's procurement of the execution of such Specific Conveyances by the parties thereto other than Celtic and Kelt. Upon delivery of such Specific Conveyances to Third Parties, copies of same will also be delivered to Kelt. Upon receipt of a Specific Conveyance that has been executed by Third Parties, copies will be retained by Celtic and originals will be forwarded to Kelt. In respect of any Specific Conveyances that do not require execution by Third Parties, Kelt shall deliver such Specific Conveyances to the appropriate recipients thereof promptly after the Conveyance or the delivery of such Specific Conveyances after the Conveyance, as the case may be, and, if necessary, execution by Kelt, including the registration with the appropriate Governmental Authorities of any such Specific Conveyances that require registration.

(c) Kelt shall bear all costs, fees and deposits of every nature and kind in distributing and registering any Specific Conveyances except with respect to Specific Conveyancing that is delivered to Third Parties, and in providing any assurances or security required to convey, transfer and assign the Kelt Assets to Kelt and to have Kelt recognized as the holder thereof.

(d) Notwithstanding the foregoing in this Section 2.5, in the case of any Specific Conveyances that are Permits or Crown lease transfers which may be filed electronically with the applicable Governmental Authority, promptly following the Conveyance, Celtic shall submit electronic transfers for such Permits and Crown leases and Kelt shall accept such electronic transfers from Celtic without delay, provided that, if Kelt in good faith determines or believes that any of the electronic transfers are not complete and accurate, or the applicable Governmental Authority refuses to process any such transfers because of some defect therein, the Parties shall cooperate to duly complete or to correct such incomplete or inaccurate electronic transfers as soon as practicable and, thereafter, Celtic shall promptly re-submit such electronic transfers and Kelt shall accept such electronic transfers from Celtic without delay.

(e) If, for any reason, the ERCB or any other Governmental Authority or any other Third Party requires either Party (hereinafter referred to as "**Such Party**" in this and the next clause) to make a deposit, to provide any undertakings, information or other documentation or to take any action as a condition of or a prerequisite for the approval of the transfer of any Permits or the transfer or assignment of any of the Kelt Assets to Kelt, immediately after receiving notice of such requirements and at its sole cost, Such Party shall make such deposits, provide such undertakings, information or other documentation and take such action, as the case may be.

(f) If Such Party fails to make a deposit with the, ERCB or other Third Party as provided under Section 2.5(e) within five (5) days of Such Party's receipt of notification that such deposit is required, the other Party (hereinafter referred to as the "**Other Party**" in this clause) shall have the right, but not the obligation, to make such deposit on behalf of Such Party and Such Party acknowledges and agrees that the Other Party shall be Such Party's agent with full power and authority to make such deposit for and on behalf of Such Party. Such Party shall reimburse the Other Party for the amount of any such deposit made by the Other Party and pay interest on the amount of such deposit at an annual rate equal to the Prime Rate plus one percentage point from the date on which the Other Party paid the deposit to the date on which the reimbursement for such deposit and payment of the corresponding interest is made in full. In addition to all other rights and remedies that may be available to the Other Party for the collection of such amounts from Such Party, the Other Party shall have the right to set-off the amount of any such deposit, including interest as provided in this Section 2.5(f), against any monies payable by the Other Party to Such Party pursuant to this Agreement.

2.6 Consideration

The consideration paid by Kelt to Celtic for the Kelt Assets is the fair market value of the Kelt Assets (the "**Consideration**") as set forth in the Disclosure Letter. Celtic acknowledges receipt of the Consideration by the issuance of the Kelt Shares to Celtic as contemplated by the Arrangement Agreement and pursuant to the Plan of Arrangement. The Parties acknowledge that in determining the Consideration they have taken into account, among other things, Kelt's assumption of responsibility for the Indemnified Liabilities, including future Environmental and Reclamation Liabilities and other liabilities with respect to the Kelt Assets pursuant to this Agreement and Celtic being released from responsibility for the Indemnified Liabilities and such other aforementioned liabilities.

2.7 Allocation of Consideration

The Parties shall allocate the Consideration (including for the purposes of any Tax Return) to the following:

Seismic Data: fair market value, as set forth in the Disclosure Letter;
Miscellaneous Interests: $1.00;
Tangibles: 20% of the balance of Consideration;
Petroleum and Natural Gas Rights (inclusive of undeveloped lands): 80% of the balance of Consideration

2.8 Acknowledgement of Deliveries

(a) Kelt acknowledges receipt of the following from Celtic:

(i) the Specific Conveyances fully executed by Celtic as contemplated in Section 2.3(e) of the Arrangement Agreement and subject to Section 2.5 hereof; and

(ii) such other items as may be specifically required hereunder.

(b) Celtic acknowledges receipt of the following from Kelt:

(i) the Specific Conveyances fully executed by Kelt as contemplated in Section 2.3(e) of the Arrangement Agreement;

(ii) the Kelt Shares on account of the Consideration paid in accordance with Section 2.6; and

(iii) such other items as may be specifically required hereunder.

2.9 GST Payments

(a) Subject to Section 2.9(b), Kelt shall be liable for and shall pay to Celtic an amount equal to any GST payable by Kelt and collectible by Celtic under the *Excise Tax Act* (Canada), plus an amount equal to any similar value added or multi-staged tax imposed by any applicable provincial or territorial legislation, in connection with the purchase and sale of the Kelt Assets under this Agreement.

(b) To the extent required under subsection 221(2) of the *Excise Tax Act* (Canada) and any equivalent or corresponding provision under any applicable provincial or territorial legislation, Kelt shall self-assess and remit directly to the appropriate Governmental Authority any GST imposed under the *Excise Tax Act* (Canada) and any similar value added or multi-staged tax imposed by any applicable provincial or territorial legislation

payable in connection with the sale of any of the real property. Kelt shall make and file a return(s) in accordance with the requirements of subsection 228(4) of the *Excise Tax Act* (Canada) and any equivalent or corresponding provision under any applicable provincial or territorial legislation.

ARTICLE 3
POST-CONVEYANCE MATTERS

3.1 Post-Conveyance Matters

(a) Following the Conveyance, and until Kelt becomes the recognized owner of legal title and holder of the Kelt Assets, the following provisions shall apply with respect to the applicable Kelt Assets:

(i) at Kelt's sole cost and expense, Celtic shall operate and maintain the applicable Kelt Assets on behalf of Kelt as its agent;

(ii) Celtic shall not initiate or authorize any operations with respect to the applicable Kelt Assets, except upon the written direction of Kelt or if Celtic reasonably determines that such operations are required for the protection of life or property, in which case Celtic may take any actions that it reasonably determines are required in the circumstances, provided that, in such latter case Celtic shall promptly notify Kelt of such actions and Celtic's estimate of the costs and expenses associated therewith;

(iii) Celtic shall promptly provide to Kelt all AFEs, notices and other information, documents and correspondence relating to the applicable Kelt Assets that it receives and shall respond promptly to such AFEs, notices and other information and documents pursuant to the written instructions of Kelt, but only if such instructions are received on a timely basis, provided that, Celtic may, but shall not be obliged to, refuse to follow any such instructions that it reasonably believes to be contrary to Applicable Law or in conflict with any applicable Title and Operating Document or other agreement; and

(iv) as soon as is reasonably practicable, Celtic shall deliver to Kelt all revenues, proceeds and other benefits received by Celtic and derived from the Kelt Assets (excluding any such revenues, proceeds or benefits that relate to matters arising prior to the Effective Time), less the share of the applicable Crown or lessor royalties, operating costs, treating, processing and transportation expenses and any other costs and expenses directly associated with the Kelt Assets and the Petroleum Substances produced therefrom or allocated thereto that have been paid or are payable by Celtic, and less any out-of-pocket costs and expenses paid or incurred by Celtic in the discharge of its duties and obligations pursuant to this Section 3.1; provided further that, in addition to all other rights and remedies that may be available to Celtic for the collection of amounts owed to it or its Related Persons from Kelt, Celtic shall have the right to set-off the above amounts otherwise payable by it to Kelt pursuant to this Section 3.1(a)(iv) against any monies payable by Kelt to Celtic or Celtic's Related Persons pursuant to this Agreement. Celtic acknowledges that it holds any such net revenues on behalf of Kelt hereunder as bare trustee for and on behalf of Kelt. Kelt acknowledges that, notwithstanding the foregoing, Celtic shall owe no fiduciary duties to Kelt in this regard other than the minimum possible duties imposed on a bare trustee by operation of Applicable Law, and in addition, Kelt acknowledges that, without in any way limiting the foregoing, Celtic has no duty to invest or otherwise manage such amounts on behalf of Kelt and may comingle such amounts with its own funds or those of Third Parties, at its sole discretion.

(b) If and to the extent that Celtic maintains any Kelt Assets following the Conveyance, and takes actions with respect to any Kelt Assets on behalf of Kelt pursuant to this Section 3.1, then Celtic shall be deemed to be the agent of Kelt in such regard. Kelt does hereby and shall ratify all actions taken by Celtic or refrained to be taken by Celtic pursuant to the terms of this Section 3.1 in such capacity, with the intention that all such actions shall be for all purposes deemed to be those of Kelt. If Celtic participates in any operations or exercises rights or options in respect to any Kelt Assets as the agent of Kelt pursuant to this Section 3.1, then Celtic may require Kelt to secure the costs to be incurred by Celtic on behalf of Kelt in respect to such operations or pursuant to such election in such manner as may be reasonably appropriate in the circumstances.

3.2 Delivery of Title and Operating Documents and Miscellaneous Interests

Within five (5) Business Days after the Conveyance or any other day as Celtic and Kelt may agree, Celtic shall deliver or cause to be delivered to Kelt the Title and Operating Documents and such other agreements and documents to which the Kelt Assets are subject, the original copies of those contracts, agreements, records, books, documents, licences, reports and data comprising Miscellaneous Interests which are in the possession and control of Celtic. Notwithstanding the foregoing in this Section:

(a) if and to the extent any such materials also pertain to assets or interests other than the Kelt Assets, photocopies or other copies of such materials may be provided to Kelt in lieu of original copies; and

(b) to the extent that there are any pending or threatened Losses, Liabilities, audits or other matters involving or relating to the Kelt Assets that pertain to the period prior to the Effective Time, Celtic, at its own cost, may make and retain copies of the relevant portions of such materials.

3.3 Removal of Signs

Within sixty (60) days after the Conveyance, Kelt shall remove Celtic's name from all signs and remove any other items indicating ownership by Celtic located on, at or near any Well sites or Tangibles. If Kelt fails to remove Celtic's name from such signs or to remove such other items in respect to any such Wells or Tangibles within such period, then Celtic shall have the right, but not the obligation, to remove same and Kelt shall reimburse Celtic for all reasonable costs incurred by Celtic in doing so.

3.4 Limitation of Liability for Post-Conveyance Operations

(a) Celtic and Celtic's Related Persons shall have no liability for any Losses and Liabilities paid, incurred or suffered by Kelt or any of the Kelt's Related Persons or any Claims made against any of them relating to any operation or maintenance of the Kelt Assets after the Conveyance or the discharge by Celtic of its obligations pursuant to the other provisions of this Article 3, except to the extent that any such Losses and Liabilities or any such Claims arise as a direct consequence of the gross negligence or wilful misconduct of Celtic or any of Celtic's Related Persons, provided that in no event shall Celtic be liable to Kelt or Kelt's Related Persons for any Consequential Losses relating to such operation or maintenance of the Kelt Assets.

(b) Kelt shall be liable for all Losses and Liabilities suffered, sustained, paid or incurred by Celtic or any of Celtic's Related Persons, and, in addition and as an independent covenant, shall defend, indemnify and save harmless Celtic and each of Celtic's Related Persons from and against all Losses and Liabilities suffered, sustained, paid or incurred by it and all Losses made against it, in either case, as a result of any actions taken or operations conducted in accordance with the other provisions of this Article 3, except to

the extent arising as a direct consequence of the gross negligence or wilful misconduct of Celtic or any of Celtic's Related Persons.

3.5 Kelt Covenants re: Regulatory

As soon as is reasonably practicable following the Conveyance, Kelt shall use all reasonable efforts to cause itself to become registered as a licensee with the ERCB and to qualify itself to take assignment of all of the Kelt Assets (including the Wells and operated Facilities) including making any and all deposits required in order to be permitted to take assignment thereof pursuant to Applicable Law and/or rendering its Licensee Liability Rating greater than or equal to one (1).

3.6 Other Assets

The definition of "Kelt Assets" may be amended to include portions of Celtic's office lease, office furniture, fixtures, supplies and equipment, software licences and office parking permits upon mutual agreement between the Parties on such matters prior to the Effective Date.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES

4.1 No Warranty of Title

Celtic does not warrant title to the Kelt Assets or purport to convey any better title than it now has.

4.2 No Other Warranties

Except as expressly provided in Section 4.3, neither Celtic nor Kelt makes any representation or warranty to the other whatsoever concerning the Kelt Assets or this Agreement, including without limitation, any representation regarding tax matters.

4.3 Representations and Warranties of Kelt

Kelt makes the following representations and warranties to Celtic:

(a) Kelt is not in breach of any orders or directives of the ERCB whereby such breach would result in an undue delay or an inability to register the transfer of well licenses for the Wells;

(b) Kelt is not currently the licensee of any Wells; and

(c) Kelt is not a non-Canadian person for the purposes of the *Investment Canada Act* (Canada).

ARTICLE 5
INDEMNITIES

5.1 Kelt's Liability and Indemnity

(a) Kelt acknowledges that it is familiar with the Kelt Assets, including their respective past and present uses and that it is acquiring the Kelt Assets on an "as is, where is" basis and subject to any and all encumbrances, agreements, commitments and liabilities pertaining thereto howsoever and whensoever arising, and waives all title defects that may exist on the Effective Date. On and after the Conveyance, Kelt shall be liable to Celtic and Celtic's Related Persons for and shall, in addition, indemnify Celtic and Celtic's Related Persons from and against, all Losses and Liabilities suffered, sustained, paid or incurred

by Celtic and Celtic's Related Persons, including, without limitation and notwithstanding any other provision of this Agreement:

(i) all Environmental Claims and all Environmental and Reclamation Liabilities, howsoever or by whomsoever caused which arise out of any matter or thing occurring before, on or after the Effective Date and which relates to the Kelt Assets;

(ii) any amount of GST or sales or similar Taxes (including interest and penalties) in respect of the purchase and sale of the Kelt Assets hereunder that is owing by Kelt and has not been paid by Kelt, including under Section 2.9 hereof;

(iii) any such Losses or Liabilities suffered, sustained, paid or incurred (on an after-tax basis, calculated without regard to any deductions, offsets, credits or other benefits available to and claimed or deducted by Celtic in computing its income, taxable income or tax) by Celtic or its Related Persons arising from or otherwise attributable to the transfer of the Kelt Assets, where the Canada Revenue Agency or any other Governmental Authority issues, or proposes to issue assessments or re-assessments of additional liability for Taxes or adjustments with respect to any amount of the tax pools of Celtic by reason of asserting that the fair market value of the Kelt Assets at the Effective Time is greater than the Consideration set forth in the Disclosure Letter, provided that any Claim under this Section 5.1(a)(iii) shall be subject to Section 5.1(e); and

Kelt shall not be entitled to exercise and hereby waives any rights or remedies Kelt may now or in the future have against Celtic or Celtic's Related Persons in respect of such Environmental damage or contamination or other Environmental problems, including, without limitation, any Environmental Claims and/or Environmental and Reclamation Liabilities, whether such rights and remedies are pursuant to the common law or statute or otherwise, including, without limitation, the right to name Celtic or Celtic's Related Persons as third party to any action commenced by any Third Party against Kelt.

(b) Kelt shall see to the timely performance of all Environmental and Reclamation Liabilities which, in the absence of this Agreement, would be the responsibility of Celtic or Celtic's Related Persons. Kelt shall be liable to Celtic and Celtic's Related Persons for and shall, in addition, indemnify Celtic and its Related Persons from and against, all losses suffered, sustained, paid or incurred by Celtic or any of its Related Persons should Kelt fail to timely perform such obligations.

(c) After the Conveyance, Kelt shall assume all liability for and indemnify, defend and save harmless Celtic and Celtic's Related Persons from and against any and all Losses and Liabilities suffered or incurred by them, as a direct or indirect result of:

(i) the breach of any covenant, agreement, representation or warranty of Kelt contained in this Agreement;

(ii) any and all interests, rights, obligations, indemnities, guarantees (whether financial or for performance), liabilities and agreements of any kind whatsoever and whether matured or not, direct or indirect, contingent or absolute, held or provided by, or by which, Celtic or Kelt are bound, relating to the Kelt Assets including any guarantees, sureties, indemnities, letters of credit or any other obligations that are created whether by statute, law or contract or any other way howsoever, and whether as a party or as agent, guarantor, surety or indemnitor or otherwise;

(iii) any and all Claims, whether pursued through a court of competent jurisdiction, a regulatory body or otherwise, which result from or by virtue of the enforcement against any shareholder of Celtic or any Affiliate thereof, of any rights, benefits or entitlements accruing to any Third Party associated therewith related to the Kelt Assets; and

(iv) the Indemnified Liabilities.

(d) The following procedures shall apply in connection with any claims for indemnification under this Article 5:

(i) if an indemnified party hereunder receives notice of the commencement or assertion against it of any Claim made by a Third Party for which such indemnified party seeks or intends to seek indemnification under this Article 5, the indemnified party shall give the indemnifying party reasonably prompt written notice thereof. Such notice to the indemnifying party shall describe such Third Party Claim in reasonable detail. The indemnifying party shall have the right to participate in or to elect to assume the defence of any such Third Party claim at the indemnifying party's own expense and by such indemnifying party's own counsel, and the indemnified party shall co-operate in good faith in such defence. The indemnified party shall have the right to participate in the defence of any such Third Party claim assisted by counsel of its own choosing. No indemnified party shall have the right to settle or compromise, or propose to settle or compromise, any such Third Party claim without the consent of the indemnifying party; and

(ii) any claim for indemnification under this Article 5 by an indemnified party shall be asserted by giving the indemnifying party written notice thereof in accordance with the terms hereof. Such notice to the indemnifying party shall describe such direct claim in reasonable detail.

(e) If a valid Claim is made pursuant to Section 5.1(a)(iii) or Section 5.1(f) and the incurring of such Claim (referred to in this Section 5.1(e) as the "**Claim Amount**") by the Indemnified Party does not constitute an outlay or expense which is deductible in whole or in part in computing the income of the Indemnified Party for income tax purposes, then the amount paid by the Indemnifying Party under the indemnity (referred to in this Section as the "**Indemnity Payment**") shall be adjusted with retroactive effect in accordance with the following rules:

(i) if the Indemnity Payment is not required to be included in computing the income of the Indemnified Party for income tax purposes, then no adjustment shall be required to be made to the Indemnity Payment; and

(ii) if the Indemnity Payment is required to be included in computing the income of the Indemnified Party for income tax purposes, then the Indemnifying Party shall pay to the Indemnified Party such additional amounts such that the total net amount received by the Indemnified Party, after deducting the amount of income taxes payable by the Indemnified Party on such total amount, calculated without regard to any deductions, offsets, credits or other benefits available to and claimed or deducted by the Indemnified Party in computing its income, taxable income or tax, equals the net cost to the Indemnified Party of the Claim Amount.

Where a valid Claim is made pursuant to Section 5.1(a)(iii) or 5.1(f) solely as a result of an assessment or reassessment by the Canada Revenue Agency or any other Governmental Authority of adjustments with respect to any amount of the tax pools of

Celtic or Kelt, respectively, then the Parties agree that the applicable Claim Amount shall be computed in accordance with the values set forth in the Disclosure Letter.

(f) On and after the Conveyance, Celtic shall be liable to Kelt for, and shall indemnify Kelt from and against, Losses or Liabilities suffered, sustained, paid or incurred (on an after-tax basis, calculated without regard to any deductions, offsets, credits or other benefits available to and claimed or deducted by Kelt in computing its income, taxable income or tax) by Kelt arising from or otherwise attributable to the transfer of the Kelt Assets, where the Canada Revenue Agency or any other Governmental Authority issues, or proposes to issue, assessments or re-assessments of adjustments with respect to any amount of the tax pools of Kelt by reason of asserting that the fair market value of the Kelt Assets at the Effective Time is less than the Consideration set forth in the Disclosure Letter, provided that any Claim under this Section 5.1(f) shall be subject to Section 5.1(e).

ARTICLE 6
ADJUSTMENTS

6.1 Operating Adjustments

(a) Subject to Section 6.1(b) and all other provisions of this Agreement, all benefits and obligations of any kind and nature relating to the operation of the Kelt Assets conveyed pursuant to this Agreement, excluding income taxes but otherwise including without limitation prepaid deposits, rentals or the prepaid obligations, maintenance, development, operating and capital costs, the Kelt Transaction Expenses, government incentives, royalties and other burdens, and proceeds from the sale of production, whether accruing, payable or paid and received or receivable, shall be adjusted between the Parties as of the Effective Time in accordance with GAAP. For greater certainty, adjustments in respect of production, if any, shall be made in favour of Celtic in respect of production beyond the wellhead at the Effective Time and in favour of Kelt in respect of all other production and such adjustments may include any amounts owing by Kelt to Celtic under Section 2.9 hereof which have been paid by Celtic and for which Celtic has not been reimbursed by Kelt. The adjustments shall not constitute an increase or decrease, as the case may be, to the Consideration.

(b) Notwithstanding Section 6.1(a), all obligations of any kind arising as a result of the implementation and performance by Celtic of the matters provided for in the Kelt Asset Budget shall be for the sole account of Kelt, and all adjustments made pursuant to this Article 6 shall recognize Kelt as the Party liable for such obligations.

(c) All adjustments shall be settled by payment to or by Celtic and Kelt, as the case may be, as soon as practicable after the Conveyance. The intention of the Parties is that final settlement shall occur within one hundred and twenty (120) days following the Effective Date, but it is recognized that adjustments may be made after that time. No adjustments shall be made after one (1) year from the Effective Date unless written notice of the requested adjustment, with reasonable particulars, is given within one (1) year from the Effective Date, provided however that adjustments arising as a consequence of Crown royalty audits and joint venture audits are not subject to the one (1) year limit.

ARTICLE 7
SEISMIC

7.1 Seismic Data

(a) To the extent permissible under any licensing or other agreement pertaining to the Seismic Data, from and after the Conveyance, upon Kelt's reasonable written notice, Celtic shall either:

(i) provide Kelt with a copy of; or

(ii) provide Kelt with physical access to;

the Seismic Data.

(b) Kelt acknowledges that it is being provided with a copy of or gaining access to the Seismic Data, as applicable, without representation and warranty (including, without limitation, any representation and warranty as to its accuracy or quality or to Celtic's interest therein), and without reliance on any information provided by Celtic or its Affiliates and further acknowledges that such copies or access will not be provided if not permitted under any licensing or other agreement pertaining to the Seismic Data and that in the event that the provision of such copies or access is not so provided on such basis, such shall be without liability, cost or expense to Celtic.

(c) Any and all Third Party costs and expenses incurred by Celtic and its Affiliates pursuant to this Section 7.1 shall be for Kelt's sole account.

ARTICLE 8
GENERAL

8.1 Further Assurances

Each Party will, from time to time and at all times after the Conveyance, without further consideration, do such further acts and deliver all such further assurances, deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

8.2 Financial Information

(a) At any time prior to March 31, 2014, Celtic agrees that upon the written request of Kelt, if required by any securities regulator in connection with the filing by Kelt, or its Affiliate(s) or any of them, of public disclosure documents after the Effective Date, indicating what financial information in relation to the Kelt Assets is required and the purpose of such request, Celtic will provide Kelt and its auditors access to any available financial information relating to the Kelt Assets (including source records, production records and invoices, and all other financial statements previously prepared by Celtic or predecessors in title to any of them) for a period not exceeding the three (3) years previous to the date of this Agreement and reasonable access to its personnel during normal business hours (such access and financial information referred to in this Section 8.2 is hereinafter referred to as "**Financial Information**"), the intention of this subsection being that Celtic will use its reasonable commercial efforts to provide access to Financial Information sufficient to allow Kelt to prepare any such financial statements and to allow Kelt's auditors to express an audit opinion in respect of any financial statements prepared for any such periods in respect of the Kelt Assets: and

(b) Celtic shall provide a representation letter to the auditors of Kelt, which is reasonable in form and substance under the circumstances, provided that no liability shall flow to Celtic with respect to the provision of such letter and Kelt shall indemnify and hold harmless Celtic with respect to the provision of such letter in accordance with the provisions of Article 5 of this Agreement.

8.3 Limitations

The two (2) year period for seeking a remedial order under section 3(1)(a) of the *Limitations Act* (Alberta) for any claim (as defined in such act) arising in connection with this Agreement is extended to:

(a) for claims disclosed by an audit, two (2) years after the date this Agreement permitted that audit to be performed; and

(b) for all other claims, four (4) years.

8.4 No Merger

The covenants, representation, warranties and indemnities contained in this Agreement shall be deemed to be restated in any and all assignments, conveyances, transfers and other documents the interests of Celtic in and to the Kelt Assets to Kelt, subject to any and all time and other limitations contained in this Agreement. There shall not be any merger of any covenants, representation, warranty or indemnity in such assignments, conveyances, transfers and other documents notwithstanding any rule of law, equity or statute to the contrary and such rules are hereby waived.

8.5 Entire Agreement

The terms of this Agreement and the Arrangement Agreement constitute the entire agreement between the Parties with respect to the transactions contemplated herein, contains all of the representations and warranties of the respective Parties and supersedes all prior agreements, documents, and written and verbal understandings between the Parties with respect to the sale of the Kelt Assets.

8.6 Subrogation

The assignment and conveyance to be effected by this Agreement is made with full right of substitution and subrogation of Kelt in and to all covenants, representations, warranties and indemnities previously given or made by others in respect of the Kelt Assets or any part or portion thereof.

8.7 Governing Law

This Agreement shall, in all respects, be subject to, interpreted, construed and enforced in accordance with and under the laws of the Province of Alberta and the laws of Canada applicable therein and shall, in every regard, be treated as a contract made in the Province of Alberta. The Parties irrevocably attorn and submit to the jurisdiction of the courts of the Province of Alberta and courts of appeal therefrom in respect of all matters arising out of this Agreement.

8.8 Assignment and Enurement

This Agreement may not be assigned by any Party without the express written consent of the other Party, which consent may be withheld at the sole discretion of such Party; provided, however, that Celtic may assign its rights and obligations hereunder to any Affiliate. Subject thereto, this Agreement shall enure to the benefit of and be binding upon the Parties, and their respective successors and permitted assigns.

8.9 Time of Essence

Time shall be of the essence in this Agreement.

8.10 Notices

The addresses for service and the fax numbers of the Parties shall be as follows:

Celtic: **Celtic Exploration Ltd.**
Suite 600, 321 – 6th Avenue S.W.
Calgary, AB T2P 3H3
Fax: (403) 291-9163

with a copy to: **Exxon Mobil Canada Ltd./ExxonMobil Celtic ULC**
16676 Northchase Drive – CORP NC1 – 2099
Houston, Texas 77060
Attention: Charles Ballantine
Fax: (281) 654-3705

Kelt: **Kelt Exploration Ltd.**
Suite 600, 321 – 6th Avenue S.W.
Calgary, AB T2P 3H3
Fax: (403) 291-9163

All notices, communications and statements required, permitted or contemplated hereunder shall be in writing, and shall be delivered as follows:

(a) by personal service on a Party at the address of such Party set out above, in which case the item so served shall be deemed to have been received by that Party when personally served;

(b) by facsimile transmission to a Party to the fax number of such Party set out above, in which case the item so transmitted shall be deemed to have been received by that party when transmitted; or

(c) except in the event of an actual or threatened postal strike or other labour disruption that may affect mail service, by mailing first class registered post, postage prepaid, to a Party at the address of such Party set out above, in which case the item so mailed shall be deemed to have been received by that Party on the third Business Day following the date of mailing.

A Party may from time to time change its address for service or its fax number or both by giving written notice of such change to the other Party.

8.11 Invalidity of Provisions

In case of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

8.12 Waiver

No failure on the part of any Party in exercising any right or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or remedy preclude any other or further exercise thereof or the exercise of any right or remedy in law or in equity or by statute or otherwise

conferred. No waiver of any provision of this Agreement including without limitation, this Section, shall be effective otherwise than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of the Party making such waiver.

8.13 Amendment

This Agreement shall not be varied in its terms or amended by oral agreement or by representations or otherwise other than by an instrument in writing dated subsequent to the date hereof, executed by a duly authorized representative of each Party.

8.14 Severability

Any provision in this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

8.15 Perpetuities

Notwithstanding anything elsewhere herein contained, the right of Kelt to acquire any interest in the Kelt Assets from Celtic shall not extend beyond twenty-one (21) years after the lifetime of the last survivor of the lawful descendants now living of Her Majesty Queen Elizabeth II.

8.16 Counterpart Execution

This Agreement may be executed in counterpart, no one copy of which need be executed by Celtic and Kelt. A valid and binding contract shall arise if and when counterpart execution pages are executed and delivered by Celtic and Kelt.

IN WITNESS WHEREOF the Parties have executed this Agreement as of the day and year first above written.

CELTIC EXPLORATION LTD.

Per: _____

Per: _____

KELT EXPLORATION LTD.

Per: _____

Per: _____

[*Schedules Not Attached*]

APPENDIX D

FIRSTENERGY FAIRNESS OPINION

FirstEnergy
CAPITAL

November 16, 2012

The Board of Directors of
Celtic Exploration Ltd.
600, 321 - 6th Avenue S.W., West Tower
Calgary, Alberta T2P 3H3

To the Board of Directors of Celtic Exploration Ltd.

We understand that Celtic Exploration Ltd. ("Celtic") has entered into an arrangement agreement with ExxonMobil Canada Ltd. ("ExxonMobil"), 1690731 Alberta ULC (the "Purchaser") and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt") dated October 16, 2012 (the "Arrangement Agreement"), whereby the following transactions will occur in accordance with a plan of arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"):

(a) holders ("Celtic Shareholders") of common shares of Celtic ("Celtic Shares") (other than dissenting Celtic Shareholders) will receive for each Celtic Share held: (i) $24.50 in cash; and (ii) one-half (1/2) of one common share of Kelt (each whole share being a "Kelt Share"); and

(b) all of the issued and outstanding 5.00% convertible unsecured subordinated debentures of Celtic due April 30, 2017 (the "Celtic Debentures") (other than Celtic Debentures held by dissenting holders of Celtic Debentures) will be converted into that number of Celtic Shares that a holder of Celtic Debentures ("Celtic Debentureholders") would be entitled to receive upon the conversion of the Celtic Debentures in accordance with their terms immediately following the effective time of the Arrangement (if the Celtic Debentures were not acquired by Celtic under the Arrangement and without giving effect to Section 6.5 of the debenture indenture dated as of April 12, 2012 between Celtic and Valiant Trust Company (the "Debenture Indenture")), including the Make Whole Premium (as defined in the Debenture Indenture). The Celtic Debentureholders would then receive for each Celtic Share received upon such conversion: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share. The Celtic Debentureholders will also receive, for each $1,000 principal amount of Celtic Debentures, a cash amount equal to the sum of: (i) accrued and unpaid interest on such principal amount to, but excluding, the effective date of the Arrangement (the "Effective Date"); and (ii) an amount equal to the amount of interest that would otherwise be payable thereon from and including the Effective Date to, but excluding, the date which is 32 days after the Effective Date.

The Arrangement is subject to customary conditions for a transaction of this nature, which include receipt of court and regulatory approvals, and the approval of at least 66⅔% of votes cast by the Celtic Shareholders on the Arrangement Resolution (as defined in the Arrangement Agreement) present in person or represented by proxy at the special meeting (the "Meeting") of Celtic Shareholders and Celtic Debentureholders (collectively, the "Celtic Securityholders").

Celtic Debentureholder approval will also be sought at the Meeting to allow the Celtic Debentureholders to participate in the Arrangement in the manner described above. Participation in the Arrangement by the Celtic Debentureholders will require the approval of the Arrangement Resolution by a majority in number of registered Celtic Debentureholders whose holdings collectively represent at least 66⅔% of the aggregate principal amount of the Celtic Debentures outstanding as of the record date for the Meeting. However, Celtic Debentureholder approval is not a condition to the completion of the Arrangement.

The terms and conditions of the Arrangement are more fully described in the information circular and proxy statement of Celtic (the "Proxy Circular"), dated November 16, 2012.

FirstEnergy's Engagement

The Board of Directors of Celtic (the "Board") formally retained FirstEnergy Capital Corp. ("FirstEnergy") pursuant to an engagement agreement dated October 9, 2012 and accepted by Celtic on October 15, 2012 to provide the Board with our opinion ("Opinion") as to the fairness, from a financial point of view, of the consideration to be received by the Celtic Securityholders pursuant to the Arrangement (the "Engagement"). In consideration for our services, including this Opinion, FirstEnergy is to be paid a fee and is to be reimbursed for reasonable out-of-pocket expenses. In addition, FirstEnergy is to be indemnified by Celtic under certain circumstances. We have not been engaged to prepare, and have not prepared, a valuation or appraisal of Celtic, Kelt or any of Celtic's or Kelt's assets or liabilities and this Opinion should not be construed as such.

FirstEnergy consents to the inclusion of this Opinion in its entirety and a summary thereof in the Proxy Circular and to the filing thereof, as necessary, by Celtic, Kelt and/or ExxonMobil, with the Toronto Stock Exchange and the securities commissions or similar regulatory authorities in each province of Canada.

Credentials of FirstEnergy

FirstEnergy is a registered investment dealer focusing on Canadian and international companies participating in oil and gas exploration, production and services, energy transportation, electricity generation and energy technologies. FirstEnergy is one of the leading investment banking firms providing corporate finance, mergers and acquisitions, oil and gas property acquisition and divestiture services, equity sales, research and trading services to companies active in or investing in the energy industry. The Opinion expressed herein is the opinion of FirstEnergy and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture, and valuation matters.

Independence of FirstEnergy

None of FirstEnergy, its affiliates or associates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)), or a related entity of Celtic or ExxonMobil or any of their respective associates or affiliates. FirstEnergy is not acting as an advisor to Celtic or ExxonMobil or any of their respective associates or affiliates in connection with any other matter, other than in respect of the services to Celtic as outlined herein.

FirstEnergy acts as a trader and dealer, both as principal and agent, in all major financial markets in Canada and, as such, may have today or in the future have positions in the securities of Celtic and ExxonMobil, and from time to time, may have executed or may execute transactions on behalf of Celtic, ExxonMobil or clients for which it received or may receive compensation. In addition, as an investment dealer, FirstEnergy conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on issues and investment matters, including with respect to Celtic and ExxonMobil.

Scope of Review

In connection with rendering this Opinion, we have reviewed and relied upon, or carried out, among other things, the following:

a) ExxonMobil's non-binding proposal letter executed by Celtic on October 5, 2012;

b) The Arrangement Agreement;

c) The Plan of Arrangement attached as Schedule "B" to the Arrangement Agreement;

d) The form of Kelt Asset Conveyance Agreement attached as Schedule "D" to the Arrangement Agreement;

e) The forms of Non-Competition and Non-Solicitation Agreements;

f) The form of Conditional Option Exercise and Cancellation Agreement;

g) Celtic's audited annual financial statements for the year ended December 31, 2011 and associated management's discussion and analysis;

h) The unaudited quarterly financial statements and associated management discussion and analysis of Celtic for the quarters ended March 31 and June 30, 2012;

i) Celtic's Annual Information Form for the fiscal year ended December 31, 2011 and dated March 7, 2012;

j) The Final Short Form Prospectus dated April 4, 2012 related to the offering of the Celtic Debentures;

k) The Debenture Indenture;

l) The detailed December 31, 2011 Sproule Associates Limited reserves report of Celtic, including those reserves attributable to Kelt;

m) The September 30, 2012 Sproule Associates Limited reserves report of Celtic related to those assets attributable to Kelt;

n) Celtic's Management Information Circular for the meeting held on April 27, 2012 and dated March 27, 2012;

o) Due diligence responses provided by senior management of Celtic;

p) Certain internal financial information, financial and operational projections of Celtic and/or Kelt, as the case may be, as provided by Celtic management; and

q) Other information, analyses and investigations as FirstEnergy considered appropriate in the circumstances.

We have not, to the best of our knowledge, been denied access by Celtic to any information requested by us.

This Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuation and Fairness Opinions of the Investment Industry Regulatory Organization of Canada but that organization was not involved in the preparation of this Opinion.

Assumptions and Limitations

We have relied upon, and have assumed the completeness, accuracy and fair representation of, all financial and other information, data, advice, opinions and representations obtained by us from public sources, including information relating to Celtic, or provided to us by Celtic and their affiliates or advisors or otherwise pursuant to our Engagement, and this Opinion is conditional upon such completeness, accuracy and fairness. Subject to the exercise of professional judgement and except as expressly described herein, we have not attempted to verify independently the accuracy or completeness of any such information, data, advice, opinions and representations. Senior officers of Celtic have represented to us, in a certificate delivered as at the date hereof, amongst other things, that the historical and current information, data, opinions and other materials (the "Information") provided to us on behalf of Celtic are, to the best of their knowledge, complete and correct in all material respects at the date the Information was prepared and that since the date of the Information, there has been no material change, financial or otherwise, in the position of Celtic, or in its assets, liabilities (contingent or otherwise), business or operations and there has been no change in any material fact which is of a nature as to render the Information untrue or misleading in any material respect.

This Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof, and the condition and prospects, financial and otherwise, of Celtic as they were reflected in the information and documents reviewed by us and as they were represented to us in our discussions with management of Celtic. In

rendering this Opinion, we have assumed that there are no undisclosed material facts relating to Celtic or its business, operations or capital. Any changes therein may affect this Opinion and, although we reserve the right to change or withdraw our Opinion in such event, we disclaim any obligation to advise any person of any change that may come to our attention or to update this Opinion after the date hereof.

In our analyses and in connection with the preparation of this Opinion, we made numerous assumptions, which we believe are appropriate in the circumstances, with respect to industry performance, general business, market and economic conditions and other matters, all of which are beyond the control of any party involved in the Arrangement. We have also assumed that all of the representations and warranties contained in the Arrangement Agreement are correct as of the date hereof and that the Arrangement will be completed substantially in accordance with its terms and all applicable laws and that the Proxy Circular will disclose all material facts relating to the Arrangement and will satisfy all applicable legal requirements.

This Opinion is not intended to be and does not constitute a recommendation to any Celtic Securityholder to vote his/her/its Celtic Shares or Celtic Debentures in favour of the Arrangement at the Meeting or as an opinion concerning the trading price or value of any securities of Kelt following the announcement or completion of the Arrangement.

We are not legal, tax or accounting experts and we express no opinion concerning any legal, tax or accounting matters concerning the Arrangement or the sufficiency of this letter for your purposes.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, it is our opinion that:

(a) the consideration to be received by Celtic Shareholders under the Arrangement is fair, from a financial point of view, to Celtic Shareholders; and

(b) the consideration to be received by Celtic Debentureholders under the Arrangement is fair, from a financial point of view, to Celtic Debentureholders.

This Opinion may be relied upon by the Board for the purposes of considering the Arrangement and its recommendation to Celtic Securityholders with respect to the Arrangement, but may not be used or relied upon by any other person without our express prior written consent, except as otherwise provided herein.

Yours very truly,

(Signed)

FirstEnergy Capital Corp.

APPENDIX E

RBC FAIRNESS OPINION

RBC Capital Markets®

RBC Dominion Securities Inc.
Suite 3900, Bankers Hall West Tower
888-3rd Street SW
Calgary, Alberta, T2P 5C5

October 16, 2012

The Board of Directors
Celtic Exploration Ltd.
Suite 600, West Tower
321 6th Avenue SW
Calgary, Alberta
T2P 3H3

To the Board:

RBC Dominion Securities Inc. ("RBC"), a member company of RBC Capital Markets, understands that Celtic Exploration Ltd. (the "Company") and ExxonMobil Canada Ltd. (together with its indirect, wholly-owned subsidiary 1690731 Alberta ULC, "ExxonMobil Canada"), propose to enter into an agreement to be dated October 16, 2012 (the "Arrangement Agreement") to effect a plan of arrangement (the "Arrangement") under the *Business Corporations Act* (Alberta), pursuant to which ExxonMobil Canada will acquire all of the issued and outstanding common shares (the "Common Shares") of the Company, including Common Shares to be received under the Arrangement by the holders (the "Debentureholders") of the Company's 5.00% convertible unsecured subordinated debentures due April 30, 2017 (the "Debentures"), and Common Shares that may be issued upon the exercise of options of the Company.

RBC also understands that, under the Arrangement:

(i) the Debentureholders will receive:

(a) the same number of Common Shares (the "Debenture Share Consideration") as they would otherwise receive on conversion of the Debentures immediately following completion of the Arrangement, if the Debentures are not acquired under the Arrangement, including Common Shares (the "Make Whole Shares") issued pursuant to the "Make Whole Premium" in connection with a "Cash Change of Control", as such terms are defined in the indenture between the Company and Valiant Trust Company, dated as of April 12, 2012, setting forth the terms of the Debentures (the "Indenture"); and

(b) accrued and unpaid interest on the Debentures to, but excluding, the effective date of the Arrangement (the "Effective Date") and an amount equal to the amount of interest that would otherwise be payable on the Debentures from and including the Effective Date to, but excluding, the date which is 32 days after the Effective Date (the "Debenture Interest Consideration" and together with the Debenture Share Consideration, the "Debenture Consideration"); and

(ii) the holders of Common Shares including, for greater certainty, Common Shares received by former Debentureholders pursuant to the Arrangement as described above (the "Shareholders") will receive, for each Common Share held:

(a) $24.50 in cash (the "Cash Consideration"); and

(b) one-half (½) of a common share (the "SpinCo Shares") of 1705972 Alberta Ltd. ("SpinCo"), a new publicly-traded exploration and development company which upon completion of the Arrangement will directly or indirectly own certain of the Company's interests (the "SpinCo Assets") in oil and gas properties located in the Inga area in British Columbia, the Grande Cache area in Alberta and in Karr, Alberta (the "SpinCo Consideration" and together with the Cash Consideration, the "Common Share Consideration").

RBC further understands that each of the directors and officers of the Company, who in aggregate hold approximately 17.7% of the outstanding Common Shares and 0.9% of the outstanding principal amount of Debentures, will enter into a lock-up agreement with ExxonMobil Canada (collectively, the "Lock-up Agreements") pursuant to which, among other things, each of them will agree to vote their Common Shares and their Debentures in favour of the Arrangement, subject to certain conditions. The terms of the Arrangement will be more fully described in a management information circular (the "Circular"), which will be mailed to the Shareholders and the Debentureholders in connection with the Arrangement.

The Company has retained RBC to prepare and deliver to the Board of Directors of the Company (the "Board") RBC's opinion (the "Fairness Opinion") as to the fairness, from a financial point view, of each of the Common Share Consideration and the Debenture Consideration to the Shareholders and the Debentureholders, respectively. The Fairness Opinion has been prepared in accordance with the guidelines of the Investment Industry Regulatory Organization of Canada. RBC has not prepared a valuation of the Company, SpinCo or any of their respective securities or assets and the Fairness Opinion should not be construed as such.

Engagement

The Company initially contacted RBC regarding a potential advisory assignment in October 2012, and RBC was formally engaged by the Company through an agreement between the Company and RBC dated October 9, 2012 (the "Engagement Agreement"). The terms of the Engagement Agreement provide that RBC is to be paid a fee for the Fairness Opinion. In addition, RBC is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by the Company in certain circumstances. RBC consents to the inclusion of the Fairness Opinion in its entirety and a summary thereof in the Circular and to the filing thereof, as necessary, by the Company and with the Toronto Stock Exchange and with the securities commissions or similar regulatory authorities in each province of Canada.

Relationship With Interested Parties

Neither RBC, nor any of its affiliates is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Alberta)) of the Company, SpinCo, ExxonMobil Canada or any of their respective associates or affiliates. RBC has not been engaged to provide any financial advisory services nor has it participated in any financing involving the Company, ExxonMobil Canada or any of their respective associates or affiliates, within the past two years, other than the services provided under the Engagement Agreement and as described herein. In the past two years, RBC has acted in the following capacities for the Company: (i) sole bookrunner and co-lead underwriter in connection with the Company's $172.5 million issuance of Debentures in April 2012; (ii) co-lead underwriter in connection with the Company's $172.5 million issuance of Common Shares in October 2011; and (iii) co-lead underwriter in connection with the Company's $116.7 million issuance of Common Shares in March 2011 and April 2011. In addition, in the past two years RBC was engaged by an affiliate of ExxonMobil Canada to provide advisory services in connection with certain arbitration proceedings. There are no understandings, agreements or commitments between RBC and the Company, SpinCo,

ExxonMobil Canada or any of their respective associates or affiliates with respect to any future business dealings. RBC may, in the future, in the ordinary course of its business, perform financial advisory or investment banking services for the Company, SpinCo, ExxonMobil Canada or any of their respective associates or affiliates. The compensation of RBC under the Engagement Agreement does not depend in whole or in part on the conclusions reached in the Fairness Opinion or the successful outcome of the Arrangement. Royal Bank of Canada, controlling shareholder of RBC, and its affiliates provide banking services to the Company and certain affiliates of ExxonMobil Canada in the normal course of business.

RBC acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Company, SpinCo, ExxonMobil Canada or any of their respective associates or affiliates and, from time to time, may have executed or may execute transactions on behalf of such companies or clients for which it received or may receive compensation. As an investment dealer, RBC conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Company, SpinCo, ExxonMobil Canada or the Arrangement.

Credentials of RBC Capital Markets

RBC is one of Canada's largest investment banking firms, with operations in all facets of corporate and government finance, corporate banking, mergers and acquisitions, equity and fixed income sales and trading and investment research. RBC Capital Markets also has significant operations in the United States and internationally. The Fairness Opinion expressed herein represents the opinion of RBC and the form and content herein have been approved for release by a committee of its directors, each of whom is experienced in merger, acquisition, divestiture and fairness opinion matters.

Scope of Review

In connection with our Fairness Opinion, we have reviewed and relied upon or carried out, among other things, the following:

1. the most recent draft, dated October 15, 2012, of the Arrangement Agreement;
2. the most recent drafts, dated October 15, 2012, of the Lock-up Agreements;
3. audited financial statements of the Company for each of the five years ended December 31, 2007, 2008, 2009, 2010 and 2011;
4. the unaudited interim reports of the Company for the quarters ended March 31, 2012 and June 30, 2012;
5. annual reports of the Company for each of the two years ended December 31, 2010 and 2011;
6. the Notice of Annual Meeting of Shareholders and Management Information Circulars of the Company for each of the two years ended December 31, 2010 and 2011;
7. annual information forms of the Company for each of the two years ended December 31, 2010 and 2011;
8. the final prospectus, dated April 4, 2012, relating to the Debentures;
9. the Indenture;
10. the internal management budget of the Company segmented by asset for the year ending December 31, 2012;

11. the unaudited projected operating and financial forecast for the Company, prepared by management of the Company, for the four years ending December 31, 2015;
12. the independent petroleum engineering report of Sproule Associates Limited ("Sproule"), dated effective December 31, 2011, evaluating the crude oil and natural gas reserves and associated liquids resources attributable to the Company's properties;
13. a summary, prepared by management of the Company, of an independent petroleum engineering report prepared by Sproule, dated effective September 30, 2012, evaluating the crude oil and natural gas reserves and associated liquids resources attributable to the SpinCo Assets;
14. discussions with senior management of the Company;
15. discussions with the Company's legal counsel;
16. publicly available information relating to the business, operations, financial performance, stock trading history and convertible debenture trading history of the Company and other selected public companies considered by us to be relevant;
17. publicly available information with respect to other transactions of a comparable nature considered by us to be relevant;
18. publicly available information regarding the oil and gas industry in general and in the Western Canadian Sedimentary Basin ("WCSB") specifically;
19. representations contained in a certificate addressed to us, dated as of the date hereof, from senior officers of the Company as to the completeness and accuracy of the information upon which the Fairness Opinion is based; and
20. such other corporate, industry and financial market information, investigations and analyses as RBC considered necessary or appropriate in the circumstances.

RBC has not, to the best of its knowledge, been denied access by the Company to any information requested by RBC. As the auditors of the Company declined to permit RBC to rely upon information provided by them as part of a due diligence review, RBC did not meet with the auditors and has assumed the accuracy and fair presentation of and relied upon the consolidated financial statements of the Company and the reports of the auditors thereon.

Prior Valuations

The Company has represented to RBC that there have not been any prior valuations (as defined in Multilateral Instrument 61-101) of the Company or its material assets or its securities in the past twenty-four month period.

Assumptions and Limitations

With the Board's approval and as provided for in the Engagement Agreement, RBC has relied upon the completeness, accuracy and fair presentation of all of the financial and other information, data, documents, opinions, appraisals, valuations and other information and materials obtained by it from public sources, senior management of the Company, and their consultants and advisors (collectively, the "Information"). The Fairness Opinion is conditional upon such completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as expressly described herein, we have not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information.

Senior officers of the Company have represented to RBC in a certificate delivered as of the date hereof, among other things, that (i) the Information (as defined above) provided orally by, or in the presence of, an officer or employee of the Company or in writing by the Company or any of its subsidiaries or their respective agents to RBC for the purpose of preparing the Fairness Opinion was, at the date the Information was provided to RBC, and, taken as a whole, is complete, true and correct in all material respects, and did not and does not contain any untrue statement of a material fact in respect of the Company, its subsidiaries or the Arrangement and did not and does not omit to state a material fact in respect of the Company, its subsidiaries or the Arrangement necessary to make the Information or any statement contained therein not misleading in light of the circumstances under which the Information was provided or any statement was made; and that (ii) since the dates on which the Information was provided to RBC, except as disclosed in writing to RBC, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of the Company or any of its subsidiaries and no material change has occurred in the Information or any part thereof which would have or which would reasonably be expected to have a material effect on the Fairness Opinion.

In preparing the Fairness Opinion, RBC has made several assumptions, which RBC considered appropriate in the circumstances, including that all of the conditions required to implement the Arrangement will be met.

The Fairness Opinion is rendered on the basis of securities markets, economic, financial and general business conditions prevailing as at the date hereof and the condition and prospects, financial and otherwise, of the Company, SpinCo and their respective subsidiaries and affiliates, as they were reflected in the Information and as they have been represented to RBC in discussions with management of the Company. In its analyses and in preparing the Fairness Opinion, RBC made numerous assumptions, which RBC considered appropriate in the circumstances, with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of RBC or any party involved in the Arrangement.

The Fairness Opinion has been provided for the use of the Board and may not be used by any other person or relied upon by any other person other than the Board without the express prior written consent of RBC. The Fairness Opinion is given as of the date hereof and RBC disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which may come or be brought to RBC's attention after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Fairness Opinion after the date hereof, RBC reserves the right to change, modify or withdraw the Fairness Opinion.

RBC believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. The Fairness Opinion is not to be construed as a recommendation to any Shareholder or Debentureholder as to whether to vote in favour of the Arrangement.

Overview of the Company

The Company is a Calgary, Alberta-based oil and gas company focused on exploration, development and production of crude oil and natural gas resources primarily in west central Alberta. The Company holds large acreage positions in the Montney and Duvernay resource gas plays. As at December 31, 2011, the Company had total estimated proved plus probable ("2P") reserves of 139.0

million barrels of oil equivalent ("boe"), of which 78.8 million boe was proved and 60.2 million boe was probable. For the quarter ended June 30, 2012, the Company produced an average of 19,406 boe per day.

Fairness Analysis

Approach to Fairness

Common Share Consideration

In considering the fairness of the Common Share Consideration from a financial point of view to the Shareholders, RBC principally considered and relied upon:

(i) a comparison of the Cash Consideration to the results of a net asset value ("NAV") analysis of the Company excluding the SpinCo Assets (the "Non-SpinCo Assets") based primarily on a discounted cash flow analysis (the "NAV Analysis");

(ii) a comparison of selected financial multiples, to the extent publicly available, of selected precedent transactions to the multiples implied by the Cash Consideration for the Non-SpinCo Assets;

(iii) an analysis of the SpinCo Consideration based on the potential market trading value of the SpinCo Shares; and

(iv) a comparison of the Cash Consideration to recent implied trading levels of the Non-SpinCo Assets.

RBC also reviewed the trading multiples of selected public companies involved in the oil and gas industry from the perspective of whether a public market value analysis might exceed NAV or precedent transaction values. However, RBC concluded that the implied values from public company trading multiples were similar to or below the values resulting from NAV and precedent transaction values. Given this, and that public company values generally reflect minority discount values rather than "en bloc" values, RBC did not rely on this methodology.

Debenture Consideration

In considering the fairness of the Debenture Consideration from a financial point of view to the Debentureholders, RBC principally considered and relied upon:

(i) a comparison of the Debenture Consideration to the entitlements of the Debentureholders under the Indenture immediately following completion of the Arrangement, if the Debentures are not acquired under the Arrangement; and

(ii) a comparison of the Debenture Consideration to the potential trading value of the Debentures upon completion of the Arrangement, if the Debentures are not acquired under the Arrangement and are not converted by the Debentureholders following completion of the Arrangement.

Fairness Analysis of Common Share Consideration

Net Asset Value Analysis of Non-SpinCo Assets

The NAV approach ascribes a separate value for each category of assets and liabilities utilizing the methodology appropriate in each case. The sum of the total assets less liabilities yields the NAV. The approach ascribes value to the proved and probable reserves and undeveloped resources on the basis of discounted future after-tax cash flows. Capital expenditures required to develop existing reserves and resources (where applicable) and fund an ongoing exploration and development program are deducted from reserve and resource values. Provisions have also been made for the future cash flows associated with the reclamation and abandonment of wells and facilities, as well as general and administrative expenses necessary to operate and develop the assets. The NAV approach requires that certain assumptions be made regarding, among other things, future cash flows and discount rates. The possibility that some of the assumptions will prove to be inaccurate is one factor involved in the determination of the discount rates to be used.

In conducting our NAV Analysis, RBC relied upon both an assessment of the Company's reserves and resources and a review of the Company's future development plan.

In completing our NAV Analysis, RBC did not rely on any single series of assumptions but performed a variety of sensitivity analyses. Variables sensitized included commodity price assumptions, discount rates and development plan scenarios for the Non-SpinCo Assets. The results of these sensitivity analyses are reflected in RBC's judgment as to the fairness of the Common Share Consideration from a financial point of view to the Shareholders.

Discount rates used in RBC's NAV Analysis ranged from 8% to 12% for 2P reserves and 10% to 15% for development assets.

The NAV Analysis, taking into account sensitivities to the items discussed above, produced values per Common Share that were consistent with the Cash Consideration.

Precedent Transactions Analysis

RBC reviewed and compared certain publicly available information regarding selected precedent transactions in the Canadian oil and gas industry, in particular within the WCSB, to the multiples implied by the Cash Consideration for the Non-SpinCo Assets. In particular, RBC focused on transactions that were most comparable to the Arrangement in terms of gas-weighting, stage of development and resource play focus. In analyzing precedent transactions, RBC reviewed a number of parameters including, among other things, enterprise value per barrel of current daily production and enterprise value per barrel of 2P reserves.

Date Announced	Target	Acquiror	Enterprise Value	Enterprise Value / Production	Enterprise Value / 2P Reserves	Weight Gas	Spot Gas Price
			($MM)	($/boe/d)	(Mboe)	(%)	($/MMbtu)
09-Jul-12	Compton Petroleum Corporation	MFC Industrial Ltd.	$198	$15,849	$2.60	85%	$2.79
03-Jul-12	Open Range Energy Corp.	Peyto Exploration & Development Corp.	$184	$32,821	$7.19	92%	$2.78
28-Jun-12	Progress Energy Resources Corp.	Petroliam Nasional Berhad	$5,887	$130,057	$18.22	88%	$2.81
20-Jan-12	Bellamont Exploration Ltd.	Storm Resources Ltd.	$123	$55,727	$12.12	52%	$2.23
09-Oct-11	Daylight Energy Ltd.	Sinopec Int'l Petroleum E&P Corporation	$2,894	$81,589	$16.61	63%	$3.40
11-May-11	Cinch Energy Corp.	Tourmaline Oil Corp.	$205	$54,813	$14.15	89%	$4.23
02-May-11	Caltex Energy Inc.	Crew Energy Inc.	$622	$59,238	$14.47	68%	$4.60
19-Apr-11	Ember Resources Inc.	Investor Group	$125	$33,347	$5.34	100%	$4.19
Average				**$57,930**	**$11.34**	**80%**	**$3.38**
	Company (Non-SpinCo Assets)	**ExxonMobil Canada**	**$3,148**	**$169,753**	**$24.89**	**76%**	**$3.24**

Note:
(1) Transaction metrics not adjusted for value of undeveloped land, seismic, or other assets.

While none of the above transactions is directly comparable to the Arrangement given differences in their respective inventories of well drilling locations, dates of their most recently disclosed reserve estimates, mixes of reserves, resources and exploration upside, economics based on resource quality, operatorship and cost profile, and times in the commodity price cycle, the financial multiples implied by the Cash Consideration for the Non-SpinCo Assets exceed the multiples paid in the selected precedent transactions reviewed by RBC.

SpinCo Consideration

In assessing the SpinCo Consideration, RBC considered the potential public market trading value of the SpinCo Shares, primarily based on a review of the trading multiples of selected public companies involved in the oil and gas industry in the WCSB. RBC noted that, upon completion of the Arrangement, Shareholders will continue to own indirectly, through the ownership of the SpinCo Shares, the same pro rata interest in the SpinCo Assets that they own indirectly today, on a fully diluted basis (excluding the Make Whole Shares), through the ownership of the Common Shares.

Recent Implied Trading Levels of the Non-SpinCo Assets

RBC compared the Cash Consideration to recent implied trading levels of the Non-SpinCo Assets, derived from recent trading levels of the Common Shares adjusted to exclude the SpinCo Assets based on the potential market trading value of the SpinCo Shares, and RBC observed that the implied premium was consistent with the average premium for similar transactions over the past five years. RBC noted that the Cash Consideration represents a premium of approximately 35% to the closing price of the Common Shares of $18.12 on the Toronto Stock Exchange on the date hereof, prior to deducting from such closing price any ascribed value for the SpinCo Assets.

Fairness Analysis of Debenture Consideration

RBC considered the fact that the Debenture Share Consideration provides Debentureholders with the same number of Common Shares as they would otherwise receive on conversion of the Debentures immediately following completion of the Arrangement, if the Debentures are not acquired under the Arrangement, including the Make Whole Shares. In addition, the Debenture Interest Consideration includes accrued and unpaid interest on the Debentures to, but excluding, the Effective Date and an amount equal to the amount of interest that would otherwise be payable on the Debentures from and including the Effective Date to, but excluding, the date which is 32 days after the Effective Date, payable on the Effective Date.

RBC also considered the potential trading value of the Debentures if the Debentures are not acquired under the Arrangement and are not converted by the Debentureholders following completion of the Arrangement. Based on the assumed capital structure of the Company upon completion of the Arrangement and the yields to maturity of comparable debt instruments, RBC concluded that the Debenture Consideration exceeds the potential trading value of the Debentures upon completion of the Arrangement if the Debentures remain outstanding.

Fairness Conclusion

Common Share Consideration

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the Common Share Consideration is fair from a financial point of view to the Shareholders.

Debenture Consideration

Based upon and subject to the foregoing, RBC is of the opinion that, as of the date hereof, the Debenture Consideration is fair from a financial point of view to the Debentureholders.

Yours very truly,

RBC Dominion Securities Inc.

RBC DOMINION SECURITIES INC.

APPENDIX F

INFORMATION CONCERNING KELT

TABLE OF CONTENTS

SCHEDULES

NOTICE TO READER

As of the date of the Information Circular, Kelt has not carried on any active business other than in connection with the Arrangement and related matters and as discussed in the Information Circular and this Appendix. The Arrangement provides Celtic Securityholders with the opportunity to participate in the business of Kelt through the ownership of Kelt Shares. Assuming the Arrangement Resolution is approved and the Celtic Debentures participate in the Arrangement, immediately following the Effective Time, among other things, Celtic Shareholders (including former Celtic Debentureholders but excluding Dissenting Securityholders) will ultimately receive, for each Celtic Share held, the Celtic Share Consideration and one-half (1/2) of one Kelt Share, and Kelt will own the Kelt Assets. **Unless otherwise noted, the disclosure in this Appendix has been prepared assuming that the Arrangement and the issuance of such Kelt Shares has been completed and that Kelt is the owner of the Kelt Assets.**

All capitalized terms used in this Appendix but not otherwise defined herein have the meanings set forth in the "*Glossary of Terms*" in the Information Circular to which this Appendix is attached.

No securities regulatory authority or stock exchange has expressed an opinion about the Arrangement or the Kelt Shares to be issued pursuant to the Arrangement and it is an offence to claim otherwise.

An investment in Kelt should be considered highly speculative due to the nature of its activities and the present stage of its development. Kelt was incorporated for the purposes of participating in the Arrangement and acquiring the Kelt Assets and has not carried on any active business other than in connection with the Arrangement and related matters and as discussed in the Information Circular and this Appendix. See "*Risk Factors*".

The following information is a summary of the business and affairs of Kelt and should be read together with the more detailed information regarding the Arrangement contained elsewhere in the Information Circular and the financial statements, operating statements, *pro forma* financial statements, management's discussion and analysis and reserves disclosure relating to Kelt and the Kelt Assets, as applicable, in this Appendix or the Schedules attached to this Appendix.

In this Appendix, dollar amounts are expressed in Canadian dollars unless otherwise stated.

PRESENTATION OF RESERVES AND PRODUCTION INFORMATION

Disclosure of Information

The actual reserves and future production in respect of the Kelt Assets will be greater than or less than the estimates provided in this Appendix. The estimated future net revenue from the production of the reserves does not represent the fair market value of the reserves attributable to the Kelt Assets. See "*Statement of Reserves Data and Other Oil and Gas Information Regarding the Kelt Assets*".

Kelt has adopted the standard of 6 Mcf:1 bbl when converting natural gas to BOEs. The term "BOE" may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Given that the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6:1, utilizing a conversion ratio on a 6:1 basis may be misleading as an indication of value.

Notes on Reserves Data and Other Oil and Gas Information

Interests in Reserves, Production, Wells and Properties

"**Gross**" means:

(a) in relation to Kelt's interest in production or reserves, its "gross reserves", which are its working interest (operating or non-operating) share before deduction of royalties and without including any of its royalty interests;

(b) in relation to wells, the total number of wells in which Kelt has an interest; and

(c) in relation to properties, the total area of properties in which Kelt has an interest.

"**Net**" means:

(a) in relation to Kelt's interest in production or reserves, its working interest (operating or non-operating) share after deduction of royalty obligations, plus its royalty interest in production or reserves;

(b) in relation to wells, the number of wells obtained by aggregating Kelt's working interest in each of its gross wells; and

(c) in relation to its interest in a property, the total area in which Kelt has an interest multiplied by its working interest.

Reserve Categories

Reserves are estimated remaining quantities of oil and natural gas and related substances anticipated to be recoverable from known accumulations, as of a given date, based on:

(a) the analysis of drilling, geological, geophysical and engineering data;

(b) the use of established technology; and

(c) specified economic conditions which are generally accepted as being reasonable.

Reserves are classified according to the degree of certainty associated with the estimates.

(a) Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(b) Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

Development and Production Status

Each of the reserve categories (proved and probable) may be divided into developed and undeveloped categories:

(a) Developed reserves are those reserves that are expected to be recovered from existing wells and installed facilities or, if facilities have not been installed, that would involve a low expenditure (for example, when compared to the cost of drilling a well) to put the reserves on production. The developed category may be subdivided into producing and non-producing.

(i) Developed producing reserves are those reserves that are expected to be recovered from completion intervals open at the time of the estimate. These reserves may be currently producing or, if shut-in, they must have previously been on production, and the date of resumption of production must be known with reasonable certainty.

(ii) Developed non-producing reserves are those reserves that either have not been on production, or have previously been on production, but are shut-in, and the date of resumption of production is unknown.

(b) Undeveloped reserves are those reserves expected to be recovered from known accumulations where a significant expenditure (for example, when compared to the cost of drilling a well) is required to render them capable of production. They must fully meet the requirements of the reserves classification (proved or probable) to which they are assigned.

Levels of Certainty for Reported Reserves

The qualitative certainty levels referred to in the definitions above are applicable to "individual reserve entities" (which refers to the lowest level at which reserves calculations are performed) and to "reported reserves" (which refers to the highest level sum of individual entity estimates for which reserves estimates are presented). Reported reserves should target the following levels of certainty under a specific set of economic conditions:

(a) at least a 90 percent probability that the quantities actually recovered will equal or exceed the estimated proved reserves; and

(b) at least a 50 percent probability that the quantities actually recovered will equal or exceed the sum of the estimated proved plus probable reserves.

A quantitative measure of the certainty levels pertaining to estimates prepared for the various reserves categories is desirable to provide a clearer understanding of the associated risks and uncertainties. However, the majority of reserves estimates are prepared using deterministic methods that do not provide a mathematically derived quantitative measure of probability. In principle, there should be no difference between estimates prepared using probabilistic or deterministic methods.

Description of Costs and Wells

"**Development costs**" mean costs incurred to obtain access to reserves and to provide facilities for extracting, treating, gathering and storing the oil and gas from reserves. More specifically, development costs, including applicable operating costs of support equipment and facilities and other costs of development activities, are costs incurred to:

(a) gain access to and prepare well locations for drilling, including surveying well locations for the purpose of determining specific development drilling sites, clearing ground, draining, road building, and relocating public roads, gas lines and power lines, to the extent necessary in developing the reserves;

(b) drill and equip development wells, development type stratigraphic test wells and service wells, including the costs of platforms and of well equipment such as casing, tubing, pumping equipment and the wellhead assembly;

(c) acquire, construct and install production facilities such as flow lines, separators, treaters, heaters, manifolds, measuring devices and production storage tanks, natural gas cycling and processing plants, and central utility and waste disposal systems; and

(d) provide improved recovery systems.

"**Exploration costs**" mean costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain oil and gas reserves, including costs of drilling exploratory wells and exploratory type stratigraphic test wells. Exploration costs may be incurred both before acquiring the related property and after acquiring the property. Exploration costs, which include applicable operating costs of support equipment and facilities and other costs of exploration activities, are:

(a) costs of topographical, geochemical, geological and geophysical studies, rights of access to properties to conduct those studies, and salaries and other expenses of geologists, geophysical crews and others conducting those studies;

(b) costs of carrying and retaining unproved properties, such as delay rentals, taxes (other than income and capital taxes) on properties, legal costs for title defence, and the maintenance of land and lease records;

(c) dry hole contributions and bottom hole contributions;

(d) costs of drilling and equipping exploratory wells; and

(e) costs of drilling exploratory type stratigraphic test wells.

"**Forecast Prices and Costs**" mean future prices and costs that are:

(a) generally acceptable as being a reasonable outlook of the future; and

(b) if, and only to the extent that, there are fixed or presently determinable future prices or costs to which Kelt is legally bound by a contractual or other obligation to supply a physical product, including those for an extension period of a contract that is likely to be extended, those prices or costs rather than the prices and costs referred to in paragraph (a).

"**Development well**" means a well drilled inside the established limits of an oil and gas reservoir, or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive.

"**Exploratory well**" means a well that is not a development well, a service well or a stratigraphic test well.

"**Service well**" means a well drilled or completed for the purpose of supporting production in an existing field. Wells in this class are drilled for the following specific purposes: gas injection (natural gas, propane, butane or flue gas), water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation or injection for combustion.

"**Stratigraphic test well**" means a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Ordinarily, such wells are drilled without the intention of being completed for hydrocarbon production. They include wells for the purpose of core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic test wells are classified as

(a) "**exploratory type**" if not drilled into a proved property; or

(b) "**development type**", if drilled into a proved property. Development type stratigraphic wells are also referred to as "evaluation wells".

ABBREVIATIONS AND CONVERSIONS

Abbreviations

In this Appendix, the following abbreviations have the meanings set forth below.

AECO	Alberta Energy Company interconnect with Nova system, the Canadian benchmark for natural gas pricing
API	American Petroleum Institute
bbl/d	Barrels per day
bbls	Barrels
BOE	Barrel of oil equivalent of natural gas and crude oil on the basis of one bbl of crude oil for 6 Mcf of natural gas
BOE/d	Barrel of oil equivalent per day
COGEH	Canadian Oil and Gas Evaluation Handbook prepared jointly by The Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy and Petroleum
km	Kilometres
M$	Thousands of dollars
Mbbl	Thousand barrels
Mbbl/d	Thousand barrels per day
MBOE	Thousand barrels of oil equivalent
Mcf	Thousand cubic feet
Mcf/d	Thousand cubic feet per day
MMBtu	One million British thermal units
MMcf	Million cubic feet
MMcf/d	Million cubic feet per day
NGL	Natural gas liquids
WTI	West Texas Intermediate of Cushing, Oklahoma, the benchmark for crude oil pricing purposes

Conversions

The following table sets forth certain standard conversions from Standard Imperial Units to the International System of Units (or metric units).

To Convert From	To	Multiply By
Mcf	Cubic metres	28.174
Cubic metres	Cubic feet	35.494
bbls	Cubic metres	0.159
Cubic metres	bbls	6.293
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.500 (Alberta and British Columbia)
Gigajoules	MMBtu	0.950
MMBtu	Gigajoules	1.0526

FORWARD LOOKING INFORMATION AND STATEMENTS

Certain statements and other information contained in this Appendix constitute forward looking information and forward looking statements (collectively, "**forward looking statements**"). These forward looking statements relate to future events or future performance. All statements other than statements of historical fact may be forward looking statements. Forward looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe", "future", "continue" or similar expressions or the negatives thereof.

In particular, this Appendix contains forward looking statements pertaining to: the Arrangement; the acquisition of the Kelt Assets pursuant to the Arrangement and the Kelt Conveyance Agreement and the terms thereof; the business of the Meeting; stock exchange listings and the timing thereof; the completion and timing of the Private Placement and the amount of proceeds to be raised from the Private Placement; the Credit Facility and the availability of funds thereunder; the funds available to Kelt following completion of the Arrangement and the Private Placement and the establishment of the Credit Facility and the use of such available funds; the estimated NAV of Kelt; the Kelt Option Plan and expectations with respect to the grant of Kelt Options in the future; the Kelt RSU Plan and expectations with respect to the grant of Kelt RSUs in the future; the participation of the executive officers and directors of Kelt in the Private Placement; the number of employees of Kelt and the proposed compensation of the executive officers and directors of Kelt following completion of the Arrangement; the establishment of committees of the Kelt Board following completion of the Arrangement, including the members thereof; corporate governance matters relating to Kelt following completion of the Arrangement; the principal shareholders of Kelt upon completion of the Arrangement and the Private Placement; the anticipated shareholdings of the executive officers and directors of Kelt upon completion of the Arrangement and the Private Placement; the status of Kelt as a reporting issuer upon completion of the Arrangement; the business strategy and business plans of Kelt following completion of the Arrangement; further capital requirements; timing and sources of financing; drilling plans and timing of drilling, re-completion and tie-in of wells; estimated abandonment and reclamation costs; production estimates; growth expectations within Kelt; timing of development of undeveloped reserves; the tax horizon and taxability of Kelt; the performance and characteristics of Kelt's oil and gas properties; the quantity and quality of Kelt's oil, gas and NGL reserves; Kelt's hedging activities; the dividend policy of Kelt; insurance policies of Kelt; and financial information relating to Kelt.

Statements relating to "reserves" are by their nature forward looking statements as they involve the implied assessment, based on certain estimates and assumptions that the reserves described can be profitably produced in the future.

With respect to forward looking statements contained in this Appendix, Kelt has made assumptions regarding, among other things: the completion of the Arrangement and the acquisition of the Kelt Assets and the timing thereof; the completion of the Private Placement and the use of available funds; the availability of funds under the Credit Facility; the receipt, in a timely manner, of Court approval and Regulatory Approvals and Celtic Securityholder and third-party approvals in respect of the Arrangement; future crude oil, natural gas and NGL prices; commodity prices generally; the impact of increasing competition; the availability of drilling and related equipment; current technology; cash flow; production rates; timing and amount of capital expenditures; marketability of oil, natural gas and NGL; royalty rates; future operating costs; effects of regulation by governmental agencies; Kelt's ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet its needs; the regulatory framework with respect to royalties, taxes, environmental matters, resource recovery and securities matters in the jurisdiction in which Kelt will conduct its business; future production levels; future capital expenditures; future sources of funding for Kelt's capital expenditure program; future business plans of Kelt; Kelt's ability to obtain financing on acceptable terms; the sufficiency of budgeted capital expenditures in carrying out planned activities; that Kelt will be able to assume Celtic's role with respect to the Kelt Assets; costs associated with Celtic operations; costs of the Arrangement; and joint venture and other arrangements with counterparties. Certain of these assumptions are based on factors and events that are not within the control of Kelt and there is no assurance they will prove to be correct.

By their very nature, forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. Kelt believes the expectations reflected in these forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included in this Appendix should not be unduly relied upon. These statements speak only as of the date of this Appendix.

Some of the risks that could cause results to differ materially from those expressed in the forward looking statements include: risks relating to Kelt relating to the Arrangement, including the risk of termination of the Arrangement Agreement; the inability to obtain required consents, permits or approvals, including Court approval of the Arrangement, Celtic Securityholder approval of the Arrangement and Regulatory Approvals in accordance with the required timelines contained in the Arrangement Agreement; inability to satisfy the other conditions to the Arrangement Agreement prior to the Outside Date; the risk that the Private Placement may not be approved by Celtic Shareholders and/or the TSX and that the Private Placement may not be completed; the risk that the conditions precedent to the establishment of the Credit Facility may not be satisfied or waived; risks relating to there being no prior public market for the Kelt Shares; the risk of the failure to achieve a stock exchange listing in respect of the Kelt Shares; the failure to realize anticipated benefits of the Arrangement and the acquisition of the Kelt Assets; risk inherent in the business of exploring for, and the development and production of, oil and gas; geological, technical, drilling and processing problems and operational hazards; liabilities as a result of accidental damage to the environment from oil and gas operations; compliance with and liabilities under environmental laws and regulations; relationships with counterparties and third parties; the volatility of prices for crude oil, natural gas and NGL; changes in foreign exchange rates; stock market volatility and market valuations; liquidity and capital market constraints on Kelt; the availability of debt and equity financing to Kelt; general economic conditions; difficulties or an inability to attract qualified personnel; the risk of termination or expiration of leases; the impact of competition; the failure to obtain industry partners and other third-party consents when required; and the other factors discussed under the headings "*Risk Factors*" in the Information Circular and this Appendix.

Readers are cautioned that the foregoing lists of factors are not exhaustive. The forward looking statements contained in this Appendix are expressly qualified by this cautionary statement. Except as required by law, Kelt does not undertake any obligation to publicly update or revise any forward looking statements and readers should also carefully consider the matters discussed under the heading "*Risk Factors*" in the Information Circular and under the heading "*Risk Factors*" in this Appendix.

CORPORATE STRUCTURE OF KELT

Name, Address and Incorporation

Kelt was incorporated under the ABCA on October 11, 2012 as "1705972 Alberta Ltd." On October 19, 2012, Articles of Amendment were filed to change the name of the company to "Kelt Exploration Ltd." On November 7, 2012, Kelt filed Articles of Amendment to remove the private company restrictions on share transfers and to amend the minimum number of directors to three (3).

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

Intercorporate Relationships

As of the date of the Information Circular, Kelt is a wholly-owned subsidiary of Celtic. After giving effect to the Arrangement and, if completed, the Private Placement, Kelt will be wholly-owned by: (i) the Celtic Shareholders who hold Celtic Shares (including the former Celtic Debentureholders who held Celtic Debentures, assuming the Celtic Debentures participate in the Arrangement) immediately prior to the Effective Time, other than those Celtic Securityholders who exercise the Dissent Rights provided under the terms of the Arrangement; (ii) the investors who purchase Kelt Shares under the Private Placement.

Kelt does not have any Subsidiaries.

GENERAL DEVELOPMENT OF THE BUSINESS

General

Kelt was incorporated for the purposes of participating in the Arrangement and acquiring the Kelt Assets and has not carried on any active business other than in connection with the Arrangement and related matters and as discussed in the Information Circular and this Appendix. Pursuant to the Plan of Arrangement and the Kelt Conveyance Agreement, Celtic will transfer the Kelt Assets to Kelt on the Effective Date. Following completion of the Arrangement, Kelt will carry on the exploration for, and development and production of, oil and natural gas in respect of the Kelt Assets. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases in the following areas:

(a) the Grande Cache area of Alberta (approximately 107,840 gross acres and 57,534 net acres) (the "**Grande Cache Property**");

(b) the Inga area of British Columbia (approximately 45,045 gross acres and 18,018 net acres) (the "**Inga Property**"); and

(c) the Karr area of Alberta (approximately 15,360 gross and net acres, after giving effect to the Karr Acquisition described below) situated north-east of the Smoky River (the "**Karr Property**").

Following completion of the Arrangement, Kelt will be a new junior oil and gas exploration and production company led by certain members of the existing management team of Celtic, including David J. Wilson and Sadiq H. Lalani. Kelt will be a growth oriented company with initial production of approximately 3,300 BOE/d and an initial land position of approximately 53,730 net undeveloped acres in its three core areas: (a) the Grande Cache Property, which is a natural gas property; (b) the Inga Property, which is a liquids-rich natural gas property; and (c) the Karr Property, which is an oil prospect.

On November 8, 2012, Celtic completed the acquisition (the "**Karr Acquisition**") of approximately 6,400 gross (6,400 net) acres of undeveloped land in the Karr area of Alberta (the "**Karr Lands**"). The Karr Lands, which will be conveyed to Kelt under the Kelt Conveyance Agreement, are located directly adjacent to the existing lands

comprising the Karr Property and complement those existing holdings. For a description of the Kelt Assets, see "*– The Kelt Conveyance Agreement*" and "*Statement of Reserves Data and Other Oil and Gas Information Regarding the Kelt Assets*" in this Appendix.

Kelt has entered into a commitment letter (the "**Commitment Letter**") with a financial institution providing for the establishment of a revolving operating demand loan in the amount of $40.0 million (the "**Credit Facility**"). Advancement of funds under the Credit Facility is conditional upon the satisfaction of the conditions precedent as set out in the Commitment Letter, including completion of the Arrangement. See "*Capitalization*" and "*Available Funds and Principal Purposes*" in this Appendix.

Immediately following completion of the Arrangement, Kelt intends to complete the Private Placement, which, if fully subscribed, will result in aggregate gross proceeds of approximately $13.9 million. Each Kelt Share will be issued at a subscription price of $2.32, which is equal to the estimated NAV of Kelt on a per share basis following completion of the Arrangement. See "*Other Matters of Special Business Relating to Kelt – Private Placement*" in the Information Circular and "*– The Arrangement and Other Matters to be Considered at the Meeting*", "*Available Funds and Principal Purposes*", "*Capitalization*" and "*Risk Factors – Risks Relating to an Investment in the Kelt Shares*" in this Appendix.

The Arrangement and Other Matters to be Considered at the Meeting

The Arrangement

The following is a summary only of certain of the material terms of the Plan of Arrangement and is subject to, and is qualified in its entirety by, the full text of the Plan of Arrangement attached as Schedule "B" to the Arrangement Agreement, which is attached as Appendix C to the Information Circular.

Kelt entered into the Arrangement Agreement with ExxonMobil, the Purchaser and Celtic on October 16, 2012. The Arrangement Agreement provides for the implementation of the Plan of Arrangement pursuant to which, among other things, the following transactions will occur:

(a) Celtic Shareholders (other than Celtic Shares held by Dissenting Shareholders) will receive for each Celtic Share held: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share; and

(b) all of the issued and outstanding Celtic Debentures (other than Celtic Debentures held by Dissenting Debentureholders) will be converted into the Debenture Share Consideration. The Celtic Debentureholders will then receive, for each Celtic Share received upon such conversion: (i) $24.50 in cash; and (ii) one-half (1/2) of one Kelt Share. The Celtic Debentureholders will also receive the Debenture Interest Consideration.

In addition, pursuant to the Plan of Arrangement, the transactions contemplated by the Kelt Conveyance Agreement shall become effective and pursuant thereto, Celtic shall assign and transfer to Kelt the Kelt Assets, and as consideration for the Kelt Assets, Kelt shall issue to Celtic such number of Kelt Shares equal to one-half (1/2) of the number of issued and outstanding Celtic Shares (including Celtic Shares issued to former Celtic Debentureholders as the Debenture Share Consideration), which Kelt Shares will ultimately be distributed to former Celtic Shareholders as described above, all in accordance with the terms of the Plan of Arrangement.

See "*The Arrangement – Summary of the Arrangement*", "*– Arrangement Steps*" and "*– Effects of the Arrangement*" in the Information Circular.

Other Matters to be Considered at the Meeting

Kelt Option Plan

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to adopt the Kelt Option Plan, which will authorize the Kelt Board to issue Kelt Options to directors,

officers, employees and other eligible service providers of Kelt and its Subsidiaries following completion of the Arrangement. To be adopted, the ordinary resolution must be approved by a simple majority of the votes cast at the Meeting by the Celtic Shareholders. Approval of the Kelt Option Plan will be required by the TSX if the Kelt Shares are listed on the TSX. A copy of the Kelt Option Plan is set out in Appendix G to the Information Circular. The completion of the Arrangement is not conditional upon approval of the Kelt Option Plan by the Celtic Shareholders.

See "*Other Matters of Special Business Relating to Kelt – Kelt Option Plan*" in the Information Circular and "*Kelt Option Plan*" in this Appendix.

Kelt RSU Plan

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to adopt the Kelt RSU Plan, which provides directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries with the opportunity to acquire Kelt Shares through an award of Kelt RSUs following completion of the Arrangement. To be adopted, the ordinary resolution must be approved by a simple majority of the votes cast at the Meeting by the Celtic Shareholders. Approval of the Kelt RSU Plan will be required by the TSX if the Kelt Shares are listed on the TSX. A copy of the Kelt RSU Plan is set out in Appendix H to the Information Circular. The completion of the Arrangement is not conditional upon approval of the Kelt RSU Plan by the Celtic Shareholders.

See "*Other Matters of Special Business Relating to Kelt – Kelt RSU Plan*" in the Information Circular and "*Kelt RSU Plan*" in this Appendix.

Private Placement

At the Meeting, Celtic Shareholders will be asked to consider and, if deemed advisable, to approve an ordinary resolution to authorize the Private Placement, which if fully subscribed, will result in aggregate gross proceeds of approximately $13.9 million. Each Kelt Share will be issued at a subscription price of $2.32, which is equal to the estimated NAV of Kelt on a per share basis following completion of the Arrangement. No finders' fees or commissions will be paid in connection with the Private Placement. The Private Placement will be subject to the approval of the TSX if the Kelt Shares are listed on the TSX. Directors, officers and employees of Kelt, as well as certain other persons, will be entitled to subscribe for all or a portion of the Private Placement. The Private Placement is expected to close immediately following completion of the Arrangement.

The estimated NAV of Kelt has been determined based upon the Kelt Sproule Report whereby the net value of proved and probable reserves are discounted at 10% before tax, as well as an internal estimate of the fair market value of undeveloped lands. The Kelt Board believes that basing the subscription price of $2.32 per Kelt Share on the estimated NAV of Kelt is the most appropriate method of determining the subscription price for the Kelt Shares under the Private Placement. As the Kelt Shares are not currently traded on any stock exchange, this determination of the subscription price has also been made for the additional reasons set forth below.

The purpose of the Private Placement is to provide additional capital for use by Kelt in its exploration and development activities and for general corporate and working capital purposes. In addition, the Kelt Board believes that the Private Placement is important for Kelt: (a) to facilitate increased ownership in Kelt, at a fair price and in a manner which encourages continued performance; (b) to align the interests of Kelt Shareholders through the capital commitment being made under the Private Placement by Kelt employees; and (c) to allow Kelt to meet the challenges in retaining qualified personnel in a very competitive employment market.

Historically, in transactions of this nature, securities issued pursuant to the initial private placement subsequently trade at a premium to the subscription price under the private placement which is often at a greater discount to the market price than the maximum allowable discount permitted by the TSX. However, there can be no assurances that the Kelt Shares will trade at a premium to the issue price of the Kelt Shares pursuant to the Private Placement, if and when the Kelt Shares are listed and posted for trading on the TSX.

To be adopted, the ordinary resolution approving the Private Placement must be approved by a simple majority of the votes cast by the Celtic Shareholders who vote in person or by proxy at the Meeting, excluding votes cast in respect of Celtic Shares held by any Person who will participate in the Private Placement and their associates or Affiliates. The Private Placement will be subject to the approval of the TSX if the Kelt Shares are listed on the TSX.

The completion of the Arrangement is not conditional upon approval of the Private Placement by the Celtic Shareholders.

See "*Other Matters of Special Business Relating to Kelt – Private Placement*" in the Information Circular and "*Available Funds and Principal Purposes*", "*Capitalization*", "*Risk Factors – Risks Relating to an Investment in the Kelt Shares – Trading Price of the Kelt Shares"* and "*Risk Factors – Risks Relating to an Investment in the Kelt Shares – Failure to Complete the Private Placement*" in this Appendix.

Listing and Securities Law Matters

Kelt has applied to list the Kelt Shares on the TSX. Listing is subject to Kelt fulfilling all of the requirements of the TSX. If listing approval is ultimately obtained, trading in the Kelt Shares is expected to commence concurrently with the delisting of the Celtic Shares from the TSX. The completion of the Arrangement is not conditional upon the listing of the Kelt Shares. There can be no assurance that the TSX will list the Kelt Shares. See "*Risk Factors – Risks Relating to an Investment in the Kelt Shares – No Prior Public Market for Kelt Shares*" in this Appendix.

Upon completion of the Arrangement, Kelt will become a reporting issuer or the equivalent thereof in each of the provinces of Canada and will become subject to the informational reporting requirements under applicable securities laws. Kelt Shares to be issued to Celtic Securityholders pursuant to the Arrangement will, subject to certain trading restrictions under applicable securities laws in Canada and the United States, generally not be subject to any resale or transfer restrictions. See "*Principal Legal Matters – Canadian Securities Laws Matters – Resale of Kelt Shares Received in the Arrangement*" and "*Principal Legal Matters – United States Securities Laws Matters*" in the Information Circular.

The Kelt Conveyance Agreement

The following is a summary only of the material terms of the Kelt Conveyance Agreement. Celtic Securityholders are urged to read the Kelt Conveyance Agreement, which will be substantially in the form attached as Schedule "D" to the Arrangement Agreement, which is attached as Appendix C to the Information Circular.

Unless otherwise indicated, capitalized terms used in this section but not otherwise defined in this Appendix or in the "*Glossary of Terms*" in the Information Circular shall have the meanings ascribed thereto in the Kelt Conveyance Agreement.

The completion of the Arrangement is conditional upon Celtic and Kelt entering into the Kelt Conveyance Agreement, in a form satisfactory to the Purchaser, acting reasonably, whereby Celtic will transfer all of the Kelt Assets to Kelt on an "as is, where is" basis and without relying on any representations and warranties, on the Effective Date. See "*The Arrangement Agreement – Conditions of Closing*" and *"Kelt Conveyance Agreement*" in the Information Circular.

The Consideration

As consideration for the transfer of the Kelt Assets, Kelt will provide to Celtic the Conveyance Consideration, equal to the fair market value of the Kelt Assets, payable by the issuance of Kelt Shares as contemplated by the Arrangement Agreement and pursuant to the Plan of Arrangement.

Pursuant to the Kelt Conveyance Agreement, all benefits and obligations of any kind and nature relating to the Kelt Assets, other than income taxes, shall be adjusted between Kelt and Celtic as of the Effective Time. The adjustments shall not constitute an increase or decrease, as the case may be, to the Conveyance Consideration. Notwithstanding the foregoing, all obligations of any kind arising as a result of the implementation and performance

by Celtic of the matters provided for in the Kelt Asset Budget shall be for the sole account of Kelt and Kelt shall be liable for such obligations.

All adjustments shall be settled by payment to or by Celtic and Kelt, as the case may be, as soon as practicable after the Conveyance.

The Kelt Assets

Pursuant to the Kelt Conveyance Agreement, the Kelt Assets include the Petroleum and Natural Gas Rights (as defined below), the Tangibles (as defined below), the Miscellaneous Interests (as defined below) and the Seismic Data (as defined below) that will be held by Celtic at the time of entering into the Kelt Conveyance Agreement in relation to the Grande Cache Property, the Inga Property and the Karr Property.

The Grande Cache Property is a natural gas property located in the Grande Cache area of Alberta approximately 30 km north of Grande Cache, Alberta and is comprised of approximately 107,840 gross (57,534 net) acres. Celtic currently has a 30.0% working interest in the 25 MMcf/d Copton gas plant located at 11-25-59-9-W6M, a 7.0% working interest in the 135 MMcf/d Narraway gas plant located at 10-8-62-10-W6M, and interests in various compressors and gas gathering pipelines.

The Inga Property is a liquids-rich natural gas property located in the Inga area of British Columbia approximately 50 km north west of Ft. St. John, British Columbia and is comprised of approximately 45,045 gross (18,018 net) acres. Celtic currently has a 40.0% ownership interest in a 16.5 MMcf/d gas battery, dehydration and compressor station located at 15-3-88-23-W6M, which has liquids handling capabilities of 2,200 bbl/d.

The Karr Property is a potential oil property located in the Karr area of Alberta, situated north-east of the Smoky River. The property is comprised of approximately 15,360 gross (15,360 net) acres, which includes the Karr Lands acquired pursuant to the Karr Acquisition. See "*General Development of the Business – General*".

"**Petroleum and Natural Gas Rights**" means all of the right, title, estate and interest, whether absolute or contingent, legal or beneficial, present or future, vested or not, and whether or not an "interest in land", held by Celtic in or to the Lands, or any lands pooled or unitized therewith, and the Leases together with any of the following which relate thereto, by whatever name the same are known: (a) rights to explore for, drill for, extract, win, produce, take, save or market Petroleum Substances therefrom; (b) rights to a share of the production of Petroleum Substances therefrom; (c) rights to all Petroleum Substances injected into but not produced therefrom; (d) rights to a share of the proceeds of sale of, or rights to receive payment calculated by reference to, the quantity or value of the production of Petroleum Substances produced therefrom, other than the rights under agreements for the sale of Petroleum Substances; (e) rights to acquire any of the rights described in subparagraphs (a) to (d) of this definition; (f) interests in any rights described in subparagraphs (a) to (e) of this definition; and including all interests and rights known as working interests, royalty interests, overriding royalty interests, gross overriding royalty interests, production payments, profits interests, net profits interests, revenue interests, net revenue interests, economic interests and other interest, fractional or undivided interests in any of the foregoing, and all freehold, leasehold or other interests in any Lands or lands pooled or unitized therewith.

"**Tangibles**" means the right, title, estate and interest of Celtic, to the extent they pertain to the Petroleum and Natural Gas Rights, in and to: (a) all tangible depreciable property and assets which are situated in, on or about the Lands or appurtenant thereto and which are used or were used and not reclaimed or are intended to be used by or on behalf of Celtic to the extent that they are used in connection with production, gathering, processing, measuring, making marketable, injection, removal, transmission or treatment or storage of Petroleum Substances or operations thereon or relative thereto or appurtenant to or used in connection with the Wells or in connection with water or miscible fluids injection or removal operations that pertain to the Petroleum and Natural Gas Rights including inventory, production equipment, fresh and produced water facilities, flowlines, pipeline connections, meters, dehydrators, motors, compressors, treaters, scrubbers, separators, pumps, tanks, boilers and communication equipment; and (b) the Facilities.

"**Miscellaneous Interests**" means the entire interest of Celtic in and to all property, assets, interests and rights pertaining to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells, and the Tangibles, or any of them, but only to the extent that such property, assets, interests and rights pertain to the Petroleum and Natural Gas Rights, the Wells and the Tangibles to which Celtic is entitled at the time of the Conveyance, or any of them, or any rights relating thereto, excluding the Seismic Data, but including any and all of the following: (a) the Leases, the Title and Operating Documents, the Production Sales Contracts, the Transportation Agreements and the Processing Obligations to the extent that they relate to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or any of them; (b) any other contracts and agreements not referred to in subparagraph (a) of this definition, to the extent that they relate to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or any of them; (c) all records, books, documents, licences, permits, approvals, drawings (whether in electronic format or otherwise, including all "as-built" drawings, and including a list of drawings) authorizations, files, or papers which relate to the White Map Areas, the Petroleum and Natural Gas Rights, the Wells and the Tangibles, or any of them; (d) all subsisting leasehold rights to, and rights to enter upon, use or occupy the surface of any lands which are or may be used to gain access to or use or operate within the White Map Area, the Petroleum and Natural Gas Rights, the Wells, and the Tangibles, or any of them, excluding any such rights that pertain only to a well or wells other than the Wells; (e) wellbores and any and all casing associated with the Wells; and (f) the Books and Records; but subject to the limitations and exclusions set forth in the Kelt Conveyance Agreement.

"**Seismic Data**" means the Seismic, rights to which are licensed to Celtic, consisting of the seismic lines agreed to by the parties in the Kelt Conveyance Agreement. "**Seismic**" means any records, books, documents, licences, reports and data associated with all seismic lines situated on the Lands, including without limitation: (a) all permanent records of basic field data including, but not limited to, any and all microfilm or paper copies of seismic driller's reports, monitor records, observer's reports and survey notes and any and all copies of magnetic field tapes or conversions thereof; (b) all permanent records of the processed field data including, but not limited to, any and all microfilm or paper copies of shot point maps, pre- and post-stacked record section including amplitude, phase and structural displays, post-stack data manipulations including filters, migrations and wavelet enhancements, and any and all copies of final stacked tapes and any manipulations and conversions thereof; and (c) in the case of 3D seismic, in addition to the foregoing, all permanent records or bin locations, bin fold, static corrections, surface elevations and any other relevant information.

Pursuant to the Kelt Conveyance Agreement, the definition of "Kelt Assets" may be amended to include portions of Celtic's office lease, office furniture, fixtures, supplies and equipment, software licences and office parking permits upon mutual agreement between Kelt and Celtic on such matters prior to the Effective Date.

Indemnified Liabilities

Pursuant to Section 2.3 of the Kelt Conveyance Agreement, Kelt will agree to assume, pay, discharge, and perform all Indemnified Liabilities (as defined below), including without limitation: (a) those Losses and Liabilities (which for clarity, includes Losses or Liabilities in respect of the Kelt Assets which were incurred or accrued before, on or after the Effective Date) attributable to periods after the Conveyance under each of the Title and Operating Documents or otherwise relating to or arising with respect to the Kelt Assets; and (b) all Kelt Transaction Expenses. Kelt will also, following the Conveyance, promptly satisfy and pay all of the Indemnified Liabilities (to the extent due and payable), including all Kelt Transaction Expenses.

"**Indemnified Liabilities**" means all Losses and Liabilities in respect of the Kelt Assets and the operations or activities in connection with the Kelt Assets incurred or accrued before, on or after the Effective Date, including, without limitation, all Environmental and Reclamation Liabilities in respect of the Kelt Assets whether or not disclosed in writing to ExxonMobil and the Purchaser.

Kelt Indemnities in Favour of Celtic

Pursuant to Section 5.1 of the Kelt Conveyance Agreement, Kelt will indemnify Celtic as follows:

(a) On and after the Conveyance, Kelt shall be liable to Celtic and Celtic's Affiliates and their respective directors, officers, employees and other personnel and agents ("**Related Persons**") for

and shall, in addition, indemnify Celtic and its Related Persons from and against, all Losses and Liabilities suffered, sustained, paid or incurred by Celtic and its Related Persons which relate to the Kelt Assets, including, without limitation and notwithstanding any other provision of the Kelt Conveyance Agreement:

(i) all Environmental Claims and all Environmental and Reclamation Liabilities, howsoever or by whomsoever caused which arise out of any matter or thing occurring before, on or after the Effective Date and which relate to the Kelt Assets;

(ii) any amount of GST or sales or similar Taxes (including interest and penalties) in respect of the purchase and sale of the Kelt Assets under the Kelt Conveyance Agreement that is owing by Kelt and has not been paid by Kelt, including under Section 2.9 of the Kelt Conveyance Agreement; and

(iii) any such Losses or Liabilities suffered, sustained, paid or incurred (on an after-tax basis) by Celtic or its Related Persons arising from or otherwise attributable to the transfer of the Kelt Assets in connection with certain tax matters.

Kelt shall not be entitled to exercise and waives any rights or remedies Kelt may now or in the future have against Celtic or its Related Persons in respect of such environmental damage or contamination or other environmental problems which relate to the Kelt Assets, including, without limitation, any Environmental Claims and/or Environmental and Reclamation Liabilities which relate to the Kelt Assets.

(b) Kelt shall see to the timely performance of all Environmental and Reclamation Liabilities which relate to the Kelt Assets which, in the absence of the Kelt Conveyance Agreement, would be the responsibility of Celtic or its Related Persons. Kelt shall be liable to Celtic and its Related Persons for and shall, in addition, indemnify Celtic and its Related Persons from and against all losses suffered, sustained, paid or incurred by Celtic or any of its Related Persons should Kelt fail to timely perform such obligations which relate to the Kelt Assets.

(c) After the Conveyance, Kelt shall assume all liability for and indemnify, defend and save harmless Celtic and its Related Persons from and against any and all Losses and Liabilities suffered or incurred by them, as a direct or indirect result of:

(i) the breach of any covenant, agreement, representation or warranty of Kelt contained in the Kelt Conveyance Agreement;

(ii) any and all interests, rights, obligations, indemnities, guarantees (whether financial or for performance), liabilities and agreements of any kind whatsoever and whether matured or not, direct or indirect, contingent or absolute, held or provided by, or by which, Celtic or Kelt are bound, relating to the Kelt Assets;

(iii) any and all claims, whether pursued through a court of competent jurisdiction, a regulatory body or otherwise, which result from or by virtue of the enforcement against any shareholder of Celtic or any Affiliate thereof, of any rights, benefits or entitlements accruing to any third party associated therewith related to the Kelt Assets; and

(iv) the Indemnified Liabilities.

On and after the Conveyance, Celtic shall be liable to Kelt for, and shall indemnify Kelt from and against, Losses or Liabilities suffered, sustained, paid or incurred (on an after-tax basis) by Kelt arising from or otherwise attributable to the transfer of the Kelt Assets in respect of certain tax matters.

Post-Conveyance Matters

Following the Conveyance, Kelt shall use all reasonable efforts to cause itself to become registered as a licensee with the Energy Resources Conservation Board (Alberta) and to qualify itself to take assignment of all of the Kelt Assets, including the Wells and operated Facilities. If and to the extent that Celtic maintains any Kelt Assets following the Conveyance and takes any actions with respect to any Kelt Assets on behalf of Kelt, then Celtic shall be deemed to be the agent of Kelt in such regard, Kelt does thereby and shall ratify all actions taken by Celtic or refrained to be taken by Celtic in such capacity, with the intention that all such actions shall be for all purposes deemed to be those of Kelt. If Celtic participates in any operations or exercises rights or options in respect to any Kelt Assets as the agent of Kelt, then Celtic may require Kelt to secure the costs to be incurred by Celtic on behalf of Kelt in respect to such operations or pursuant to such election in such manner as may be reasonably appropriate in the circumstances.

Non-Competition and Non-Solicitation Agreements

Pursuant to the Non-Competition and Non-Solicitation Agreements to be signed on the Effective Date, each of Kelt, David J. Wilson, Sadiq H. Lalani, Michael R. Shea, Alan G. Franks and Patrick Miles will agree that, effective as of the Effective Date and for a period of twelve (12) months thereafter, they (and in the case of Kelt, any of its Affiliates or their respective successors) shall not, without the prior written consent of ExxonMobil on behalf of the Purchaser Parties: (a) directly or indirectly participate in, carry on, conduct or in any manner compete with the Business (as defined in the Non-Competition and Non-Solicitation Agreements, but generally being the current business carried on by Celtic other than in respect of the Kelt Assets) or, directly or indirectly, invest in or have a participating interest in any Person doing the same; or (b) solicit for hire or employment, directly or indirectly, any Person who was an officer, employee or Consultant (as defined in the Arrangement Agreement) of Celtic as of the Effective Date, other than the Excluded Employees (as defined in the Non-Competition and Non-Solicitation Agreements). Similar arrangements are also in effect from the date of execution of the Arrangement Agreement on October 16, 2012 until the Effective Date. See the Information Circular under the heading "*The Arrangement – Non-Competition and Non-Solicitation Agreements*".

DESCRIPTION OF THE BUSINESS

General Description of the Business

Kelt was incorporated for the purposes of participating in the Arrangement and acquiring the Kelt Assets and has not carried on any active business other than in connection with the Arrangement and related matters. Pursuant to the Kelt Conveyance Agreement, Kelt will acquire the Kelt Assets from Celtic on the Effective Date and following completion of the Arrangement, Kelt will carry on the exploration for, and the development and production of, oil and natural gas in respect of the Kelt Assets.

Stated Business Objective

The business plan of Kelt is to create sustainable and profitable growth as a participant in the oil and gas industry in Canada. Kelt will seek to identify and acquire strategic acquisitions of oil and gas properties where it believes further exploitation, development and exploration opportunities exist. In addition, Kelt intends to implement a full cycle exploration program, resulting in exploration and development drilling based on opportunities generated internally.

Kelt plans to pursue the internal and external generation of exploration plays that have low, medium and high risk and multi-zone hydrocarbon potential and plans to maintain a balance between exploration, exploitation and development drilling for oil and gas reserves, although management of Kelt may also consider asset and corporate acquisition opportunities that meet its business parameters. While Kelt believes that it will have the skills and resources necessary to achieve its stated objectives, participation in the exploration for and development of oil and gas has a number of inherent risks. See "*Risk Factors*" in this Appendix.

Marketing

Kelt's crude oil, natural gas and NGL production is expected to be sold primarily through marketing companies at current market prices. Crude oil contracts are generally month to month and cancellable on 30 days notice, NGL contracts are generally for a period of up to one year and are cancellable on 90 days notice and natural gas contracts are generally for one year.

Cyclical and Seasonal Nature of Industry

Kelt's operational results and financial condition will be dependent on the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions, as well as conditions in other oil and natural gas regions. Any decline in oil and natural gas prices could have an adverse effect on the financial condition of Kelt. See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Prices, Markets and Marketing of Crude Oil and Natural Gas*" in this Appendix.

The production of oil and natural gas is dependent on access to areas where development of reserves is to be conducted. Seasonal weather variations, including freeze-up and break-up, affect access in certain circumstances. See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Seasonality*" in this Appendix.

Employees

Kelt has appointed six officers who will be employed by Kelt following completion of the Arrangement. See "*Directors and Executive Officers*" in this Appendix. After giving effect to the Arrangement, Kelt expects that it will have approximately 17 employees. To proceed with the development of the Kelt Assets, Kelt may require additional experienced employees and third-party consultants and contractors. See "*Risk Factors – Risks Relating to the Management of Kelt – Reliance on Personnel*" in this Appendix.

Specialized Skill and Knowledge

Kelt believes its success will be dependent on the performance of its management and key employees, many of whom have specialized knowledge and skills relating to oil and gas operations. Kelt believes that it will have adequate personnel with the specialized skills required to successfully carry out its operations. See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Reliance on Operators and Key Personnel*" and "*– Risks Relating to the Management of Kelt – Reliance on Personnel*" in this Appendix.

Competitive Conditions

The oil and gas industry is highly competitive. Kelt will actively compete for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas entities, many of which have significantly greater financial resources, staff and facilities than Kelt. Kelt and certain of its executive officers (namely, David J. Wilson, Sadiq H. Lalani, Alan G. Franks and Patrick Miles) will also be subject to the Non-Competition and Non-Solicitation Agreements for a period of one year following completion of the Arrangement. See the Information Circular under the heading "*The Arrangement – Non-Competition and Non-Solicitation Agreements*" and "*General Development of the Business – Non-Competition and Non-Solicitation Agreements*" in this Appendix.

Kelt's competitors will include integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. Certain of Kelt's customers and potential customers may themselves explore for oil and natural gas and the results of such exploration efforts could affect Kelt's ability to sell or supply oil or gas to these customers in the future. Kelt's ability to successfully bid on and acquire additional property rights, to discover reserves to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. Competitive factors in the

distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Competition*" in this Appendix.

Environmental Protection

The oil and gas industry is subject to environmental regulations pursuant to applicable legislation. Such legislation provides for restrictions and prohibitions on release or emission of various substances produced in association with certain oil and gas industry operations, and requires that well and facility sites be abandoned and reclaimed to the satisfaction of environmental authorities. As at December 31, 2011, Celtic recorded an obligation on its balance sheet of $8.6 million ($9.8 million as at September 30, 2012) for estimated decommissioning costs related to the Kelt Assets. It is anticipated that Kelt will maintain an insurance program consistent with industry practice to protect against losses due to accidental destruction of assets, well blowouts, pollution and other operating accidents or disruptions. It is also anticipated that Kelt will establish operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. No assurance can be given that the application of environmental laws to the business and operations of Kelt will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Kelt's financial condition, results of operations or prospects. See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Environmental Risks*" in this Appendix.

Social and Environmental Policies

As Kelt was recently incorporated and has not carried on any active business other than as discussed in the Information Circular and this Appendix, Kelt has not yet implemented any social or environmental policies.

Kelt will be committed to meeting industry standards in each jurisdiction in which it operates with respect to human rights, environment, health and safety policies. Management, employees and contractors will be governed by and required to comply with Kelt's pending environment, health and safety policy as well as all applicable federal, provincial and municipal legislation and regulations.

Kelt will establish roles and responsibilities to facilitate effective management of its anticipated environment, health and safety policy throughout the organization. It will be the primary responsibility of the managers, supervisors and other senior field staff of Kelt to oversee safe work practices and ensure that rules, regulations, policies and procedures are being followed.

Bankruptcy and Similar Procedures

There has been no bankruptcy, receivership or similar proceedings against Kelt, or any voluntary bankruptcy, receivership or similar proceedings by Kelt.

Material Restructuring Transactions

Other than the Arrangement, there have been no material restructuring transactions of Kelt. Pursuant to the Plan of Arrangement, the former Celtic Securityholders (other than Dissenting Securityholders and assuming the Celtic Debentures participate in the Arrangement) will receive Kelt Shares. See "*General Development of the Business – The Arrangement and Other Matters to be Considered at the Meeting – The Arrangement*" in this Appendix and "*The Arrangement*" in the Information Circular.

STATEMENT OF RESERVES DATA AND OTHER OIL AND GAS INFORMATION REGARDING THE KELT ASSETS

The statement of reserves data and other oil and gas information set forth below (the "**Reserves Data**") is dated November 16, 2012. The effective date of the Reserves Data is September 30, 2012 and the preparation date of the Reserves Data is October 31, 2012.

The Reserves Data set forth below is based upon an evaluation by Sproule with an effective date of September 30, 2012 contained in the Kelt Sproule Report. The Reserves Data summarizes the oil, natural gas and NGL reserves associated with the Kelt Assets and the net present values of future net revenue for such reserves using forecast prices and costs. The crude oil, natural gas reserves and NGL reserve estimates presented in the Kelt Sproule Report are based on the guidelines contained in COGEH and the reserve definitions contained in both NI 51-101 and COGEH. Sproule was engaged to provide evaluations of proved reserves and proved plus probable reserves and no attempt was made to evaluate possible reserves. Additional information not required by NI 51-101 has been presented to provide continuity and additional information which Kelt believes is important to the readers of this information.

The information regarding the Kelt Assets set forth herein is in respect of all of the Kelt Assets. All of the reserves associated with the Kelt Assets are in Canada and, specifically, in Alberta and British Columbia.

It should not be assumed that the estimates of future net revenues presented in the tables below represent the fair market value of the reserves. There are numerous uncertainties inherent in estimating quantities of crude oil, NGL and natural gas reserves and the future cash flows attributed to such reserves. The reserve and associated cash flow information set forth in this Appendix are estimates only. The recovery and reserve estimates of the crude oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual crude oil, natural gas and NGL reserves may be greater than or less than the estimates provided herein. In general, estimates of economically recoverable crude oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of crude oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary materially from actual results. For those reasons, among others, estimates of the economically recoverable crude oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues associated with reserves may vary and such variations may be material. The actual production, revenues, taxes and development and operating expenditures with respect to the reserves associated with the Kelt Assets may vary from the information presented herein and such variations could be material.

In certain of the tables set forth below, the columns may not add due to rounding.

The Report on Reserves Data by Sproule and the Report of Management and Directors on Oil and Gas Disclosure are included as Schedules "G" and "H", respectively, to this Appendix.

Celtic sought certain exemptive relief with respect to the effective date of the reserves and other oil and gas information relating to the Kelt Assets required to be included in the Information Circular. See the Information Circular under the heading "*Exemptions from Instruments*".

Disclosure of Reserves Data

SUMMARY OF OIL AND GAS RESERVES
as of September 30, 2012
FORECAST PRICES AND COSTS

	Light and Medium Oil		Natural Gas		NGL	
Reserves Category	**Gross (Mbbl)**	**Net (Mbbl)**	**Gross (MMcf)**	**Net (MMcf)**	**Gross (Mbbl)**	**Net (Mbbl)**
PROVED						
Developed Producing	203.8	165.7	32,757	28,862	184.1	145.7
Developed Non-Producing	11.6	9.3	1,136	1,041	8.5	6.7
Undeveloped	677.9	520.7	7,773	5,963	328.6	262.2
TOTAL PROVED	893.3	695.6	41,665	35,867	521.3	414.6
TOTAL PROBABLE	810.8	583.4	14,168	11,777	220.3	174.2
TOTAL PROVED PLUS PROBABLE	1,704.1	1,279.0	55,833	47,644	741.6	588.8

SUMMARY OF NET PRESENT VALUES OF FUTURE NET REVENUE
as of September 30, 2012
FORECAST PRICES AND COSTS

	Before Income Taxes Discounted At (%/year)					After Income Taxes Discounted At (%/year)					Unit Value Before Income Tax Discounted at 10%/year
Reserves Category	**0 (M$)**	**5 (M$)**	**10 (M$)**	**15 (M$)**	**20 (M$)**	**0 (M$)**	**5 (M$)**	**10 (M$)**	**15 (M$)**	**20 (M$)**	**$/BOE**
PROVED											
Developed Producing	120,329	91,677	74,300	62,740	54,529	120,329	91,677	74,300	62,740	54,529	14.51
Developed Non-Producing	4,275	3,304	2,610	2,100	1,716	4,275	3,304	2,610	2,100	1,716	13.77
Undeveloped	40,661	30,247	22,940	17,618	13,618	31,937	23,639	17,813	13,558	10,346	12.91
TOTAL PROVED	165,264	125,228	99,851	82,458	69,863	156,540	118,620	94,724	78,398	66,591	14.09
TOTAL PROBABLE	94,736	55,047	35,900	25,110	18,398	73,774	41,942	26,943	18,602	13,453	13.20
TOTAL PROVED PLUS PROBABLE	260,000	180,276	135,751	107,569	88,261	230,314	160,561	121,666	97,000	80,044	13.84

TOTAL FUTURE NET REVENUE
(UNDISCOUNTED)
as of September 30, 2012
FORECAST PRICES AND COSTS

Reserves Category	Revenue (M$)	Royalties (M$)	Operating Costs (M$)	Development Costs (M$)	Abandonment and Reclamation Costs (M$)	Future Net Revenue Before Income Taxes (M$)	Income Taxes (M$)	Future Net Revenue After Income Taxes (M$)
PROVED	341,640	50,623	88,764	35,142	1,847	165,264	8,724	156,540
PROVED PLUS PROBABLE	543,795	90,612	139,697	51,304	2,183	260,000	29,686	230,314

FUTURE NET REVENUE
BY PRODUCTION GROUP
as of September 30, 2012
FORECAST PRICES AND COSTS

Reserves Category	Production Group	Future Net Revenue Before Income Taxes (Discounted at 10%/Year) (M$)	Unit Value ($/BOE)
PROVED RESERVES	Light and Medium Crude Oil (including solution gas and other by-products)	2,692	10.21
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	97,159	14.24
	Total	99,851	14.09
PROVED PLUS PROBABLE RESERVES	Light and Medium Crude Oil (including solution gas and other by-products)	10,971	13.37
	Natural Gas (including by-products but excluding solution gas and by-products from oil wells)	124,780	13.88
	Total	135,751	13.84

Pricing Assumptions

Sproule employed the following pricing, exchange rate and inflation rate assumptions in estimating the Reserves Data using forecast prices and costs as of September 30, 2012.

Year	WTI Cushing Oklahoma ($US/bbl)	Edmonton Par Price 40° API ($Cdn/bbl)	Cromer Medium 29.3° API ($Cdn/bbl)	Natural Gas AECO Gas Prices ($Cdn/MMBtu)	Pentanes Plus FOB Edmonton ($Cdn/bbl)	Butanes FOB Edmonton ($Cdn/bbl)	Inflation Rate (%/yr)	Exchange Rate ($US/$Cdn)
Historical								
2007	72.27	77.06	65.36	6.65	77.33	63.71	2.0	0.935
2008	99.59	102.85	93.05	8.15	104.70	75.09	1.1	0.943
2009	61.63	66.20	62.77	4.19	68.13	49.34	2.0	0.880
2010	79.43	77.80	73.67	4.16	84.21	57.99	1.2	0.971
2011	95.00	95.16	87.86	3.72	104.12	70.93	1.5	1.012
Forecast								
2012	96.34	91.97	84.61	2.76	102.75	68.55	2.0	0.994
2013	97.02	97.64	89.83	3.25	104.55	72.78	2.0	0.994
2014	93.63	94.24	86.70	3.67	100.90	70.24	2.0	0.994
2015	92.33	92.93	85.50	4.31	99.50	69.27	2.0	0.994
2016	99.37	100.01	92.01	5.80	107.08	74.54	2.0	0.994
2017	101.35	102.01	93.85	5.92	109.22	76.03	2.0	0.994
2018	103.38	104.05	95.73	6.05	111.41	77.55	2.0	0.994
2019	105.45	106.13	97.64	6.18	113.63	79.10	2.0	0.994
2020	107.56	108.25	99.59	6.31	115.91	80.69	2.0	0.994
2021	109.71	110.42	101.58	6.44	118.22	82.30	2.0	0.994
2022	111.90	112.63	103.62	6.57	120.59	83.95	2.0	0.994
Thereafter				Escalation Rate of 2%				

Reserves Reconciliation

The following table sets forth a reconciliation in gross reserves of the Kelt Assets for the nine months ended September 30, 2012, derived from the Kelt Sproule Report using forecast prices and costs estimates, reconciled to the gross reserves at December 31, 2011.

	Light and Medium Oil			Associated and Non-Associated Gas[(1)]		
Factors	Gross Proved (Mbbl)	Gross Probable (Mbbl)	Gross Proved Plus Probable (Mbbl)	Gross Proved (MMcf)	Gross Probable (MMcf)	Gross Proved Plus Probable (MMcf)
December 31, 2011	923.3	297.5	1,220.8	45,317	9,755	55,072
Extensions and Improved Recovery	129.9	468.3	598.2	2,181	2,346	4,527
Technical Revisions	(344.1)	(101.0)	(445.1)	(947)	1,774	827
Discoveries	238.8	145.9	384.7	630	386	1,016
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0
Economic Factors	(0.3)	0	(0.3)	(517)	(93)	(610)
Production	(54.3)	0	(54.3)	(4,999)	0	(4,999)
September 30, 2012	893.3	810.8	1,704.1	41,665	14,168	55,833

Note:
(1) Associated and Non-Associated Gas includes solution gas.

	NGL			BOE		
Factors	**Gross Proved (Mbbl)**	**Gross Probable (Mbbl)**	**Gross Proved Plus Probable (Mbbl)**	**Gross Proved (MBOE)**	**Gross Probable (MBOE)**	**Gross Proved Plus Probable (MBOE)**
December 31, 2011	218.5	63.8	282.3	8,694.5	1,987.2	10,681.7
Extensions and Improved Recovery	97.1	76.4	173.5	590.5	935.8	1,526.3
Technical Revisions	230.6	73.6	304.2	(271.3)	268.3	(3.0)
Discoveries	10.7	6.6	17.3	354.6	216.8	571.4
Acquisitions	0	0	0	0	0	0
Dispositions	0	0	0	0	0	0
Economic Factors	(0.5)	(0.1)	(0.6)	(87.0)	(15.5)	(102.5)
Production	(35.2)	0	(35.2)	(922.7)	0	(922.7)
September 30, 2012	521.3	220.3	741.6	8,358.7	3,392.5	11,751.2

Additional Information Relating to Reserves Data for the Kelt Assets

Undeveloped Reserves

Undeveloped reserves are attributed by Sproule in accordance with standards and procedures contained in COGEH. Proved undeveloped reserves are those reserves that can be estimated with a high degree of certainty and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Probable undeveloped reserves are those reserves that are less certain to be recovered than Proved Reserves and are expected to be recovered from known accumulations where a significant expenditure is required to render them capable of production. Proved and probable undeveloped reserves have been assigned in accordance with engineering and geological practices as defined under NI 51-101. In general, undeveloped reserves associated with the Kelt Assets are planned to be developed over the next two years.

In some cases, it will take longer than two years to develop these reserves. There are a number of factors that could result in delayed or cancelled development, including the following: (i) changing economic conditions (due to pricing, operating and capital expenditure fluctuations); (ii) changing technical conditions (including production anomalies, such as water breakthrough or accelerated depletion); (iii) multi-zone developments (for instance, a prospective formation completion may be delayed until the initial completion formation is no longer economic); (iv) a larger development program may need to be spread out over several years to optimize capital allocation and facility utilization; and (v) surface access issues (including those relating to land owners, weather conditions and regulatory approvals). For more information, see "*Risk Factors*" in this Appendix.

Proved Undeveloped Reserves

The following tables set forth the proved undeveloped reserves, by product type, first attributed to the Kelt Assets in each of the following financial periods.

	Light and Medium Oil		Natural Gas		NGL	
Year/Period	**First Attributed[(1)] (Mbbl)**	**Total at Period End (Mbbl)**	**First Attributed[(1)] (MMcf)**	**Total at Period End (MMcf)**	**First Attributed[(1)] (Mbbl)**	**Total at Period End (Mbbl)**
December 31, 2009[(2)]	0	0	0	0	0	0
December 31, 2010	151.2	151.2	1,901	1,901	40.9	40.9
December 31, 2011	399.0	627.0	4,603	7,231	77.8	122.2
September 30, 2012	358.6	677.9	2,727	7,772	104.1	328.6

Notes:

(1) "First attributed" refers to reserves first attributed at year-end or at September 30, 2012.

(2) The Inga Property was not acquired by Celtic until 2010 and the Grande Cache Property was not acquired by Celtic until 2011. No reserves were attributable to the Karr Property until 2012. Accordingly, no reserves were attributable to any of the Kelt Assets for the financial year ended December 31, 2009.

Sproule has assigned 2,301.9 MBOE of proved undeveloped reserves in the Kelt Sproule Report under forecast prices and costs, together with approximately $34,648,000 of associated undiscounted future capital expenditures. Proven undeveloped capital spending in the first two forecast years of the Kelt Sproule Report accounts for approximately $34,648,000 or 100%, of the total forecast.

Probable Undeveloped Reserves

The following tables set forth the probable undeveloped reserves, by product type, first attributed to the Kelt Assets in each of the following financial periods.

	Light and Medium Oil		Natural Gas		NGL	
Year/Period	First Attributed[(1)] (Mbbl)	Total at Period End (Mbbl)	First Attributed[(1)] (MMcf)	Total at Period End (MMcf)	First Attributed[(1)] (Mbbl)	Total at Period End (Mbbl)
December 31, 2009[(2)]	0	0	0	0	0	0
December 31, 2010	198.8	198.8	2,499	2,499	53.7	53.7
December 31, 2011	108.0	198.0	1,756	2,796	21.2	38.7
September 30, 2012	610.2	717.0	2,697	4,784	81.4	152.5

Notes:

(1) "First attributed" refers to reserves first attributed at year-end or at September 30, 2012.

(2) The Inga Property was not acquired by Celtic until 2010 and the Grande Cache Property was not acquired by Celtic until 2011. No reserves were attributable to the Karr Property until 2012. Accordingly, no reserves were attributable to any of the Kelt Assets for the financial year ended December 31, 2009.

Sproule has assigned 1,666.8 MBOE of probable undeveloped reserves and has allocated future development capital of approximately $15,326,000 to all probable undeveloped reserves with approximately $15,326,000 scheduled for the first five years.

Significant Factors or Uncertainties

The process of estimating reserves is complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. The reserve estimates contained herein are based on current production forecasts, commodity prices and economic conditions. Kelt's reserves are evaluated by Sproule, an independent engineering firm.

Estimates made are reviewed and revised, either upward or downward, as warranted by new information. Revisions are often required due to changes in well performance, commodity prices, economic conditions and governmental restrictions. Although every reasonable effort is made to ensure that reserve estimates are accurate, reserve estimation is an inferential science. Kelt's actual production, revenues, taxes, development and operating expenditures with respect to its reserves may vary from such estimates, and such variances could be material. See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Reserve Estimates*" in this Appendix.

Future Development Costs

The following table sets forth development costs deducted in the estimation of the future net revenue attributable to the reserve categories noted below, using forecast prices and costs.

Year	Proved Reserves (M$)	Proved Plus Probable Reserves (M$)
2012 Q4	13,852	13,852
2013	12,901	24,137
2014	8,355	10,987
2015	22	2,315
2016	0	0
2017	0	0
Thereafter	13	13
Total (Undiscounted)	35,143	51,304

Kelt expects to fund the development costs of these reserves through a combination of the funds available from the Private Placement, the Credit Facility, internally generated cash flow and the issuance of new equity and/or debt where and when it believes appropriate. See "*Available Funds and Principal Purposes*" in this Appendix.

There can be no guarantee that funds will be available or that the Kelt Board will allocate funding to develop all of the reserves attributable in the Kelt Sproule Report. Failure to develop those reserves could have a negative impact on Kelt future cash flow.

The interest or other costs of external funding are not included in the reserves and future net revenue estimates set forth above and would reduce the reserves and future net revenue to some degree depending upon the funding sources utilized. Kelt does not anticipate that interest or other funding costs would make further development of any of the Kelt Assets uneconomic.

See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Substantial Capital Requirements; Liquidity*" and "*– Reserve Estimates*" in this Appendix.

Other Oil and Gas Information

Oil and Gas Properties

The Grande Cache and Karr Properties are located in Alberta and the Inga Property is located in British Columbia and all of the properties are located onshore. For a description of the Grande Cache, Inga and Karr Properties, and a description of the major plants, facilities and installations associated with such properties, see "*General Development of the Business – The Kelt Conveyance Agreement – The Kelt Assets*".

The Karr Property is not currently producing. One well was drilled during July to September 2012 (100/16-28-065-03W6/3), which was a re-entry and horizontal drill of a previously tested vertical well and is currently waiting on completion.

Oil and Gas Wells

The following table sets forth the number and status of wells as at September 30, 2012 in which Kelt will have a working interest upon completion of the Arrangement (including the Conveyance).

	Producing Wells				Non-Producing Wells				Total			
	Oil		Natural Gas		Oil		Natural Gas		Oil		Natural Gas	
Location	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta	0	0.0	75	44.5	1	1.0	21	9.8	1	1.0	96	54.3
British Columbia	0	0.0	9	3.6	0	0.0	7	2.8	0	0.0	16	6.4
Total	0	0.0	84	48.1	1	1.0	28	12.6	1	1.0	112	60.7

Properties with no Attributed Reserves

The following table sets forth the gross and net acres of unproved properties to be held by Kelt and the net area of unproved property for which Kelt expects its rights to explore, develop and exploit to expire during the next year.

	Unproved Properties (acres)		
Location	**Gross**	**Net**	**Net Area to Expire by December 31, 2013**
Alberta	86,360	53,237	2,480
British Columbia	43,085	17,234	106
Total	129,445	70,471	2,586

One (1.0) net well must be spud at the Karr Property prior to January 8, 2013 to provide for the continuation of 10,880 gross (10,880 net) acres of land. As of the date of the Information Circular, this well is expected to spud in mid-December 2012. In addition, Kelt will incur routine costs commonly associated with the development and operation of oil and gas properties during the financial year ended December 31, 2013.

Forward Contracts

Kelt's operational results and financial condition will be dependent upon the prices received for oil and natural gas production. Oil and natural gas prices have fluctuated widely in recent years. Such prices are primarily determined by economic and political factors. Supply and demand factors, as well as weather and conditions in other oil and natural gas regions of the world also impact prices. Any upward or downward movement in oil and natural gas prices could have an effect on Kelt's financial condition.

Kelt may use certain financial instruments to hedge its exposure to commodity price fluctuations on a portion of its crude oil and natural gas production. These hedging activities could expose Kelt to losses or gains. See "*Risk Factors – Risks Relating to Kelt and the Kelt Assets – Hedging*".

Additional Information Concerning Abandonment and Reclamation Costs

Kelt estimates the costs associated with well abandonment and reclamation based on its previous experience, current regulations, costs, technology and industry standards area by area. Kelt expects to incur abandonment and reclamation costs on 113 gross wells (61.7 net wells), comprising currently producing, non-producing and service wells. Kelt's share of the expected total abandonment and reclamation costs for wells with assigned reserves, non-producing and service wells and facilities, net of salvage value are summarized, without discount and using a discount rate of 10%, in the following table as at September 30, 2012.

Category	**Proved NPV 0% (M$)**	**Proved NPV 10% (M$)**	**Proved Plus Probable NPV 0% (M$)**	**Proved Plus Probable NPV 10% (M$)**
Wells with reserves assigned[1]	1,847	546	2,183	454
Wells with reserves assigned plus wells with no reserves assigned plus facilities[2][3]	13,786	2,776	15,422	1,658
Total abandonment and reclamation cost provision	15,633	3,322	17,605	2,112
Portion forecast to be paid in next three years				
Included in Kelt Sproule Report[1]	163	129	65	53
Not included in Kelt Sproule Report[2][3]	543	430	216	174
Total over next three years	706	559	281	227

Notes:

(1) Abandonment and disconnect costs were estimated by Sproule and are included in the Kelt Sproule Report for all wells assigned reserves and for all un-drilled locations assigned reserves.

(2) Reclamation costs, for wells assigned reserves and for all un-drilled locations assigned reserves, are not included in the Kelt Sproule Report but were estimated by Kelt.

(3) Kelt has estimated the timing and costs associated with the abandonment and reclamation for wells with no reserves assigned and for facilities. These costs were not included in the Kelt Sproule Report.

Tax Horizon

As a newly incorporated entity, Kelt has not been required to pay any income related taxes. Following the Arrangement (including the Conveyance), Kelt will have approximately $142.0 million of tax pools available, primarily Canadian Oil and Gas Property Expense and Capital Cost Allowance deductions. It is expected, based upon current legislation, the projections contained in the Kelt Sproule Report and various other assumptions that no cash income taxes are to be paid by Kelt in the near future. A higher level of capital expenditures than those contained in the Kelt Sproule Report, or further additional acquisitions, could further extend the estimated tax horizon.

Costs Incurred

The following table summarizes property acquisition costs, exploration costs and development costs (before property dispositions, and drilling royalty credits) incurred during the year ended December 31, 2011 in respect of the Kelt Assets.

Nature of Cost	Amount (M$)
Property Acquisition Costs	
Proved Properties	43,917
Unproved Properties	1,781
Exploration Costs	4,028
Development Costs	16,321
Total	66,047

The following table summarizes the property acquisition costs, exploration costs and development costs (before property dispositions, and drilling royalty credits) incurred during the nine months ended September 30, 2012 in respect of the Kelt Assets.

Nature of Cost	Amount (M$)
Property Acquisition Costs	
Proved Properties	137
Unproved Properties	130
Exploration Costs	8,185
Development Costs	17,179
Total	25,631

Exploration and Development Activities

The following table sets forth the gross and net wells on the Kelt Assets in which Celtic participated during the year ended December 31, 2011:

	Exploratory		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil wells	–	–	–	–	–	–
Gas wells	–	–	4	1.6	4	1.6
Service wells	–	–	–	–	–	–
Stratigraphic test wells	–	–	–	–	–	–
Dry holes	–	–	–	–	–	–
Total	–	–	4	1.6	4	1.6

The following table sets forth the gross and net wells on the Kelt Assets in which Celtic participated during the nine months ended September 30, 2012:

	Exploratory		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil wells	–	–	1	1.0	1	1.0
Gas wells	1	0.4	4	1.6	5	2.0
Service wells	–	–	–	–	–	–
Stratigraphic test wells	–	–	–	–	–	–
Dry holes	–	–	–	–	–	–
Total	1	0.4	5	2.6	6	3.0

During 2013, Kelt expects to drill wells in each of its three core operating areas, targeting natural gas at Grande Cache, Alberta, liquids-rich natural gas at Inga, British Columbia, and light oil at Karr, Alberta. See "*Available Funds and Principal Purposes*" in this Appendix.

Production Estimates

The following tables disclose by product type the volume of working interest share of production estimated for the Kelt Assets before the deduction of royalties plus Kelt's royalty interest share of production for the three months ending December 31, 2012 and the twelve months ending December 31, 2013 reflected in the estimate of future net revenue disclosed in the tables under the heading "*– Disclosure of Reserves Data*".

Three Months Ending December 31, 2012

	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
PROVED				
Producing	275	17,249	140	3,291
Developed				
Non-Producing	0	0	0	0
Undeveloped	225	1,087	48	454
TOTAL PROVED	500	18,336	188	3,745
TOTAL PROBABLE	6	229	6	50
TOTAL PROVED PLUS PROBABLE	507	18,564	195	3,795

Twelve Months Ending December 31, 2013

	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
PROVED				
Producing	133	14,562	103	2,663
Developed				
Non-Producing	0	0	0	0
Undeveloped	564	3,953	163	1,385
TOTAL PROVED	697	18,515	266	4,048
TOTAL PROBABLE	82	672	11	205
TOTAL PROVED PLUS PROBABLE	779	19,187	277	4,254

The Grande Cache Property and the Inga Property each account for 20% or more of the estimated production set forth in the immediately preceding tables. The following tables disclose by product type the volume of working interest share of production estimated for each of the Grande Cache and Inga Properties before the deduction of royalties plus Kelt's royalty interest share of production for the three months ending December 31, 2012 and the twelve months ending December 31, 2013.

Grande Cache Property – Three Months Ending December 31, 2012

	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
PROVED				
Producing	9	14,330	11	2,407
Developed				
Non-Producing	0	0	0	0
Undeveloped	0	0	0	0
TOTAL PROVED	9	14,330	11	2,407
TOTAL PROBABLE	0	106	0	18
TOTAL PROVED PLUS PROBABLE	9	14,436	11	2,425

Grande Cache Property – Twelve Months Ending December 31, 2013

	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
PROVED				
Producing	8	12,455	9	2,093
Developed				
Non-Producing	0	0	0	0
Undeveloped	0	0	0	0
TOTAL PROVED	8	12,455	9	2,093
TOTAL PROBABLE	0	300	0	50
TOTAL PROVED PLUS PROBABLE	8	12,755	9	2,143

Inga Property – Three Months Ending December 31, 2012

	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
PROVED				
Producing	268	2,919	129	884
Developed Non-Producing	0	0	0	0
Undeveloped	225	1,087	48	454
TOTAL PROVED	493	4,006	177	1,338
TOTAL PROBABLE	5	123	7	32
TOTAL PROVED PLUS PROBABLE	498	4,128	184	1,370

Inga Property – Twelve Months Ending December 31, 2013

	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
PROVED				
Producing	126	2,108	94	571
Developed Non-Producing	0	0	0	0
Undeveloped	377	3,461	154	1,108
TOTAL PROVED	503	5,568	248	1,679
TOTAL PROBABLE	7	174	8	44
TOTAL PROVED PLUS PROBABLE	510	5,743	256	1,723

Production History

The following table summarizes certain information in respect of production, prices received, royalties paid operating expenses and resulting netback associated with the Kelt Assets for the periods indicated below:

	Quarter Ended				Year Ended	Nine Months Ended
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011[1]	December 31, 2011[1]	September 30, 2012
Average Gross Daily Production						
Light and Medium Oil (bbl/d)	117	182	1	4	136	100
Natural Gas (Mcf/d)	18,510	19,266	17,572	15,943	19,412	18,450
NGL (bbl/d)	218	199	331	19	79	249
Combined (BOE/d)	3,421	3,592	3,260	2,680	3,451	3,424
Average Price Received						
Light and Medium Oil ($/bbl)	75.74	81.72	92.96	72.36	88.50	79.47
Natural Gas ($/Mcf)	2.43	2.01	2.38	3.06	3.55	2.27
NGL ($/bbl)	62.66	71.75	90.80	89.93	85.46	77.44
Combined ($/BOE)	19.76	18.90	22.03	18.94	25.45	20.18
Royalties Paid						
Light and Medium Oil ($/bbl)	10.77	11.85	14.07	3.87	10.76	11.55
Natural Gas ($/Mcf)	0.07	0.01	0.31	0.36	0.54	0.12
NGL ($/bbl)	10.32	13.35	17.16	21.53	16.71	14.09
Combined ($/BOE)	1.39	1.41	3.41	2.32	3.85	2.03

	Quarter Ended				Year Ended December 31, 2011[1]	Nine Months Ended September 30, 2012
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011[1]		
Production and Transportation Costs						
Light and Medium Oil ($/bbl)	8.43	8.40	9.75	27.93	10.41	8.41
Natural Gas ($/Mcf)	1.21	1.29	1.64	1.01	0.97	1.37
NGL ($/bbl)	8.30	7.01	9.29	13.23	9.36	8.39
Combined ($/BOE)	7.35	7.71	9.79	6.13	6.07	8.25
Resulting Netback						
Light and Medium Oil ($/bbl)	56.54	61.47	69.14	40.56	67.33	59.51
Natural Gas ($/Mcf)	1.15	0.71	0.43	1.69	2.04	0.78
NGL ($/bbl)	44.04	51.39	64.35	55.17	59.39	54.96
Combined ($/BOE)	11.01	9.78	8.83	10.49	15.53	9.90

Note:

(1) For the three and twelve months ended December 31, 2011, the amounts reflect *pro foma* combined operating information in respect of the Grande Cache and Inga Properties, assuming production from the Grande Cache Property is included since the beginning of the reporting period.

The following table indicates the approximate average daily production from the Grande Cache Property and the Inga Property for the year ended December 31, 2011:

Property	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
Grande Cache Property	4	17,642	18	2,962
Inga Property	133	1,770	61	489
Total	136	19,412	79	3,451

The following table indicates the approximate average daily production from the Grande Cache Property and the Inga Property for the nine months ended September 30, 2012:

Property	Light and Medium Oil (bbl/d)	Natural Gas (Mcf/d)	NGL (bbl/d)	Total (BOE/d)
Grande Cache Property	1	15,271	22	2,568
Inga Property	99	3,179	227	857
Total	100	18,450	249	3,424

SELECTED FINANCIAL INFORMATION AND MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Statements

Included in Schedule "A" to this Appendix are the following financial statements of Kelt (the "**Kelt Financial Statements**"):

(a) an audited statement of financial position of Kelt as at October 31, 2012; and

(b) audited statements of changes in shareholders' equity and cash flows for the period from the date of incorporation of Kelt on October 11, 2012 to October 31, 2012.

Included in Schedule "B" to this Appendix are the separate audited operating statements in respect of the Grande Cache and Inga Properties for the financial years ended December 31, 2011, 2010 and 2009, which include the following line items:

(a) revenues;

(b) royalties;

(c) production and transportation expenses; and

(d) operating income.

In addition, included in Schedule "B" to this Appendix is management's discussion and analysis in respect of the revenues, royalties and production and transportation expenses of the Grande Cache and Inga Properties for the financial years ended December 31, 2011 and 2010.

Included in Schedule "C" to this Appendix are the following financial statements in respect of the Kelt Assets (but only including the Grande Cache and Inga Properties subsequent to their respective acquisitions by Celtic):

(a) an unaudited statement of financial position as at September 30, 2012 and December 31, 2011;

(b) unaudited statements of changes in owner's net investment for the nine months ended September 30, 2012 and 2011 and unaudited statements of profit (loss) and comprehensive income (loss) and cash flows for the three and nine months ended September 30, 2012 and 2011;

(c) an audited statement of financial position as at December 31, 2011, 2010 and 2009; and

(d) audited statements of profit (loss) and comprehensive income (loss), changes in owner's net investment and cash flows for the years ended December 31, 2011, 2010 and 2009.

Included in Schedule "D" to this Appendix are the following unaudited *pro forma* financial statements in respect of the Kelt Assets (the "***Pro Forma* Statements**"):

(a) an unaudited *pro forma* statement of financial position as at September 30, 2012; and

(b) unaudited *pro forma* statements of comprehensive income for the nine months ended September 30, 2012 and the year ended December 31, 2011.

Celtic sought certain exemptive relief with respect to the financial statements required to be included in the Information Circular. See the Information Circular under the heading "*Exemptions from Instruments*".

The production, gross revenue, royalty expenses, production costs and operating income in respect of the Karr Property were nil for the years ended December 31, 2011, 2010 and 2009 and the nine months ended September 30, 2012.

Selected *Pro Forma* Financial Information for Kelt

The following is a summary of selected unaudited *pro forma* carve-out financial information following completion of the Arrangement. The unaudited *pro forma* financial information set forth below and the *Pro Forma* Statements attached as Schedule "D" to this Appendix are not necessarily indicative of results of operations that would have occurred during the year ended December 31, 2011 or the nine months ended September 30, 2012, had the Arrangement been effective prior to such periods. The following is a summary only and must be read in conjunction with the information contained under the headings "*The Arrangement*" and "*Information Concerning Kelt*" in the Information Circular and the other information included in this Appendix, including the *Pro Forma* Statements attached as Schedule "D" to this Appendix.

***Pro Forma* Statement of Financial Position**	**As at September 30, 2012 (M$)**
Assets	90,459
Liabilities	9,984
Shareholders' Equity	80,475

***Pro Forma* Statement of Profit (Loss) and Comprehensive Income (Loss)**	**Nine Month Period Ended September 30, 2012 (M$)**
Revenue, after Royalties	17,027
Expenses	19,823
Profit (Loss) and Comprehensive Income (Loss)	(2,796)

***Pro Forma* Statement of Profit and Comprehensive Income**	**Year Ended December 31, 2011 (M$)**
Revenue, after Royalties	27,203
Expenses[(1)]	24,162
Profit and Comprehensive Income	1,873

Note:
(1) Excludes deferred income tax expense of $1,168.

Management's Discussion and Analysis

Included as Schedule "E" to this Appendix is the following management's discussion and analysis in respect of the Kelt Assets:

(a) management's discussion and analysis of the financial condition and results of operations of the Kelt Assets for the three and nine months ended September 30, 2012; and

(b) management's discussion and analysis of the financial conditions and results of operations for the years ended December 31, 2011 and 2010.

AVAILABLE FUNDS AND PRINCIPAL PURPOSES

After giving effect to the Arrangement and the Private Placement (assuming the Private Placement is fully subscribed), Kelt is expected to have working capital available to it of approximately $6.4 million (after the deduction of transaction costs in connection with the Arrangement and the Private Placement and after all necessary operating adjustments to be made pursuant to the Kelt Conveyance Agreement). In addition, Kelt has entered into the Commitment Letter providing for the establishment of the Credit Facility in the amount of $40.0 million. Advancement of funds under the Credit Facility is conditional upon the satisfaction of the conditions precedent as set out in the Commitment Letter, including completion of the Arrangement. After giving effect to Arrangement, the Private Placement (assuming the Private Placement is fully subscribed) and the establishment of the Credit Facility, Kelt is expected to have available working capital and bank credit of approximately $46.4 million. See "*General Development of the Business – General*" and "*Capitalization*" in this Appendix.

It is expected that these available funds will be used to fund Kelt's exploration and development activities and for general working capital purposes, which is consistent with the business objectives of Kelt set out under the heading "*Description of the Business – Stated Business Objective*" in this Appendix. Other than the successful completion of the Arrangement (including the Conveyance), the Private Placement and the establishment of the Credit Facility, there is no particular significant event or milestone that must be met for Kelt's business objectives to be met.

While Kelt intends to use the available funds as stated above, there may be circumstances that are not known at this time where a reallocation of the available funds may be advisable for business reasons that management believes are in Kelt's best interests and as a result there is no assurance Kelt will use the funds available as stated. See "*Forward Looking Information and Statements*" and "*Risk Factors – Risks Relating to an Investment in the Kelt Shares – Discretion in Use of Funds*" in this Appendix.

The estimated available working capital and bank credit of Kelt upon completion of the Arrangement and the Private Placement and following the establishment of the Credit Facility, is inherently difficult to calculate and is dependent upon assumptions such as the completion of the Arrangement and the Private Placement and the establishment of the Credit Facility, future results of and expenditures by Celtic to the date of calculation, the costs of the Arrangement and other factors. The actual available working capital and bank credit of Kelt upon the completion of the Arrangement and the Private Placement and following the establishment of the Credit Facility may be materially different than the current estimates and such a difference could have a material adverse effect on the financial position of Kelt and its ability to fund its exploration, development and production activities relating to the Kelt Assets. See "*Forward Looking Information and Statements*", "*Risk Factors – Risks Relating to the Arrangement – Other Risks Relating to the Arrangement*", "*– Risks Relating to Kelt and the Kelt Assets – Working Capital*" and "*– Risks Relating to an Investment in the Kelt Shares – Failure to Complete the Private Placement*" this Appendix.

Pursuant to the Kelt Conveyance Agreement, Kelt has agreed to indemnify Celtic in certain circumstances. See "*General Development of the Business – The Kelt Conveyance Agreement*" in this Appendix.

DIVIDEND POLICY

There are no restrictions in Kelt's articles or elsewhere which could prevent Kelt from paying dividends. It is not currently contemplated that any dividends will be paid on any shares of Kelt in the immediate future, as it is anticipated that all available funds will be invested to finance the growth of Kelt's business. The directors of Kelt will determine if, and when, dividends will be declared and paid in the future from funds properly applicable to the payment of dividends based on Kelt's financial position at the relevant time. Any decision to pay dividends on any shares of Kelt will be made by the directors on the basis of Kelt's earnings, financial requirements and other factors existing at such future time, including, but not limited to, commodity prices, production levels, capital expenditure requirements, debt service requirements, if any, operating costs, royalty burdens, foreign exchange rates and the satisfaction of the liquidity and solvency tests imposed by the ABCA for the declaration and payment of dividends.

DESCRIPTION OF SHARE CAPITAL

Kelt is authorized to issue an unlimited number of Kelt Shares and an unlimited number of preferred shares, issuable in series ("**Kelt Preferred Shares**"), of which one (1) Kelt Share (being the Founding Kelt Share) and no Kelt Preferred Shares are issued and outstanding as of the date of the Information Circular. See "*Prior Sales*" in this Appendix.

Pursuant to the Arrangement, the Founding Kelt Share will be cancelled for no consideration and Celtic will be removed from the register of Kelt Shares. See the "*The Arrangement – Arrangement Steps*" in the Information Circular. Following completion of the Arrangement (assuming the Celtic Debentures participate in the Arrangement and that there are no Dissenting Securityholders) and the Private Placement (assuming the Private Placement is fully subscribed), there will be approximately 67.2 million Kelt Shares and no Kelt Preferred Shares issued and outstanding. See "*Capitalization*" and "*Prior Sales*" in this Appendix.

The following is a description of the rights, privileges, restrictions and conditions attaching to the Kelt Shares and the Kelt Preferred Shares.

Kelt Shares

The holders of Kelt Shares are entitled to receive notice of and to attend at and to vote one vote per Kelt Share at meetings of Kelt Shareholders, to receive dividends declared on the Kelt Shares, subject to the rights of the holders of shares ranking prior to the Kelt Shares and to receive *pro rata* the remaining property upon dissolution in equal rank with the holders of other Kelt Shares.

Kelt Preferred Shares

The Kelt Preferred Shares may be issued from time to time in one or more series, each series consisting of a number of Kelt Preferred Shares as determined by the Kelt Board who may also fix the designations, rights, privileges, restrictions and conditions attaching to the shares of each series of Kelt Preferred Shares. The Kelt Preferred Shares of each series shall, with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of Kelt, whether voluntary, or any other distribution of the assets of Kelt among its shareholders for the purpose of winding-up its affairs, rank equally with the Kelt Preferred Shares of every other series and shall be entitled to preference over the Kelt Shares, and the shares of any other class ranking junior to the Kelt Preferred Shares.

CAPITALIZATION

The following table sets forth the capitalization of Kelt as at October 31, 2012, both before and after giving *pro forma* effect to the Arrangement and the Private Placement. The table should be read in conjunction with the Kelt Financial Statements attached hereto as Schedule "A".

Designation	Authorized	Outstanding as at October 31, 2012	Outstanding as at October 31, 2012 after giving effect to the Arrangement and the Private Placement[(1)]
Kelt Shares	Unlimited	$1.00 (1 Kelt Share)[(2)]	$155,881,000 (67,178,270 Kelt Shares)
Kelt Preferred Shares	Unlimited	Nil	Nil
Credit Facility[(3)]	–	–	Nil

Notes:

(1) Assumes that: (i) the Celtic Debentures participate in the Arrangement; (ii) the Effective Date is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided that all other conditions to the completion of the Arrangement have been satisfied); (iii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.9607, being the 20-day VWAP for the period from October 19, 2012 until

November 15, 2012); (iv) no Dissent Rights are exercised; (v) all of the Celtic Options are exercised prior to the Arrangement; (vi) the Private Placement is fully subscribed; and (vii) 105,827,094 Celtic Shares and $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15, 2012. To the extent the actual factors and circumstances differ from the assumptions set forth above, the number of Kelt Shares outstanding will also differ.

(2) The Founding Kelt Share was issued to Celtic on October 11, 2012. See "*Prior Sales*" in this Appendix. Pursuant to the Arrangement, the Founding Kelt Share will be cancelled for no consideration and Celtic will be removed from the register of Kelt Shares. See "*The Arrangement – Arrangement Steps*" in the Information Circular.

(3) Kelt has entered into the Commitment Letter providing for the establishment of the Credit Facility. Advancement of funds under the Credit Facility is conditional upon the satisfaction of the conditions precedent as set out in the Commitment Letter, including completion of the Arrangement. See "*General Development the Business – General*" and "*Available Funds and Principal Purposes*" in this Appendix.

KELT OPTION PLAN

The following is a summary only of the material terms of the Kelt Option Plan and is subject to, and qualified in its entirety by, the full text of the Kelt Option Plan. Celtic Securityholders are urged to read the Kelt Option Plan, which will be substantially in the form attached as Appendix G to the Information Circular.

The Kelt Board has adopted the Kelt Option Plan, which must be approved by Celtic Shareholders at the Meeting. See the Information Circular under the heading "*Other Matters of Special Business Relating to Kelt – Kelt Option Plan*".

The Kelt Option Plan permits the granting of Kelt Options to the directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries, following completion of the Arrangement, for the purpose of providing directors, officers, employees and other eligible service providers with an incentive to achieve the longer-term objectives of Kelt; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of Kelt; and to attract and retain in the employ of Kelt or any of its Subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in Kelt.

The Kelt Option Plan provides that the aggregate number of Kelt Shares issuable pursuant to Kelt Options granted under the Kelt Option Plan and the Kelt RSU Plan shall not exceed 10% of the issued and outstanding Kelt Shares at the time of the grant of any Kelt Option. In addition, the Kelt Option Plan provides that the maximum number of Kelt Shares issued pursuant to Kelt Options granted under the Kelt Option Plan and under any other security based compensation arrangement issued to insiders, within any one year period or issuable to insiders, shall not exceed 10% of the aggregate number of issued and outstanding Kelt Shares. The Kelt Option Plan provides for the exercise price to be determined by the Kelt Board provided that the exercise price of the Kelt Options may not be less than the 3 day VWAP on the principal stock exchange on which the Kelt Shares are traded immediately preceding the date of grant.

Participation in the Kelt Option Plan is voluntary. In order to constitute a valid Kelt Option under the Kelt Option Plan, the participant and Kelt must enter into a valid option agreement in a form acceptable to the Kelt Board. Kelt Options granted under the Kelt Option Plan will be for a term of no longer than ten years after the date of grant. The interest of any optionee under the Kelt Option Plan is not transferable or alienable by the optionee either by assignment or in any manner, during the optionee's lifetime. If any optionee ceases to be an eligible participant under the Kelt Option Plan as a result of permanent physical or mental disability or death, then, the total number of Kelt Options not previously purchased by such optionee, whether or not the rights to purchase some or all of the Kelt Shares pursuant to those Kelt Options have previously vested, may be exercised for a period ending on the earlier of the expiry date of such Kelt Options and one year to the date the optionee ceases to be a participant due to such permanent physical or mental disability or death. If an optionee ceases to be a participant for reasons other than permanent physical or mental disability or death and is terminated without notice or entitlement to notice or compensation in lieu thereof, the optionee may exercise the Kelt Option, to the extent they have vested as of the date of ceasing to be a participant. If the optionee ceases to be a participant for any reasons other than as described above, the optionee may exercise the Kelt Option, to the extent they have vested, when reasonable notice has been given, on the date the optionee ceases to be a participant and when compensation is paid in lieu of notice, for 21 days after the date the optionee ceases to be a participant. In the event of any change in the Kelt Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise or in the event of any other change in the Kelt Shares, the Kelt Board may proportionately adjust the number of Kelt Shares that may be issued under existing option agreements. In the event of a change of control, all unexercised and unvested outstanding Kelt Options shall

immediately vest and be exercisable, but may only be purchased for tender to the subject transaction. If the subject transaction is not completed, any Kelt Shares issued and tendered to the transaction shall be deemed to be cancelled and returned to treasury.

An optionee may exercise the right (the "**Put Right**"), from time to time, to require Kelt to purchase all or any of its vested Kelt Options by delivery to Kelt of a written notice of exercise ("**Put Notice**"), specifying the number of Kelt Options with respect to which the Put Right is being exercised. Kelt will purchase from the optionee all of the Kelt Options specified in the Put Notice at a price (the "**Put Price**") equal to the excess of the closing price of the Kelt Shares on the principal stock exchange on which they are traded on the date of receipt of the Put Notice by Kelt (the "**Notice Date**") over the exercise price for each Kelt Option being purchased under the Put Right provided that the Put Notice is received by Kelt before 4:30 p.m. (Calgary time) on the Notice Date, or if the Put Notice is received by Kelt after 4:30 p.m. (Calgary time) on the Notice Date, the Put Price shall be the next date upon which the Kelt Shares trade on the principal stock exchange on which they are traded, or for such other amounts as may be agreed to by the optionee and Kelt. Upon the exercise of the Put Right, Kelt will cause to be delivered to the optionee a cheque representing the Put Price multiplied by the number of Kelt Options specified in the Put Notice (less any applicable withholding tax) within three business days of the Notice Date. Upon exercise of the Put Right and its acceptance by Kelt, the Kelt Options are deemed to be terminated and cancelled and shall cease to grant the optionee any further rights thereunder. Notwithstanding the foregoing, Kelt may, at its sole discretion, decline to accept and, accordingly, have no obligations with respect to the exercise of a Put Right at any time and from time to time.

The Kelt Option Plan provides for the extension of the expiry date of any Kelt Option which would otherwise expire during a "black-out period" imposed by Kelt upon certain designated persons during which those persons may not trade in any securities of Kelt, for 10 business days from the date that any "black-out period" ends. The Kelt Option Plan also provides that the Kelt Board may, in its sole discretion and without further approval of the Kelt Shareholders, amend, suspend, terminate or discontinue the Kelt Option Plan and may amend the terms and conditions of Kelt Options granted under the Kelt Option Plan, subject to any required approval of any regulatory authority or the TSX. Disinterested shareholder approval will be required for any reduction in the exercise price or the expiry date of Kelt Options granted to insiders. The approval of the Kelt Shareholders will be required for future amendments to the Kelt Option Plan which amend the number of Kelt Shares issuable pursuant to Kelt Options issued thereunder, which add any form of financial assistance by Kelt for the exercise of a Kelt Option or which change the class of participants which may broaden or increase participation by insiders of Kelt.

As of the date of the Information Circular, no Kelt Options have been granted pursuant to the Kelt Option Plan and management has not yet determined the Kelt Options that will be granted to the directors, officers, employees and other eligible service providers of Kelt following completion of the Arrangement and the Private Placement. Such grants, if any, will depend upon the performance of Kelt upon completion of the Arrangement and the Private Placement.

KELT RSU PLAN

The following is a summary only of the material terms of the Kelt RSU Plan and is subject to, and qualified in its entirety by, the full text of the Kelt RSU Plan. Celtic Securityholders are urged to read the Kelt RSU Plan, which will be substantially in the form attached as Appendix H to the Information Circular.

The Kelt Board has adopted the Kelt RSU Plan, which must be approved by Celtic Shareholders at the Meeting. See the Information Circular under the heading "*Other Matters of Special Business Relating to Kelt – Kelt RSU Plan*".

The Kelt RSU Plan is an incentive compensation plan established to retain and motivate directors, officers, employees and other eligible service providers of Kelt and its Subsidiaries and to promote greater alignment of interest between service providers and Kelt Shareholders. The Kelt RSU Plan provides directors, officers, employees and other eligible service providers with the opportunity to acquire Kelt Shares through an award of Kelt RSUs following completion of the Arrangement. Each Kelt RSU represents a right to receive one Kelt Share.

In accordance with the terms of the Kelt RSU Plan, the Kelt Board approves which service providers are entitled to participate in the Kelt RSU Plan and the terms of each award, including the number of Kelt RSUs to be awarded to

each participant, the vesting provisions and term. No award will vest later than December 15 of the third year from the date of grant.

Kelt RSUs awarded to participants are credited to an account that is established on their behalf and maintained in accordance with the Kelt RSU Plan. Each Kelt RSU awarded conditionally entitles the participant to the delivery of one Kelt Share upon the Kelt RSU vesting provisions being satisfied. Kelt RSUs awarded to participants vest in accordance with terms determined by the Kelt Board from time to time, which terms may include timing criteria in which the Kelt RSUs vest over specified time intervals and/or performance criteria in which the number of Kelt Shares to be delivered to a participant in respect of each Kelt RSU awarded is dependent upon Kelt's performance and/or the market price of the Kelt Shares, as determined by the Kelt Board. In addition, a participant's account will be credited with dividend equivalents in the form of additional Kelt RSUs as of each dividend payment date, if any, in respect of which dividends are paid on Kelt Shares. Kelt RSUs are non-transferable. The Kelt Board may delegate its administrative authority under the Kelt RSU Plan to a committee of the Kelt Board.

The Kelt Shares to be delivered to participants upon the vesting of Kelt RSUs will be issued from treasury. The Kelt RSU Plan provides that the maximum number of Kelt Shares reserved for issuance at any time pursuant to the Kelt RSU Plan and the Kelt Option Plan shall not exceed a number of Kelt Shares equal to 10% of the aggregate of the number of issued and outstanding Kelt Shares. To the extent that Kelt RSUs are terminated or cancelled prior to the issuance of any Kelt Shares, such Kelt Shares underlying such award shall be added back to the number of shares reserved for issuance under the Kelt RSU Plan and will become available for grant again under the Kelt RSU Plan.

The Kelt RSU Plan provides that the number of Kelt Shares reserved for issuance and which may be issued pursuant to the Kelt RSU Plan and other security based compensation arrangements established by Kelt (including the Kelt Option Plan) shall be limited as follows: (i) the number of Kelt Shares reserved for issuance to any one individual shall not exceed 5% of the issued and outstanding Kelt Shares; (ii) the number of Kelt Shares reserved for issuance under all security based compensation arrangements of Kelt granted to insiders of Kelt shall not exceed 10% of the issued and outstanding Kelt Shares; and (iii) the number of Kelt Shares that may be issued to insiders of Kelt within any one-year period under all security based compensation arrangements of Kelt shall not exceed 10% of the issued and outstanding Kelt Shares.

The Kelt RSU Plan also provides that a participant may offer to surrender Kelt RSUs for payment of an amount not to exceed the fair market value of the Kelt RSUs and Kelt may, but is not obligated to, accept the surrender offer. If a surrender offer were accepted by Kelt, then the Kelt RSUs to which the surrender offer relates would be surrendered and deemed to be terminated and cancelled upon payment of the amount of the agreed surrender offer by Kelt to the participant.

Unless otherwise determined by the Kelt Board or unless otherwise provided in any Kelt RSU award or any written agreement governing a participant's role as a service provider, if a participant's service with Kelt terminates for cause, then all unvested Kelt RSUs will automatically terminate. Upon a participant's voluntary resignation, all unvested Kelt RSUs will automatically terminate, provided however, that the Kelt Board has discretion to accelerate vesting or permit continued vesting of the Kelt RSUs. If a participant's services terminate as a result of the participant's disability, then the participant's awards will generally continue to vest in accordance with the vesting schedule set forth in the participant's award agreement. Upon a participant's death, all outstanding Kelt RSUs held by the participant shall immediately vest and Kelt Shares shall become deliverable.

In the event there is any change in the Kelt Shares through the declaration of stock dividends or subdivisions, consolidations or exchanges of Kelt Shares, or otherwise, the number of Kelt Shares available for issuance and to be issued upon the vesting of Kelt RSUs granted under the Kelt RSU Plan shall be adjusted appropriately by the Kelt Board, subject to TSX approval. In the event that a divestiture of a business unit of Kelt results in the termination of a participant's term as a director, officer, employee or other eligible service provider of Kelt and such participant becomes a director, officer or employee of the person acquiring or operating such business unit, the Kelt Board may accelerate the vesting of all or any portion of a participant's Kelt RSUs or determine that such participant shall continue to be a participant in the Kelt RSU Plan, subject to such terms and conditions (including vesting), if any, established by the Kelt Board in its sole discretion. In the event of a change of control of Kelt, subject to the terms of any employment agreement between Kelt and a participant, all outstanding Kelt RSUs shall vest upon or immediately prior to the completion of the transaction resulting in the change of control. Under no circumstances

will Kelt RSUs be considered Kelt Shares nor shall they entitle the participant to exercise voting rights or any other rights attaching to the ownership of Kelt Shares, nor shall any participant be considered the owner of the Kelt Shares by virtue of the award of Kelt RSUs.

Pursuant to the Kelt RSU Plan, a participant may make an offer (the "**Surrender Offer**") to Kelt, at any time, for the disposition and surrender by the participant (and the termination thereof) of any of the Kelt RSUs granted under the Kelt RSU Plan for an amount (not to exceed the "Fair Market Value" of the Kelt RSUs) (as such term is defined in the Kelt RSU Plan)) specified in the Surrender Offer by the participant and Kelt may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as renegotiated, is accepted, the Kelt RSUs in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the participant any further rights thereunder upon payment of the amount of the agreed Surrender Offer by Kelt to the participant.

The Kelt Board may amend the terms of the Kelt RSU Plan or suspend the Kelt RSU Plan in whole or in part and may at any time terminate the Kelt RSU Plan without prior notice. In addition, the Kelt Board may, by resolution, amend the Kelt RSU Plan and any Kelt RSU, without Kelt Shareholder approval, provided however, that the Kelt Board will not be entitled to amend the Kelt RSU Plan without TSX and Kelt Shareholder approval: (i) to increase the maximum number of Kelt Shares issuable pursuant to the Kelt RSU Plan; (ii) to extend the term of a Kelt RSU held by an insider of Kelt; or (iii) in any other circumstances where TSX and Kelt Shareholder approval is required by the TSX.

As of the date of the Information Circular, no Kelt RSUs have been granted pursuant to the Kelt RSU Plan and management has not yet determined the number of Kelt RSUs that will be granted to the directors, officers, employees and other eligible service providers of Kelt following completion of the Arrangement and the Private Placement. Such grants, if any, will depend upon the performance of Kelt upon completion of the Arrangement and the Private Placement.

PRIOR SALES

On October 11, 2012, Kelt issued the Founding Kelt Share to Celtic at a price of $1.00 to facilitate its organization. Pursuant to the Arrangement, the Founding Kelt Share will be cancelled for no consideration and Celtic will be removed from the register of Kelt Shares. See "*The Arrangement – Arrangement Steps*" in the Information Circular.

In addition, pursuant to the Plan of Arrangement, the transactions contemplated by the Kelt Conveyance Agreement shall become effective and pursuant thereto, Celtic shall assign and transfer to Kelt the Kelt Assets, and as consideration for the Kelt Assets, Kelt shall issue to Celtic such number of Kelt Shares equal to one-half (1/2) of the number of issued and outstanding Celtic Shares (including Celtic Shares issued to former Debentureholders as the Debenture Share Consideration), which Kelt Shares will ultimately be distributed to former Celtic Shareholders, all in accordance with the terms of the Plan of Arrangement. See the Information Circular under the heading "*The Arrangement – Arrangement Steps*".

For illustrative purposes, approximately 61.2 million Kelt Shares could be issued to the former Celtic Securityholders upon completion of the Arrangement assuming that: (i) the Celtic Debentures participate in the Arrangement; (ii) the Effective Date is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided all other conditions to the completion of the Arrangement have been satisfied); (iii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.9607, being the 20-day VWAP for the period from October 19, 2012 until November 15, 2012); (iv) no Dissent Rights are exercised; (v) all of the Celtic Options are exercised prior to the Arrangement; and (vi) 105,827,094 Celtic Shares and $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15, 2012. To the extent the actual factors and circumstances differ from the assumptions set forth herein, the number of Kelt Shares outstanding will also differ.

Pursuant to the Private Placement, it is anticipated that Kelt will issue up to 6.0 million Kelt Shares. See "*General Development of the Business – The Arrangement and Other Matters to be Considered at the Meeting – Other Matters to be Considered at the Meeting – Private Placement*" in this Appendix.

TRADING PRICE AND VOLUME

The Kelt Shares are not currently traded or quoted on a Canadian marketplace.

Kelt has applied to list the Kelt Shares on the TSX. Listing is subject to Kelt fulfilling all of the requirements of the TSX. If listing approval is ultimately obtained, trading in the Kelt Shares is expected to commence concurrently with the delisting of the Celtic Shares from the TSX. The completion of the Arrangement is not conditional upon the listing of the Kelt Shares. There can be no assurance that the TSX will list the Kelt Shares. See "*Risk Factors – Risks Relating to an Investment in the Kelt Shares – No Prior Public Market for Kelt Shares*" in this Appendix.

ESCROWED SECURITIES

As of the date of the Information Circular, no securities of any class of Kelt are held in escrow or are subject to a contractual restriction on transfer. To the knowledge of Kelt, no securities of Kelt are anticipated to be held in escrow or subject to a contractual restriction on transfer following completion of the Arrangement.

PRINCIPAL SECURITYHOLDERS

The Founding Kelt Share is currently held by Celtic. To the knowledge of Kelt, as of the date of the Information Circular, there are no persons who will, immediately following completion of the Arrangement and the Private Placement, directly or indirectly, own or exercise control or direction over, securities carrying more than ten percent of the voting rights attached to any class of voting securities of Kelt.

DIRECTORS AND EXECUTIVE OFFICERS

The following table provides the name, province and country of residence, positions held with Kelt and principal occupation during the preceding five years of each of the current directors and executive officers of Kelt, together with their *pro forma* holdings of Kelt Shares upon completion of the Arrangement and the Private Placement. Each of the directors and officers of Kelt currently holds a similar position with Celtic.

Name, Province and Country of Residence	**Offices Held and Time as Director or Officer**	**Principal Occupation During the Past 5 Years**	***Pro Forma* Holdings of Kelt Shares[(1)(2)]**
Robert J. Dales[(3)(4)(6)(7)] Alberta, Canada	Director since October 22, 2012	President, Valhalla Ventures Inc. a private Alberta investment corporation, from January 1999 to the present. President, Drako Capital Corp, a corporation engaged in oil and gas exploration and production, from January 2010 to August 2012. President, Desco Energy Ltd., a corporation engaged in oil and gas exploration and production from April 2005 to January 2007. President Desco Resources Inc., a capital pool company, from July 2009 to July 2010.	720,697 1.07%
Douglas J. Errico Alberta, Canada	Vice President, Land since October 22, 2012	Vice President, Land of Kelt and Senior Landman with Celtic. Prior thereto, landman with Celtic.	377,435 0.56%
Alan G. Franks, P.Eng. Alberta, Canada	Vice President, Production since October 22, 2012	Vice President, Production of Kelt and Vice President, Operations of Celtic.	610,415 0.91%
William C. Guinan[(5)(7)] Alberta, Canada	Corporate Secretary and Director since October 22, 2012	Partner with Borden Ladner Gervais LLP.	565,236 0.84%

Name, Province and Country of Residence	Offices Held and Time as Director or Officer	Principal Occupation During the Past 5 Years	*Pro Forma* Holdings of Kelt Shares[(1)(2)]
Sadiq H. Lalani Alberta, Canada	Vice President, Finance and Chief Financial Officer since October 22, 2012	Vice President, Finance and Chief Financial Officer of Celtic and Kelt.	1,021,757 1.52%
Patrick Miles Alberta, Canada	Vice President, Exploration since October 22, 2012	Vice President, Exploration of Kelt and a Geology Consultant with Celtic. Prior thereto, Vice President, Exploration with NuVista Energy Ltd., a public oil and gas company.	630,668 0.94%
Eldon A. McIntyre[(3)(4)(6)(7)] Alberta, Canada	Director since October 22, 2012	President, Jarrod Oils Ltd., a private Saskatchewan corporation engaged in oil and gas exploration and production, from the late 1970's to the present.	2,638,254 3.93%
Neil G. Sinclair[(3)(4)(5)(6)] British Columbia, Canada	Director since October 22, 2012	President, Sinson Investments Ltd., a private British Columbia corporation engaged in property development, from 1973 to the present.	887,875 1.32%
Douglas O. MacArthur, P. Eng. Alberta, Canada	Vice President, Operations since October 22, 2012	Vice President, Operations of Kelt and Operations Manager with Celtic.	578,891 0.86%
David J. Wilson[(5)] Alberta, Canada	President, Chief Executive Officer and Director since October 11, 2012	President and Chief Executive Officer of Celtic and Kelt.	6,346,291 9.45%

Notes:

(1) Assumes that: (i) the Celtic Debentures participate in the Arrangement; (ii) the Effective Date is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided that all other conditions to the completion of the Arrangement have been satisfied); (iii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.9607, being the 20-day VWAP for the period from October 19, 2012 until November 15, 2012); (iv) no Dissent Rights are exercised; (v) all of the Celtic Options are exercised prior to the Arrangement; (vi) the Private Placement is fully subscribed; and (vii) 105,827,094 Celtic Shares and $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15, 2012. To the extent the actual factors and circumstances differ from the assumptions set forth above, the number of Kelt Shares outstanding will also differ.

(2) It is anticipated that all of the executive officers and directors of Kelt will participate in the Private Placement as follows: (i) Robert J. Dales for 150,000 Kelt Shares; (ii) Douglas J. Errico for 306,000 Kelt Shares; (iii) Alan G. Franks for 479,000 Kelt Shares; (iv) William C. Guinan for 250,000 Kelt Shares; (v) Sadiq H. Lalani for 633,000 Kelt Shares; (vi) Patrick Miles for 479,000 Kelt Shares; (vii) Eldon A. McIntyre for 150,000 Kelt Shares; (viii) Neil G. Sinclair for 150,000 Kelt Shares; (ix) Douglas O. MacArthur for 400,000 Kelt Shares; and (x) David J. Wilson for 678,000 Kelt Shares.

(3) Proposed member of the Audit Committee of Kelt (the "**Audit Committee**").

(4) Proposed member of the Compensation Committee of Kelt (the "**Compensation Committee**").

(5) Proposed member of the Environmental, Health and Safety Committee of Kelt (the "**EHS Committee**").

(6) Proposed member of the Reserves Committee of Kelt (the "**Reserves Committee**").

(7) Proposed member of the Nominating Committee of Kelt (the "**Nominating Committee**").

Each of the directors of Kelt will hold office until the first annual meeting of the Kelt Shareholders or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated in accordance with Kelt's articles or by-laws.

As at November 15, 2012, the current directors and executive officers of Kelt, as a group, do not beneficially own, directly or indirectly, or exercise control or direction over any Kelt Shares. Following completion of the Arrangement and the Private Placement, it is expected that the directors and executive officers of Kelt listed above shall beneficially own or control or direct, directly or indirectly, approximately 14.4 million Kelt Shares, being approximately 21.4% of the issued and outstanding Kelt Shares, assuming that: (i) the Celtic Debentures participate in the Arrangement; (ii) the Effective Date is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided all other conditions to the completion of the Arrangement have been

satisfied); (iii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.9607, being the 20-day VWAP for the period from October 19, 2012 until November 15, 2012); (iv) no Dissent Rights are exercised; (v) all of the Celtic Options are exercised prior to the Arrangement; (vi) the Private Placement is fully subscribed; and (vii) 105,827,094 Celtic Shares and $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15, 2012. To the extent the actual factors and circumstances differ from the assumptions set forth herein, the number of Kelt Shares outstanding will also differ. The foregoing also assumes that all of the directors and executive officers of Kelt participate in the Private Placement as set forth in Note (2) to the table above.

Backgrounds of Management of Kelt

The following is a description of the background and experience of each member of management of Kelt:

David J. Wilson – President and Chief Executive Officer

Mr. Wilson has over 25 years of experience in the oil and gas industry. He is currently the President and Chief Executive Officer and a director of Kelt and he has been the President and Chief Executive Officer of Celtic since September 2002. He was a co-founder and the President and Chief Executive Officer of Genesis Exploration Ltd., an oil and gas issuer, whose shares were listed on the TSX, until Genesis Exploration Ltd. was acquired by Vintage Petroleum Inc. in May 2001. Mr. Wilson is currently also a director of Celtic and Artek Exploration Ltd., an oil and gas exploration company listed on the TSX. Mr. Wilson received an honours diploma in Petroleum Technology from the Southern Alberta Institute of Technology in 1984.

Sadiq H. Lalani – Vice President, Finance and Chief Financial Officer

Mr. Lalani has over 26 years of experience in the oil and gas industry. He is currently the Vice President, Finance and Chief Financial Officer of Kelt and he has been the Vice President, Finance and Chief Financial Officer of Celtic since October 2002. Mr. Lalani received the Canadian Securities Course Certificate (Honours) from the Canadian Securities Institute in 1988 and a Bachelor of Commerce degree from the University of Calgary in 1985.

Alan G. Franks – Vice President, Production

Mr. Franks is a Professional Engineer with over 30 years of experience in the oil and gas industry. He is currently the Vice President, Production of Kelt and he has been the Vice President, Operations of Celtic since November 2002. Mr. Franks received a Bachelor of Science (Engineering) degree from the University of Wyoming in 1983 and he holds a diploma in Petroleum Technology from the Southern Alberta Institute of Technology which was granted in 1979. He is an active member of the Association of Professional Engineers and Geoscientists of Alberta.

Patrick Miles – Vice President, Exploration

Mr. Miles has over 20 years of experience in the oil and gas industry. He is currently the Vice President, Exploration of Kelt and he has been a Geology Consultant with Celtic since 2009. Prior thereto, Mr. Miles was the Vice President, Exploration of NuVista Energy Ltd. from 2005 to 2008. Mr. Miles is a member of the Canadian Society of Petroleum Geologists and the American Association of Petroleum Geologists. He received a Bachelor of Science (Geology) degree from the University of Saskatchewan in 1989.

Douglas O. MacArthur – Vice President, Operations

Mr. MacArthur is a Professional Engineer with over 27 years of experience in the oil and gas industry. He is currently the Vice President, Operations of Kelt and Operations Manager with Celtic. Prior thereto, he was a consulting Engineer with West Energy. He received a Bachelor of Science (Engineering) degree from the University of Saskatchewan in 1984. Mr. MacArthur is an active member of the Association of Professional Engineers and Geoscientists of Alberta.

Douglas J. Errico – Vice President, Land

Mr. Errico has over 9 years of experience in the oil and gas industry. He is currently the Vice President, Land of Kelt and a Senior Landman with Celtic. Prior thereto, he was a Landman with Celtic and a Land Negotiator with Shiningbank Energy Ltd., a public oil and gas company. He is a member of the Canadian Association of Petroleum Landmen and he has been a sessional instructor at the University of Calgary since 2007. Mr. Errico received a Bachelor of Commerce (Finance) degree from the University of Calgary in 2002.

Corporate Cease Trade Orders

None of the directors or executive officers of Kelt is or has been, within the ten years prior to the date of the Information Circular, a director, chief executive officer or chief financial officer of any company (including Kelt) that, (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer, was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days; or (ii) was subject to a cease trade or similar order or an order that denied the relevant issuer access to any exemption under securities legislation, for a period of more than 30 consecutive days, that was issued after the director, chief executive officer or chief financial officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer.

Bankruptcies

None of the directors, executive officers or securityholders holding a sufficient number of securities of Kelt to affect materially the control of Kelt is or has, within the last ten years prior to the date of the Information Circular, been a director or executive officer of any company (including Kelt) that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

In addition, none of the directors, executive officers or securityholders holding a sufficient number of securities of Kelt to affect materially the control of Kelt has, within the ten years prior to the date of the Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or securityholder.

Penalties or Sanctions

None of the directors, executive officers or securityholders holding a sufficient number of securities of Kelt to affect materially the control of Kelt has been subject to: (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which the directors and officers of Kelt will be subject in connection with the operations of Kelt. In particular, certain directors and officers of Kelt are involved in managerial or director positions with other oil and gas companies whose operations may, from time to time, be in direct competition with those of Kelt or with entities which may, from time to time, provide financing to, or make equity investments in, competitors of Kelt. Conflicts, if any, will be subject to the procedures and remedies available under the ABCA. The ABCA provides that, in the event that a director has an interest in a contract or proposed contract or agreement, the director shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement unless otherwise provided by the ABCA. As of the date of the Information

Circular, Kelt is not aware of any existing or potential material conflicts of interest between Kelt and any director or officer of Kelt.

Certain of Kelt's executive officers (namely, David J. Wilson, Sadiq H. Lalani, Alan G. Franks and Patrick Miles) will also be subject to the Non-Competition and Non-Solicitation Agreements for a period of one year following completion of the Arrangement. See "*General Development of the Business – Non-Competition and Non-Solicitation Agreements*" and "*Risk Factors – Risks Relating to the Management of Kelt – Potential Conflicts of Interest*" in this Appendix.

COMPENSATION OF EXECUTIVE OFFICERS AND DIRECTORS

To date, Kelt has not carried on any active business and has not completed a fiscal year of operations. No compensation has been paid by Kelt to its executive officers or directors and none will be paid until after the Arrangement has been completed. Following completion of the Arrangement, it is anticipated that the executive officers of Kelt will initially be paid salaries that are less than the median level of salaries paid at other oil and gas companies of similar size and character and will also be compensated through the award of Kelt Options and Kelt RSUs; however, no definitive determinations with respect to executive compensation have been made as of the date of the Information Circular.

As of the date of the Information Circular, there are no executive employment contracts in place between Kelt and any of the executive officers of Kelt and there are no provisions with Kelt for compensation for the executive officers of Kelt in the event of termination of employment or a change in responsibilities following a change of control of Kelt. It is expected that Kelt will enter into executive employment contracts with each of the executive officers of Kelt after the completion of the Arrangement.

Kelt has not established an annual retainer fee or attendance fee for directors; however, Kelt will reimburse directors for all reasonable expenses incurred in order to attend meetings. It is anticipated that the directors of Kelt will be compensated for their time and effort by granting them Kelt Options and Kelt RSUs pursuant to the Kelt Option Plan and the Kelt RSU Plan, respectively.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

At no time since the incorporation of Kelt has there been any indebtedness, other than routine indebtedness, of any director or executive officer of Kelt, or any of their associates or Affiliates, to Kelt or to any other entity which is, or at any time since the beginning of the most recently completed financial period has been, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by Kelt.

CORPORATE GOVERNANCE INFORMATION

On or before the Effective Date, it is expected that Kelt will establish the Audit Committee, the Compensation Committee, the EHS Committee, the Reserves Committee and the Nominating Committee. It is expected that all of the committees of the Kelt Board will operate under written mandates to be established following completion of the Arrangement.

The following sets out information in respect of Kelt's proposed corporate governance practices in accordance with National Instrument 58-101 – *Disclosure of Corporate Governance Practices*.

Kelt Board

The Kelt Board is currently comprised of five directors, of which four are independent within the meaning of "independence" in section 1.4 of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). Accordingly, a majority of the Kelt Board is independent. The independent directors are Robert J. Dales, William C. Guinan, Eldon A. McIntyre and Neil G. Sinclair. David J. Wilson is not considered independent by virtue of being the President and Chief Executive Officer of Kelt.

In order to facilitate the exercise of independent judgment, it is expected that members of the Kelt Board will recuse themselves from the discussion of and voting on any matters of Kelt which may be perceived to place them in a conflict of interest. In addition, it is anticipated that the independent directors of Kelt will hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance, typically in conjunction with each regularly scheduled meeting of the of Kelt Board. Further, the Kelt Board is expected to facilitate its independent supervision over management by reviewing and approving long-term strategic, business and capital plans, material contracts and business transactions, and all debt and equity financing transactions. Through its audit committee, the Kelt Board will examine the effectiveness of Kelt's internal control processes and information systems.

All of Kelt's directors serve as directors of other reporting issuers as indicated in the table below.

Name of Director	Name of Reporting Issuer and Stock Exchange
Robert J. Dales	Amarok Energy Inc. (TSXV) Arcan Resources Inc. (TSXV) Celtic Exploration Ltd. (TSX) Manitok Exploration Inc. (TSXV)
William C. Guinan	Amarok Energy Inc. (TSXV) Black Sparrow Capital Corp. (TSXV) Celtic Exploration Ltd. (TSX) CERF Incorporated (TSXV)
Eldon A. McIntyre	Celtic Exploration Ltd. (TSX)
Neil G. Sinclair	Celtic Exploration Ltd. (TSX)
David J. Wilson	Artek Exploration Ltd. (TSX) Celtic Exploration Ltd. (TSX)

Board Mandate

The Kelt Board has not yet implemented a board mandate. It is expected that the Kelt Board will implement a mandate following completion of the Arrangement.

Position Descriptions

As the committees of the Kelt Board have not been constituted as of the date of the Information Circular, the Kelt Board has not developed written position descriptions for the chair of each committee. Further, the Kelt Board and the Chief Executive Officer have not developed a written position description for the Chief Executive Officer as Kelt was only recently incorporated. It is expected that the foregoing position descriptions will be developed following completion of the Arrangement.

Orientation and Continuing Education

Kelt has not yet developed a formal orientation and continuing education program for new directors as Kelt was only recently incorporated. It is anticipated that Kelt will develop an orientation program for new directors to be set forth in a director's manual (the "**Director's Manual**"). The Director's Manual is expected to contain, among other things, information regarding the roles and responsibilities of the Kelt Board and each committee of the Kelt Board, any governance policies and charters adopted by the Kelt Board and financial and operational information regarding Kelt.

Ethical Business Conduct

It is anticipated that the Kelt Board will adopt a Code of Business Conducts and Ethics and a Whistleblower Policy following completion of the Arrangement.

Nomination of Directors – The Nominating Committee

The proposed members of the Nominating Committee are Robert J. Dales, William C. Guinan and Eldon A. McIntyre, all of whom are independent.

The Nominating Committee will be responsible for identifying qualified new candidates to join the Kelt Board and for making recommendations for nominees for election as directors. The Nominating Committee will be expected to objectively consider the independence of candidates, their financial acumen and other skills and the time which candidates have available to devote to the duties of the Kelt Board in making their recommendations for nomination to the Kelt Board. The Nominating Committee will review the composition and size of the Kelt Board and tenure of directors in advance of annual meetings when directors are most commonly elected, as well as when individual directors indicate that their terms may end or that their status may change.

Compensation – The Compensation Committee

The proposed members of the Compensation Committee are Robert J. Dales, Eldon A. McIntyre and Neil G. Sinclair, all of whom are independent.

The Compensation Committee will be responsible for annually determining the compensation to be received by Kelt's directors and executive officers. Compensation is expected to be based on the underlying philosophy that such compensation should be competitive with other corporations of similar size and should be reflective of the experience, performance and contributions of the individuals involved and the overall performance of Kelt. With respect to directors' compensation, the Compensation Committee will review the level and form of compensation received by the directors, members of each committee and the chair of each committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to Kelt. The compensation of directors and executive officers of competitors will be considered, to the extent publicly available, in determining compensation and the Compensation Committee will have the power to engage a compensation consultant or advisor to assist in determining appropriate compensation.

Each proposed member of the Compensation Committee has direct experience that will be relevant to his responsibilities as a member of the Compensation Committee. Mr. Sinclair has been the President of an active private corporation, with significant real estate operations, for over 39 years, and he also has over nine years of public company experience as an officer and/or as a director. Mr. Dales has over 17 years of public issuer experience, both as an officer and as a director. Mr. McIntyre has been the President of an active private corporation, with significant oil and gas operations, for over 32 years. He also has over 19 years of public issuer experience as a director. The skills and experience possessed by the proposed members of the Compensation Committee, acquired as a result of their lengthy and extensive business careers, will enable them to make decisions on the suitability of Kelt's compensation policies and practices.

Other Committees

The Reserves Committee

The proposed members of the Reserves Committee are Robert J. Dales, Eldon A. McIntyre and Neil G. Sinclair, all of whom are independent.

The function of the Reserves Committee will be to meet with Kelt's independent reserves evaluation engineers, at least annually, to discuss the evaluation of Kelt's reserves and to assist Kelt in fulfilling its duties and obligations under NI 51-101.

The EHS Committee

The proposed members of the EHS Committee are William C. Guinan, Neil G. Sinclair and David J. Wilson, all of whom are independent, with the exception of David J. Wilson.

The function of the EHS Committee will be to assist the Kelt Board in fulfilling its oversight responsibilities in respect of the development, implementation and monitoring of Kelt's pending environmental, health, safety and system integrity policies.

Assessments

In addition to determining compensation, the Compensation Committee will be responsible for conducting an annual evaluation and assessment of the performance, contribution and effectiveness of individual directors, each chair of each committee chair, each committee and the Kelt Board as a whole.

AUDIT COMMITTEE INFORMATION

The Audit Committee's Mandate

A copy of the proposed charter of the Audit Committee is attached as Schedule "F" to this Appendix.

Composition of the Audit Committee

The proposed members of the Audit Committee are Robert J. Dales (Chairman), Eldon A. McIntyre and Neil G. Sinclair, all of whom are considered "independent" and "financially literate" within the meaning of NI 52-110. For the purposes of NI 52-110, a member of an audit committee is independent if the member has no direct or indirect material relationship with a company. A material relationship means a relationship which could, in the view of a company's board of directors, reasonably interfere with the exercise of a member's independent judgment. For the purposes of NI 52-110, a member of an audit committee is considered financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by a company.

Relevant Education and Experience

The following sets forth the relevant education and experience of each of the proposed members of the Audit Committee.

Robert J. Dales – Chairman

Mr. Dales holds an MBA. He also has over 17 years of public issuer experience, both as an officer and as a director.

Eldon A. McIntyre

Mr. McIntyre has been the President of an active private corporation, with significant oil and gas operations, for over 32 years. He also has over 19 years of public issuer experience as a director.

Neil G. Sinclair

Mr. Sinclair holds a BA and an MBA. He has also been the President of an active private corporation, with significant real estate operations, for over 39 years. He also has over nine years of public company experience as an officer and/or director.

Pre-Approval Policies and Procedures

The Audit Committee is expected to adopt specific policies and procedures for the engagement of non-audit services.

External Auditor Service Fees (By Category)

As of the date of the Information Circular, Kelt has not paid any fees to external auditors since incorporation as set forth in the table below:

Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
N/A	N/A	N/A	N/A

RISK FACTORS

An investment in Kelt should be considered highly speculative due to the nature of its activities and the stage of its development upon completion of the Arrangement. Kelt was incorporated for the purposes of participating in the Arrangement and acquiring the Kelt Assets and has not carried on any active business other than in connection with the Arrangement and related matters. Following completion of the Arrangement, Kelt will carry on the exploration for, and the development and production of, oil and natural gas in respect of the Kelt Assets. The risks and uncertainties set forth below are not the only ones facing Kelt. Additional risks and uncertainties not presently known to Kelt or that Kelt currently considers immaterial may also impair the business and operations of Kelt and cause the price of the Kelt Shares to decline. If any of the following risks actually occur, Kelt's business may be harmed and its financial condition and results of operations may suffer significantly. In that event, the trading price of the Kelt Shares could decline and purchasers of the Kelt Shares may lose all or part of their investment. Readers should carefully consider the following risk factors in addition to the other information contained in this Appendix and the Information Circular before investing in Kelt Shares. See "*Risk Factors*" in the Information Circular.

Risks Relating to the Arrangement

Possible Failure to Realize the Anticipated Benefits of the Arrangement and the Acquisition of the Kelt Assets

Kelt is proposing to complete the Arrangement and the acquisition of the Kelt Assets to position itself in the oil and gas industry and to create the opportunity to realize certain benefits. Achieving the benefits of the acquisition of the Kelt Assets depends in part on factors outside of Kelt's control, including, but not limited to, commodity prices, regulatory regimes and tax and royalty regimes. The Conveyance Consideration for the Kelt Assets is partially based on engineering and economic assessments made by independent petroleum engineers as well as actual historical financial and operating results. These assessments and historical results include a number of material assumptions and factors regarding matters such as recoverability and marketability of oil, natural gas and NGL, future prices of oil, natural gas and NGL, and operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of the operators of the Kelt Assets and Kelt. In particular, changes in the prices of and markets for petroleum, natural gas, NGL and sulphur from those anticipated at the time of making such assessments will affect the return on the value of the Kelt Shares. In addition, all such assessments involve a measure of geological and engineering uncertainty which could result in lower production and reserves than that attributed to the Kelt Assets.

Acquisitions of oil and gas properties or companies are based in large part on engineering, environmental and economic assessments made by the acquiror, independent engineers and consultants. These assessments include a series of assumptions regarding such factors as recoverability and marketability of oil and natural gas, environmental restrictions and prohibitions regarding releases and emissions of various substances, future prices of oil and gas, future operating costs, future capital expenditures and royalties and other government levies which will be imposed over the producing life of the reserves. Many of these factors are subject to change and are beyond the control of Kelt. All such assessments involve a measure of geologic, engineering, environmental and regulatory uncertainty that could result in lower production and reserves or higher operating or capital expenditures than anticipated. Although select title and environmental reviews are conducted prior to any purchase of resource assets, such reviews cannot guarantee that any unforeseen defects in the chain of title will not arise to defeat Kelt title to certain assets or that environmental defects, liabilities or deficiencies do not exist or are greater than anticipated. Such deficiencies or defects could adversely affect the value of the Kelt Assets and Kelt securities.

Other Risks Relating to the Arrangement

For a description of the other risks related to the Arrangement, see the Information Circular under the heading "*Risk Factors – Risks Relating to the Arrangement*".

Risks Relating to Kelt and the Kelt Assets

Exploration, Development and Production Risks

Oil and natural gas exploration involves a high degree of risk and there is no assurance that expenditures made on exploration by Kelt will result in new discoveries of oil or natural gas in commercial quantities. It is difficult to project the costs of implementing an exploratory drilling program due to the inherent uncertainties of drilling in unknown formations, the costs associated with encountering various drilling conditions such as over pressured zones and tools lost in the hole, and changes in drilling plans and locations as a result of prior exploratory wells or additional seismic data and interpretations thereof.

Future oil and gas exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient net revenues to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While close well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Prices, Markets and Marketing of Crude Oil and Natural Gas

Oil and natural gas are commodities whose prices are determined based on world demand, supply and other factors, all of which are beyond the control of Kelt. World prices for oil and natural gas have fluctuated widely in recent years. Any material decline in prices will result in a reduction of net production revenue. Certain wells or other projects may become uneconomic as a result of a decline in world oil prices and natural gas prices, leading to a reduction in the future volume of Kelt's oil and gas production. Kelt might also elect not to produce from certain wells at lower prices. All these factors could result in a material decrease in Kelt's future net production revenue, causing a reduction in its oil and gas acquisition and development activities. In addition, future bank borrowings available to Kelt will be in part determined by the future borrowing base of Kelt. A sustained material decline in prices from historical average prices could reduce Kelt's future borrowing base, therefore reducing the bank credit available to Kelt, and could require that a portion of any existing bank debt of Kelt be repaid.

In addition to establishing markets for its oil and natural gas, Kelt must also successfully market its oil and natural gas to prospective buyers. The marketability and price of oil and natural gas which may be acquired or discovered by Kelt will be affected by numerous factors beyond its control. Kelt will be affected by the differential between the price paid by refiners for light quality oil and the grades of oil produced by Kelt. The ability of Kelt to market natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. Kelt will also likely be affected by deliverability uncertainties related to the proximity of its reserves to pipelines and processing facilities and related to operational problems with such pipelines and facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and the management of other aspects of the oil and natural gas business. Kelt has limited direct experience in the marketing of oil and natural gas.

Capital Markets

Due to current global economic conditions, Kelt, along with all other oil and gas entities, may have restricted access to capital, bank debt and equity as the lending capacity of financial institutions has diminished and risk premiums

have increased. As future capital expenditures are currently expected to be financed out of funds generated from operations, borrowings and possible future equity sales, Kelt's ability to do so is dependent on, among other factors, the overall state of capital markets and investor appetite for investments in the energy industry and Kelt's securities in particular.

To the extent that external sources of capital become limited or unavailable or available on onerous terms, Kelt's ability to make capital investments and maintain existing assets may be impaired, and its assets, liabilities, business, financial condition and results of operations may be materially and adversely affected as a result.

Based on expected funds to be generated from operations and anticipated proceeds under the Private Placement, Kelt believes it will have sufficient funds available to fund its projected capital expenditures. However, if funds generated from operations are lower than expected or capital costs for these projects exceed current estimates, if the Private Placement is not completed as anticipated or if Kelt incurs major unanticipated expenses related to the development or maintenance of the Kelt Assets, it may be required to seek additional capital to maintain its capital expenditures at planned levels. Failure to obtain any financing necessary for Kelt's capital expenditure plans may result in a delay in development or production on the Kelt Assets.

Regulatory

Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government that may be amended from time to time. Kelt's operations may require licences from various governmental authorities. There can be no assurance that Kelt will be able to obtain all necessary licences and permits that may be required to carry out exploration and development at its projects. It is not expected that any of these controls or regulations will affect the operations of Kelt in a manner materially different from how they would affect other oil and natural gas companies of similar size.

Insurance

Kelt's involvement in the exploration for and development of oil and gas properties may result in Kelt becoming subject to liability for pollution, blow-outs, property damage, personal injury and other hazards. Although Kelt will obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not, in all circumstances be insurable or, in certain circumstances, Kelt may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or for other reasons. The payment of such uninsured liabilities would reduce the funds available to Kelt. The occurrence of a significant event that Kelt is not fully insured against, or the insolvency of the insurer of such event, could have a material adverse effect on Kelt's financial position, results of operations or prospects.

Operational Dependence

Other companies operate some of the assets in which Kelt will acquire an interest. As a result, Kelt will have limited ability to exercise influence over the operation of those assets or their associated costs, which could adversely affect Kelt's financial performance. Kelt's return on assets operated by others will therefore depend upon a number of factors that may be outside of Kelt's control, including the timing and amount of capital expenditures, the operator's expertise and financial resources, the approval of other participants, the selection of technology and risk management practices.

Project Risks

Kelt will manage a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. Kelt's ability to execute projects and market oil and natural gas will depend upon numerous factors beyond Kelt's control, including:

- the availability of processing capacity;

- the availability and proximity of pipeline capacity;
- the availability of storage capacity;
- the supply of and demand for oil and natural gas;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- changes in regulations;
- the availability and productivity of skilled labour; and
- the regulation of the oil and natural gas industry by various levels of government and governmental agencies.

Because of these factors, Kelt could be unable to execute projects on time, on budget or at all, and may not be able to effectively market the oil and natural gas that it produces.

Substantial Capital Requirements; Liquidity

Kelt anticipates that it will make substantial capital expenditures for the acquisition, exploration development and production of oil, natural gas and NGL reserves in the future. If Kelt's future revenues or reserves decline, Kelt may have limited ability to expend the capital necessary to undertake or complete future drilling programs. There can be no assurance that debt or equity financing, or cash generated by operations will be available or sufficient to meet these requirements or for other corporate purposes or, if debt or equity financing is available, that it will be on terms acceptable to Kelt. Moreover, future activities may require Kelt to alter its capitalization significantly. The inability of Kelt to access sufficient capital for its operations could have a material adverse effect on Kelt's financial condition, results of operations or prospects.

Working Capital

The estimated available working capital and bank credit of Kelt upon completion of the Arrangement and the Private Placement and following the establishment of the Credit Facility, is inherently difficult to calculate and is dependent upon assumptions such as the completion of the Arrangement and the Private Placement and the establishment of the Credit Facility, future results of and expenditures by Celtic to the date of calculation, the costs of the Arrangement and other factors. The actual available working capital and bank credit of Kelt upon the completion of the Arrangement and the Private Placement and following the establishment of the Credit Facility may be materially different than the current estimates and such a difference could have a material adverse effect on the financial position of Kelt and its ability to fund its exploration, development and production activities relating to the Kelt Assets. See "*Available Funds and Principal Purposes*" in this Appendix.

Competition

The oil and gas industry is highly competitive. Kelt will actively compete for reserve acquisitions, exploration leases, licences and concessions and skilled industry personnel with a substantial number of other oil and gas entities, many of which have significantly greater financial resources, staff and facilities than Kelt. Kelt and certain of its executive officers (namely, David J. Wilson, Sadiq H. Lalani, Alan G. Franks and Patrick Miles) will also be subject to the Non-Competition and Non-Solicitation Agreements for a period of one year following completion of the Arrangement. See "*General Development of the Business – Non-Competition and Non-Solicitation Agreements*" in this Appendix.

Kelt's competitors will include integrated oil and natural gas companies and numerous other independent oil and natural gas companies and individual producers and operators. Certain of Kelt's customers and potential customers may themselves explore for oil and natural gas and the results of such exploration efforts could affect Kelt's ability to sell or supply oil or gas to these customers in the future. Kelt's ability to successfully bid on and acquire additional property rights, to discover reserves to participate in drilling opportunities and to identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. Competitive factors in the distribution and marketing of oil and natural gas include price and methods and reliability of delivery and storage. Competition may also be presented by alternate fuel sources.

Failure to Realize Anticipated Benefits of Acquisitions and Dispositions

Kelt may make future acquisitions and dispositions of businesses and assets in the ordinary course of business. Achieving the benefits of acquisitions depends in part on successfully consolidating functions and integrating operations and procedures in a timely and efficient manner as well as Kelt's ability to realize the anticipated growth opportunities and synergies from combining the acquired businesses and operations with those of Kelt. The integration of acquired businesses may require substantial management effort, time and resources and may divert management's focus from other strategic opportunities and operational matters. Management will continually assess the value and contribution of services provided and assets required to provide such services. In this regard, non-core assets may be periodically disposed of, so that Kelt can focus its efforts and resources more efficiently. Depending on the state of the market for such non-core assets, certain non-core assets of Kelt, if disposed of, could be expected to realize less than their carrying value on the financial statements of Kelt.

Variations in Foreign Exchange Rates and Interest Rates

World oil and gas prices are quoted in United States dollars and the price received by Canadian producers is therefore affected by the Canadian/U.S. dollar exchange rate, which will fluctuate over time. In recent years, the Canadian dollar has increased materially in value against the United States dollar. Material increases in the value of the Canadian dollar negatively impact Kelt's production revenues. Future Canadian/United States exchange rates could accordingly impact the future value of Kelt's reserves as determined by independent evaluators. To the extent that Kelt will engage in risk management activities related to foreign exchange rates, there is a credit risk associated with counterparties with which Kelt may contract. An increase in interest rates could result in a significant increase in the amount Kelt pays to service debt, which could negatively impact the market price of the Kelt Shares.

Title

Title to oil and natural gas interests is often not capable of conclusive determination without incurring substantial expense. In accordance with industry practice, Kelt will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. However, no absolute assurances can be given that title defects do not exist. If title defects do exist, it is possible that Kelt may lose all or a portion of its right title and interest in and to the properties to which the title defects relate.

Environmental Risks

All phases of the oil and natural gas business present environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions and federal, provincial and municipal laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. The legislation also requires that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such legislation can require significant expenditures and a breach may result in the imposition of fines and penalties, some of which may be material. Environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of oil, natural gas or other pollutants into the air, soil or water may give rise to liabilities to foreign governments and third parties and may require Kelt to incur costs to remedy such discharge. Implementation of strategies with respect to climate change and reducing greenhouse gases whether to meeting the limits required by the Kyoto Protocol or as otherwise determined by the federal or provincial governments could have material impact on the nature of oil and natural gas operations, including those of Kelt.

No assurance can be given that the application of environmental laws to the business and operations of Kelt will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect Kelt's financial condition, results of operations or prospects.

Reserve Estimates

There are numerous uncertainties inherent in estimating quantities of oil, natural gas and NGL reserves and cash flows to be derived therefrom, including many factors beyond Kelt's control. The information concerning reserves and associated cash flow set forth in this Appendix represents estimates only. In general, estimates of economically recoverable oil and natural gas reserves and the future net cash flows therefrom are based upon a number of variable factors and assumptions, such as historical production from the properties, production rates, ultimate reserve recovery, timing and amount of capital expenditures, marketability of oil and natural gas, royalty rates, the assumed effects of regulation by governmental agencies and future operating costs, all of which may vary from actual results.

For those reasons, estimates of the economically recoverable oil and natural gas reserves attributable to any particular group of properties, classification of such reserves based on risk of recovery and estimates of future net revenues expected therefrom prepared by different engineers, or by the same engineers at different times, may vary. Kelt's actual production, revenues, taxes and development and operating expenditures with respect to its reserves will vary from estimates thereof and such variations could be material. Further, the evaluations are based, in part, on the assumed success of the exploitation activities intended to be undertaken in future years. The reserves and estimated cash flows to be derived therefrom contained in such evaluations will be reduced to the extent that such exploitation activities do not achieve the level of success assumed in the evaluation.

In accordance with applicable securities laws, Sproule has used forecast price and cost estimates in calculating reserve quantities. Actual future net cash flows will be affected by other factors such as actual production levels, supply and demand for oil and natural gas, curtailments or increases in consumption by oil and natural gas purchasers, changes in governmental regulation or taxation and the impact of inflation on costs. Actual production and cash flows derived therefrom will vary from the estimates contained in the Kelt Sproule Report, and such variations could be material. The Kelt Sproule Report is based in part on the assumed success of activities Kelt intends to undertake in future years. The reserves and estimated cash flows to be derived therefrom contained in the Kelt Sproule Report will be reduced to the extent that such activities do not achieve the level of success assumed in the Kelt Sproule Report.

The Kelt Sproule Report is effective as of a specific effective date and has not been updated and thus does not reflect changes in Kelt's reserves since that date.

Reserve Replacement

Kelt's future oil, natural gas and NGL reserves, production, and cash flows to be derived therefrom are highly dependent on Kelt successfully acquiring or discovering new reserves. Without the continual addition of new reserves, any existing reserves Kelt may have at any particular time and the production therefrom will decline over time as such existing reserves are exploited. A future increase in Kelt's reserves will depend not only on Kelt's ability to develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. There can be no assurance that Kelt's future exploration and development efforts will result in the discovery and development of additional commercial accumulations of oil and natural gas.

Reliance on Operators and Key Personnel

To the extent Kelt is not the operator of its oil and gas properties, Kelt will be dependent on such operators for the timing of activities related to such properties and will largely be unable to direct or control the activities of the operators. In addition, the success of Kelt will be largely dependent upon the performance of its management and key employees. Kelt does not anticipate implementing any "key man" insurance policies, and therefore there is a risk that the death or departure of any member of management or any key employee could have a material adverse effect on Kelt. See "*– Risks Relating to the Management of Kelt – Reliance on Personnel*" in this Appendix.

Geo-Political Risks

The marketability and price of oil and natural gas that may be acquired or discovered by Kelt is and will continue to be affected by political events throughout the world that cause disruptions in the supply of oil. Conflicts, or conversely peaceful developments, arising in the Middle East, and other areas of the world, have a significant impact on the price of oil and natural gas. Any particular event could result in a material decline in prices and therefore result in a reduction of Kelt's net production revenue. In addition, the oil and natural gas properties, wells and facilities Kelt will acquire pursuant to the Kelt Conveyance Agreement could be subject to a terrorist attack. As the oil and gas industry in Canada is a key supplier of energy to the United States, certain terrorist groups may target Canadian oil and gas properties, wells and facilities in an effort to choke the United States economy. If any of Kelt's properties, wells or facilities are the subject of terrorist attack it could have a material adverse effect on Kelt. Kelt will not have insurance to protect against the risk from terrorism.

Management of Growth

Kelt may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of Kelt to manage growth effectively will require it to continue to implement and improve its operations and financial systems and to expand, train and manage its employee base. The inability of Kelt to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

Kelt's properties will be held in the form of licences and leases and working interests in licences and leases. If Kelt or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of Kelt's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on results of operations and business.

Permits and Licenses

The operations of Kelt may require licenses and permits from various governmental authorities. There can be no assurance that Kelt will be able to obtain all necessary licenses and permits that may be required to carry out exploration and development at its properties.

Additional Funding Requirements

Kelt's cash flow from its reserves may not be sufficient to fund its ongoing activities at all times. From time to time, Kelt may require additional financing in order to carry out its oil and gas acquisition, exploration and development activities. Failure to obtain such financing on a timely basis could cause Kelt to forfeit its interest in certain properties, miss certain acquisition opportunities and reduce or terminate its operations. If revenues from Kelt's reserves decrease as a result of lower oil and natural gas prices or otherwise, it will affect Kelt's ability to expend the necessary capital to replace its reserves or to maintain its production. If Kelt's cash flow from operations is not sufficient to satisfy its capital expenditure requirements, there can be no assurance that additional debt or equity financing will be available to meet these requirements or, if available will be on terms acceptable to Kelt. Any equity financing may result in a change of control of Kelt or Kelt Shareholders suffering further dilution. Continued uncertainty in domestic and international credit markets could materially affect Kelt's ability to access sufficient capital for its capital expenditures and acquisitions, and as a result, may have a material adverse effect on Kelt's ability to execute its business strategy and on its business, financial condition, results of operations and prospects.

Issuance of Debt

From time to time, Kelt may enter into transactions to acquire assets or the shares of other entities. These transactions may be financed in whole or in part with debt, which may increase Kelt's debt levels above industry standards for oil and natural gas companies of similar size. Depending on future exploration and development plans, Kelt may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither Kelt's articles nor its by-laws limit the amount of indebtedness that Kelt may incur. The level of Kelt's indebtedness from time to time, could impair Kelt's ability to obtain additional financing on a timely basis to take advantage of business opportunities that may arise.

Hedging

From time to time, Kelt may enter into agreements to receive fixed prices on its oil and natural gas production to offset risk of revenue losses if commodity prices decline; however, if commodity prices increase beyond the levels set in such agreements, Kelt will not benefit from such increases. Similarly, from time to time, Kelt may enter into agreements to fix the exchange rate of Canadian to United States dollars in order to offset the risk of revenue losses if the Canadian dollar increases in value compared to the United States dollar, however, if the Canadian dollar declines in value compared to the United States dollar, Kelt will not benefit from its fluctuating exchange rate. In addition, from time to time, Kelt may enter into agreements to fix the interest rate on its debt to offset the risk of higher interest expenses during a period of rising borrowing costs, however, if borrowing costs decline, Kelt will not be able to benefit from such declines.

Availability of Drilling Equipment and Access Restrictions

Oil and natural gas exploration and development activities are dependent on the availability of drilling and related equipment in the particular areas where such activities will be conducted. Demand for such limited equipment or access restrictions may affect the availability of such equipment to Kelt and may delay exploration and development activities.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. Kelt is not aware that any claims have been made in respect of the Kelt Assets; however, if a claim arose and was successful this could have an adverse effect on Kelt and its operations.

Global Financial Crisis

Market events and conditions, including disruptions in the international credit markets and other financial systems, and the deterioration of global economic conditions caused significant volatility to commodity prices over the last few years. These conditions have resulted in a loss of confidence in the broader U.S. and global credit and financial

markets and resulting in the collapse of, and government intervention in, major banks, financial institutions and insurers and creating a climate of greater volatility, less liquidity, widening of credit spreads, a lack of price transparency, increased credit losses and tighter credit conditions. Notwithstanding various actions by governments, concerns about the general condition of the capital markets, financial instruments, banks, investment banks, insurers and other financial institutions caused the broader credit markets to further deteriorate and stock markets to decline substantially. These factors have negatively impacted company valuations and may continue to impact the performance of the global economy going forward.

If the economic climate in the U.S. or the world generally deteriorates further, demand for petroleum products could diminish further and prices for oil and natural gas could decrease further, which could adversely impact Kelt's results of operations, liquidity and financial condition.

Seasonality

The level of activity in the Canadian oil and gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and gas producing areas are located in areas that are inaccessible other than during the winter months because the ground surrounding the sites in these areas consists of swampy terrain. There can be no assurance that these seasonal factors will not adversely affect the timing and scope of Kelt's exploration and development activities, which could in turn have a material adverse impact on Kelt's business, operations and prospects.

Third Party Credit Risk

Kelt is, or may be exposed to, third party credit risk through its contractual arrangements with its future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to Kelt, such failures could have a material adverse effect on Kelt and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in Kelt's ongoing capital program, potentially delaying the program and the results of such program until Kelt finds a suitable alternative partner.

Alternatives to and Changing Demand for Petroleum Products

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and natural gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. Kelt cannot predict the impact of changing demand for oil and natural gas products, and any major changes may have a material adverse effect on Kelt's business, financial condition, results of operations and cash flows.

Hydraulic Fracturing

Concern has been expressed over the potential environmental impact of hydraulic fracturing operations, including water aquifer contamination and other qualitative and quantitative effects on water resources as large quantities of water are used and injected fluids either remain underground or flow back to the surface to be collected, treated and disposed of. Regulatory authorities in certain jurisdictions have announced initiatives in response to such concerns. Federal, provincial and local legislative and regulatory initiatives relating to hydraulic fracturing, as well as governmental reviews of such activities could result in increased costs, additional operating restrictions or delays, and adversely affect Kelt's future production. Public perception of environmental risks associated with hydraulic fracturing can further increase pressure to adopt new laws, regulation or permitting requirements or lead to regulatory delays, legal proceedings and/or reputational impacts. Any new laws, regulations or permitting requirements regarding hydraulic fracturing could lead to operational delays, increased operating costs, and third-party or governmental claims. They could also increase Kelt's costs of compliance and doing business. Restrictions on hydraulic fracturing could also reduce the amount of oil and natural gas that Kelt is ultimately able to produce from its reserves. In the event federal, provincial, local, or municipal legal restrictions are adopted in areas where

Kelt plans to conduct operations, Kelt may incur additional costs to comply with such requirements that may be significant in nature, experience delays or curtailment in the pursuit of exploration, development, or production activities, and perhaps even be precluded from the drilling of wells. In addition, if hydraulic fracturing becomes more regulated, Kelt's future fracturing activities could become subject to additional permitting requirements and result in permitting delays as well as potential increases in costs.

Tax Horizon

It is expected, based upon current legislation, the projections contained in the Kelt Sproule Report and various other assumptions that no cash income taxes are to be paid by Kelt in the near future. A lower level of capital expenditures than those contained in the Kelt Sproule Report or should the assumptions used by Kelt prove to be inaccurate, Kelt may be required to pay cash income taxes sooner than anticipated, which will reduce cash flow available to Kelt.

Risks Relating to the Management of Kelt

Reliance on Personnel

Kelt's future success will depend in large measure on certain key personnel. The exploration for, and the development and production of, oil and natural gas with respect to the Kelt Assets will require experienced executive and management personnel and operational employees and contractors with expertise in a wide range of areas. There can be no assurance that all of the required employees and contractors with the necessary expertise will be available. Further, the loss of any key personnel may have a material adverse effect on Kelt's business, financial condition, results of operations and prospects. Kelt does not anticipate implementing any "key man" insurance.

In addition, the competition for qualified personnel in the oil and natural gas industry is intense and there can be no assurance that Kelt will be able to attract and retain all personnel necessary for the development and operation of the business of Kelt. Competition for qualified personnel may also result in increases to competition paid for such personnel.

Any inability on the part of Kelt to attract and retain qualified personnel may delay or interrupt the exploration for, and development and production of, oil and natural gas with respect to the Kelt Assets. Sustained delays or interruptions could have a material adverse effect on the financial condition and performance of Kelt. In addition, rising personnel costs would adversely impact the costs associated with the exploration for, and development and production of, oil and natural gas in respect of the Kelt Assets, which could be significant and material.

Potential Conflicts of Interest

There may be circumstances in which the interests of Kelt and its affiliates will conflict with those of shareholders. Kelt and its affiliates may acquire oil and natural gas a properties on their own behalf or on behalf of persons other than the shareholders. Neither Kelt, nor its management, will carry on their full-time activity on behalf of shareholders and, when acting on their own behalf or on behalf of others, may at times act in competition with the interests of shareholders.

In the event of such conflicts, decisions will be made on a basis consistent with the provisions of any relevant contractual arrangements and objectives and financial resources of each group of interested parties. Kelt will use all reasonable efforts to resolve such conflicts of interest in a manner which will treat Kelt, and the other interested party, fairly taking into account all of the circumstances of Kelt and such interested party and to act honestly and in good faith in resolving such matters.

Circumstances may arise where members of the Kelt Board are directors or officers of corporations which are in competition to the interests of Kelt. No assurances can be given that opportunities identified by such board members will be provided to Kelt.

Certain directors of Kelt are also directors of other oil and gas companies and as such may, in certain circumstances, have a conflict of interest requiring them to abstain from certain decisions. Conflicts, if any, will be subject to the

procedures and remedies of the ABCA. See "*Directors and Executive Officers – Conflicts of Interest*" in this Appendix.

Certain of Kelt's executive officers (namely, David J. Wilson, Sadiq H. Lalani, Alan G. Franks and Patrick Miles) will also be subject to the Non-Competition and Non-Solicitation Agreements for a period of one year following completion of the Arrangement. See "*General Development of the Business – Non-Competition and Non-Solicitation Agreements*" in this Appendix.

Internal Controls

Effective internal controls are necessary for Kelt to provide reliable financial reports and to help prevent fraud. Although Kelt will undertake a number of procedures in order to help ensure the reliability of its financial reports, including those imposed on it under Canadian securities laws, Kelt cannot be certain that such measures will ensure that Kelt will maintain adequate control over financial processes and reporting.

Failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm Kelt results of operations or cause it to fail to meet its reporting obligations. If Kelt or its independent auditors discover a material weakness, the disclosure of that fact, even if quickly remedied, could reduce the market's confidence in Kelt financial statements and harm the trading price of the Kelt Shares.

Risks Relating to an Investment in the Kelt Shares

No Prior Public Market for Kelt Shares

There is currently no public market through which Kelt Shares may be sold. Kelt has applied to list the Kelt Shares on the TSX. Listing is subject to Kelt fulfilling all of the requirements of the TSX. There can be no assurance that the TSX will list the Kelt Shares. A failure to list the Kelt Shares on the TSX or another designated stock exchange could result in a determination that the Kelt Shares are not qualified investments under the Tax Act for Deferred Plans and would likely render such shares "taxable Canadian property" for purposes of the Tax Act. An active and liquid market for the Kelt Shares may not develop following completion of the Arrangement or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Kelt Shares at any given time at a price that the investor may consider reasonable. The lack of an active market may also reduce the fair market value and increase the volatility of the Kelt Shares and may impair Kelt's ability to raise capital by selling Kelt Shares.

Discretion in Use of Funds

Kelt currently intends to use the funds received from the Private Placement as described under the headings "*General Development of the Business – The Arrangement and Other Matters to be Considered at the Meeting – Other Matters to be Considered at the Meeting – Private Placement*" and "*Available Funds and Principal Purposes*" in this Appendix. While Kelt currently intends to use the funds as described herein, there may be circumstances that are not known at this time where a reallocation of available funds may be advisable for business reasons that management believes are in Kelt's best interests. As a result, there is no assurance Kelt will use the available funds as stated. Management will have discretion in the actual application of available funds and the failure by management to apply these funds effectively could have a material adverse effect on the business of Kelt.

Failure to Complete the Private Placement

There is no assurance that the Private Placement will be completed or that the number of Kelt Shares that will be issued pursuant to the Private Placement will be equal to the anticipated number of up to 6,000,000 Kelt Shares. The Private Placement is subject to the approval of the TSX, if the Kelt Shares are listed on the TSX, and the Celtic Shareholders. In the event that the Private Placement is not completed or that the number of Kelt Shares issued pursuant to the Private Placement is less than anticipated, Kelt may need to seek additional debt and/or equity financing. See also "*General Development of the Business – The Arrangement and Other Matters to be Considered*

at the Meeting – Other Matters to be Considered at Meeting – Private Placement" and "*– Risks Relating to Kelt and the Kelt Assets – Additional Funding Requirements*" in this Appendix.

Trading Price of the Kelt Shares

There can be no assurances that the Kelt Shares will trade at a premium to the issue price of the Kelt Shares pursuant to the Private Placement, if and when the Kelt Shares are listed and posted for trading on the TSX. See "*General Development of the Business – The Arrangement and Other Matters to be Considered at the Meeting – Other Matters to be Considered at Meeting – Private Placement*" in this Appendix.

Future Sales or Issuances of Kelt Shares and the Price of Kelt Shares

Future sales, or the ability for sale, of substantial amounts of the Kelt Shares in the public market could adversely affect the prevailing market price for the Kelt Shares. If Kelt Shareholders sell substantial amounts of their Kelt Shares in the public market following the Private Placement, the market price of the Kelt Shares could decline these sales might also make it more difficult for Kelt to sell equity or equity-related securities in the future at a time and price that Kelt deems appropriate.

Dilution

Kelt may make future acquisitions or enter into financings or other transactions involving the issuance of securities of Kelt which may be dilutive.

LEGAL PROCEEDINGS

There are no legal proceedings to which Kelt is a party or in respect of which any of the property of Kelt is subject and Kelt is not aware of any contemplated proceedings.

REGULATORY ACTIONS

Since the date of incorporation of Kelt, there have been no: (i) no penalties or sanctions imposed against Kelt or by a court relating to securities legislation or by a securities regulatory authority; (ii) no other penalties or sanctions imposed by a court or regulatory body against Kelt that would likely be considered important to a reasonable investor in making an investment decision; and (iii) no settlement agreements Kelt entered into before a court relating to a securities legislation or with a securities regulatory authority.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as disclosed in the Information Circular or this Appendix, none of the directors or executive officers of Kelt or any person or company that owns directly or indirectly, or exercises control or direction over, more than ten percent of the Kelt Shares, or any associate or Affiliate of any of the foregoing persons or companies, has or has had any material interest, direct or indirect, in any past transaction or any proposed transaction that has materially affected or is reasonably expected to materially affect Kelt.

AUDITORS, TRANSFER AGENT AND REGISTRAR

Auditors

The auditors of Kelt are PricewaterhouseCoopers LLP, Chartered Accountants, 111 – 5th Avenue S.W., Suite 3100, Calgary, Alberta T2P 5L3.

Transfer Agent and Registrar

The transfer agent and registrar for the Kelt Shares is Valiant Trust Company. Kelt Shares will be transferable at the offices of Valiant Trust Company in Calgary, Alberta and Toronto, Ontario.

MATERIAL CONTRACTS

The only material contract entered into by Kelt since incorporation is the Arrangement Agreement and the only material contract currently proposed to be entered into by Kelt prior to the completion of the Arrangement, other than contracts entered into in the ordinary course of business, is the Kelt Conveyance Agreement. See "*General Development of the Business – The Kelt Conveyance Agreement*" in this Appendix.

A copy of the Arrangement Agreement, which includes the current form of the Kelt Conveyance Agreement, has been filed on SEDAR under Celtic's SEDAR profile and a copy is attached to the Information Circular as Appendix C. A copy of the Arrangement Agreement may be inspected at the head office of Kelt located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3, during normal business hours from the date of the Information Circular until the completion of the Arrangement.

EXPERTS

Sproule prepared the Kelt Sproule Report. As of the date of the Kelt Sproule Report, the principals of Sproule owned beneficially, directly or indirectly, less than one percent of the outstanding Kelt Shares. The principals of Sproule will own beneficially, directly or indirectly, less than one percent of the outstanding Kelt Shares following completion of the Arrangement and the Private Placement. Sproule neither received nor will receive any interest, direct or indirect, in any securities or other property of Celtic or Kelt or their affiliates in connection with the preparation of the Kelt Sproule Report.

PricewaterhouseCoopers LLP, Chartered Accountants, are the auditors of Kelt and have confirmed that they are independent with respect to Kelt in accordance with the Rules of Professional Conduct as outlined by the Institute of Chartered Accountants of Alberta.

Certain legal matters relating to the Arrangement and the Private Placement are to be passed upon by Borden Ladner Gervais LLP on behalf of Kelt. Based on securityholdings as of the date of the Information Circular and the assumptions set forth under the heading "*Directors and Executive Officers*" in this Appendix, the partners and associates of Borden Ladner Gervais LLP will beneficially own, directly or indirectly, less than one percent of the outstanding Kelt Shares after giving effect to the Arrangement and the Private Placement.

In addition, none of the aforementioned persons or companies, nor any director, officer or employee of any of the aforementioned persons or companies, is or is expected to be elected, appointed or employed as a director, officer or employee of Kelt or of any associate or affiliate of Kelt, other than William C. Guinan, a partner of Borden Ladner Gervais LLP, who is a director and the Corporate Secretary of Kelt. See "*Directors and Executive Officers*" in this Appendix.

SCHEDULE "A"
AUDITED FINANCIAL STATEMENTS OF KELT

Financial Statements

For the period from incorporation on October 11, 2012 to October 31, 2012

Independent Auditor's Report

To the Board of Directors of Celtic Exploration Ltd.

We have audited the accompanying financial statements of Kelt Exploration Ltd., which comprise the statement of financial position as at October 31, 2012 and the statement of changes in shareholders' equity and cash flow for the period from incorporation on October 11, 2012 to October 31, 2012, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Kelt Exploration Ltd. as at October 31, 2012 and its financial performance and its cash flows for the period from incorporation on October 11, 2012 to October 31, 2012 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
November 16, 2012

PricewaterhouseCoopers LLP
111 5th Avenue SW, Suite 3100, Calgary, Alberta, Canada T2P 5L3
T: 403 509 7369, F:403 781 1825, www.pwc.com/ca

Kelt Exploration Ltd.
Statement of Financial Position
As at October 31, 2012

(CA$)	[Notes]	**October 31, 2012**
ASSETS		
Current assets		
Cash		1
Total current assets		1
Total assets		1
SHAREHOLDERS' EQUITY		
Shareholders' capital	[4]	1
Total shareholders' equity		1
Total liabilities and shareholders' equity		1

Subsequent events (note 5)

The accompanying notes form an integral part of these financial statements.

On behalf of the Board of Directors:

[signed]
David J. Wilson, Director

[signed]
Eldon A. McIntyre, Director

Kelt Exploration Ltd.
Statement of Changes in Shareholders' Equity
For the period from incorporation on October 11, 2012 to October 31, 2012

(CA$)	
Issuance of common shares on incorporation	1
Balance at October 31, 2012	1

The accompanying notes form an integral part of these financial statements.

Kelt Exploration Ltd.
Statement of Cash Flows
For the period from incorporation on October 11, 2012 to October 31, 2012

(CA$)	
Financing activities	
Issuance of common shares	1
Cash provided by financing activities	1
Balance at October 11, 2012	-
Increase in cash for the period	1
Balance at October 31, 2012	1

The accompanying notes form an integral part of these financial statements.

Kelt Exploration Ltd.
Notes to the Financial Statements
As at October 31, 2012 and for the period from incorporation on October 11, 2012 to October 31, 2012

1. Business and structure of Kelt Exploration Ltd.

Kelt Exploration Ltd. (the "Company" or "Kelt") was incorporated under the *Business Corporations Act* (Alberta) on October 11, 2012 as 1705972 Alberta Ltd. On October 19, 2012, Articles of Amendment were filed to change the name of the company to Kelt Exploration Ltd. The Company is a wholly owned subsidiary of Celtic Exploration Ltd. ("Celtic").

The Company has not yet commenced commercial operations. Kelt was incorporated for the purposes of participating in an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement") between ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), and Celtic, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share. Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain petroleum and natural gas assets to Kelt.

The business plan of Kelt is to create sustainable and profitable growth as a participant in the oil and gas industry in Canada. Kelt will seek to identify and acquire strategic acquisitions of oil and gas properties where it believes further exploitation, development and exploration opportunities exist. In addition, Kelt intends to implement a full cycle exploration program through land acquisition, resulting in exploration and development drilling opportunities based on internally generated ideas.

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

2. Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and were authorized for issue by the Board of Directors on November 16, 2012. The financial statements are presented in Canadian dollars which is the Company's functional currency.

3. Significant accounting policies

The accounting policies set out below have been applied to the period presented in these financial statements, and have been applied consistently by the Company.

Cash

Cash is comprised of cash on hand.

Shareholders' capital

Costs directly attributable to the issue of common shares are recognized as a reduction of equity, net of deferred income taxes.

4. Shareholders' capital

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

Issued and outstanding

The following table summarizes the change in common shares issued and outstanding:

	Number of Common Shares	Amount (CA$)
Balance at October 11, 2012	-	-
Issuance of common shares on incorporation	1	1
Balance at October 31, 2012	**1**	**1**

5. Subsequent events

On November 16, 2012, Kelt entered into an agreement with National Bank of Canada (the "Bank") whereby the Bank will provide Kelt with a revolving operating demand loan (the "Credit Facility"). The authorized borrowing amount under the Credit Facility is $40.0 million. Repayments of principal are not required provided that the borrowings under the Credit Facility do not exceed the authorized borrowing amount and Kelt is in compliance with all covenants, representations and warranties. Covenants include reporting requirements, permitted indebtedness, permitted asset dispositions, permitted risk management contracts and other standard business operating covenants. Security is to be provided by a first fixed and floating charge debenture over all assets in the amount of $150.0 million. The Credit Facility is conditional on satisfactory closing of the Arrangement.

SCHEDULE "B"
OPERATING STATEMENTS IN RESPECT OF
THE GRANDE CACHE AND INGA PROPERTIES

Independent Auditor's Report

To the Board of Directors of Celtic Exploration Ltd.

We have audited the accompanying operating statement containing revenue, royalties, operating and transportation expenses, and operating income of Grande Cache for the years ended December 31, 2011, 2010, and 2009, and the related notes, which comprise a summary of significant accounting policies and other explanatory information (together the "operating statement").

Management's responsibility for the operating statement
Management of Celtic Exploration Ltd. is responsible for the preparation of the operating statement of Grande Cache in accordance with the basis of accounting described in note 1, and for such internal control as management determines is necessary to enable the preparation of the operating statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the operating statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the operating statement is free from material misstatement.

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

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

Opinion
In our opinion, the operating statement of Grande Cache for the years ended December 31, 2011, 2010, and 2009 is prepared in all material respects in accordance with the basis of accounting described in note 1.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
November 16, 2012

PricewaterhouseCoopers LLP, Chartered Accountants
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Kelt Exploration Ltd.
Operating Statements in respect of the Grande Cache Property
For the years ended December 31, 2011, 2010 and 2009

Grande Cache Property

(CA$ thousands)	**2011**	**2010**	**2009**
Revenues	**23,155**	31,355	38,291
Royalties	**(3,954)**	(6,389)	(8,230)
	19,201	24,966	30,061
Production & transportation expenses	**(5,768)**	(5,604)	(6,236)
Operating income	**13,433**	19,362	23,825

The accompanying notes form an integral part of these operating statements.

Kelt Exploration Ltd.
Notes to the Operating Statements in respect of the Grande Cache Property
For the years ended December 31, 2011, 2010 and 2009

1. Background and basis of presentation

On October 16, 2012, ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), Celtic Exploration Ltd. ("Celtic"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt" or the "Company") entered into an arrangement agreement, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share, pursuant to an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain assets (the "Kelt Assets") to Kelt. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases, including:

- a liquids-rich gas property in the Inga area of British Columbia;
- a gas property in the Grande Cache area of Alberta (the "Grande Cache Property"); and
- a light oil prospect in the Karr area of Alberta lying north-east of the Smoky River.

The accompanying audited operating statements include only revenues, royalties and operating & transportation expenses applicable to the Company's working interest in the Grande Cache property only.

The line items in the operating statements have been prepared in all material respects using the accounting policies that are permitted by International Financial Reporting Standards ("IFRS") as if those line items were presented as part of a complete set of financial statements. The operating statements are prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property.

The operating statements for the spin-off assets do not include any provision for the depletion and depreciation, site restoration, future capital costs, impairment of unevaluated properties, general and administrative costs and income taxes for the spin-off assets as these amounts are derived from the consolidated operations of which the spin-off assets form only a part thereof.

2. Significant accounting policies

The line items in the operating statements are prepared using the following accounting policies which are permitted under IFRS:

Revenues

Revenue from the sale of oil, natural gas and natural gas liquids is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer, which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Royalties

Royalties, which are presented as a reduction in revenue, are recognized at the time of production. Royalties are calculated in accordance with the applicable regulations or the terms of individual royalty agreements.

Production & transportation expenses

Production & transportation expenses include amounts incurred on extraction of the product to the surface, transporting, field storage, operating and maintaining wells and related equipment and facilities. Production expenses include, but are not limited to, processing and compression fees, field labour, repairs and maintenance, utilities, insurance, and property taxes.

Independent Auditor's Report

To the Board of Directors of Celtic Exploration Ltd.

We have audited the accompanying operating statement containing revenue, royalties, operating and transportation expenses, and operating income of Inga for the years ended December 31, 2011, 2010, and 2009, and the related notes, which comprise a summary of significant accounting policies and other explanatory information (together the "operating statement").

Management's responsibility for the operating statement
Management of Celtic Exploration Ltd. is responsible for the preparation of the operating statement of Inga in accordance with the basis of accounting described in note 1, and for such internal control as management determines is necessary to enable the preparation of the operating statement that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on the operating statement based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the operating statement is free from material misstatement.

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

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

Opinion
In our opinion, the operating statement of Inga for the years ended December 31, 2011, 2010, and 2009 is prepared in all material respects with the basis of accounting described in note 1.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
November 16, 2012

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Kelt Exploration Ltd.
Operating Statements in respect of the Inga Property
For the years ended December 31, 2011, 2010 and 2009

Inga Property

(CA$ thousands)	**2011**	**2010**	**2009**
Revenues	**8,898**	298	-
Royalties	**(896)**	(2)	-
	8,002	296	-
Production & transportation expenses	**(1,883)**	(357)	-
Operating income	**6,119**	(61)	-

The accompanying notes form an integral part of these operating statements.

Kelt Exploration Ltd.
Notes to the Operating Statements in respect of the Inga Property
For the years ended December 31, 2011, 2010 and 2009

1. Background and basis of presentation

On October 16, 2012, ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), Celtic Exploration Ltd. ("Celtic"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt" or the "Company") entered into an arrangement agreement, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share, pursuant to an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain assets (the "Kelt Assets") to Kelt. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases, including:

- a liquids-rich gas property in the Inga area of British Columbia (the "Inga Property");
- a gas property in the Grande Cache area of Alberta; and
- a light oil prospect in the Karr area of Alberta lying north-east of the Smoky River.

The accompanying audited operating statements include only revenues, royalties and operating & transportation expenses applicable to the Company's working interest in the Inga Property only.

The line items in the operating statements have been prepared in all material respects using the accounting policies that are permitted by International Financial Reporting Standards ("IFRS") as if those line items were presented as part of a complete set of financial statements. The operating statements are prepared in accordance with the financial reporting framework specified in subsection 3.11(5) of National Instrument 52-107 *Acceptable Accounting Principles and Auditing Standards* for operating statements of an acquired oil and gas property.

The operating statements for the spin-off assets do not include any provision for the depletion and depreciation, site restoration, future capital costs, impairment of unevaluated properties, general and administrative costs and income taxes for the spin-off assets as these amounts are derived from the consolidated operations of which the spin-off assets form only a part thereof.

2. Significant accounting policies

The line items in the operating statements are prepared using the following accounting policies which are permitted under IFRS:

Revenues

Revenue from the sale of oil, natural gas and natural gas liquids is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer, which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Royalties

Royalties, which are presented as a reduction in revenue, are recognized at the time of production. Royalties are calculated in accordance with the applicable regulations or the terms of individual royalty agreements.

Production & transportation expenses

Production & transportation expenses include amounts incurred on extraction of the product to the surface, transporting, field storage, operating and maintaining wells and related equipment and facilities. Production expenses include, but are not limited to, processing and compression fees, field labour, repairs and maintenance, utilities, insurance, and property taxes.

Operating Statements in respect of the Grande Cache and Inga Properties
Management's Discussion and Analysis
Years ended December 31, 2011 and 2010

The following management's discussion and analysis ("MD&A"), dated as of November 16, 2012, provides a detailed explanation of the revenues, royalties and production and transportation expenses of the Grande Cache and Inga Properties for the years ended December 31, 2011 and 2010 and should be read in conjunction with the audited operating statements and the audited carve-out financial statements for the years then ended, as set forth in Schedules "B" and "C" to Appendix F, respectively. The operating statements have been prepared in all material respects in accordance with the financial reporting framework specified in subsection 8.10(3)(e)(i) of NI 51-102 (Acquisition of an Interest in an Oil and Gas Property). See "*Exemptions from Instruments*" in the Information Circular.

All dollar amounts are referenced in thousands of Canadian dollars, except when noted otherwise. Where amounts are expressed on a barrel of oil equivalent ("BOE") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids ("NGLs"). NGLs include condensate, propane, butane and ethane. References to gas in this discussion include natural gas and sulphur.

Grande Cache Property

Revenues

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Production:				
Oil (bbl/d)	**4**	5	(1)	-26%
Natural gas (Mcf/d)	**17,642**	21,282	(3,641)	-17%
Natural gas liquids (bbl/d)	**18**	18	(0)	-1%
Combined (BOE/d)	**2,962**	3,570	(608)	-17%
Average realized prices:				
Oil ($/bbl)	**88.76**	69.73	19.03	27%
Natural gas ($/Mcf)	**3.48**	3.95	(0.47)	-12%
Natural gas liquids ($/bbl)	**95.23**	77.60	17.63	23%
Combined ($/BOE)	**21.42**	24.06	(2.64)	-11%
Total revenue, before royalties:				
Oil	**120**	128	(8)	-6%
Natural gas	**22,405**	30,708	(8,303)	-27%
Natural gas liquids	**630**	519	111	21%
Total revenue, before royalties	**23,155**	31,355	(8,200)	-26%

For the year ended December 31, 2011, total revenue (before royalties) decreased by $8.2 million or 26% due to a combination of lower production and lower average realized prices. The decrease in average daily production in 2011 compared to the previous year is primarily due to natural declines and shut-in of certain wells for operational reasons.

The combined average product price was $21.42 per BOE in 2011, a net decrease of 11% compared to the previous year ($24.06 per BOE). The decrease in the combined average price realized at the Grande Cache Property is primarily a result of lower index prices for natural gas during 2011, partially offset by higher index prices for oil and natural gas liquids.

Royalties

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Royalties	**3,954**	6,389	(2,435)	-38%
% of revenue	**17%**	20%	-	-16%
$ per BOE	**3.66**	4.90	(1.25)	-25%

Royalty expenses consist of crown royalties paid to the provincial government and payments to overriding royalty owners. Total royalties decreased by $2.4 million or 38% primarily due to the decrease in gross revenue. In addition, royalties decreased as a percentage of revenue due to a combination of lower natural gas prices and lower production.

Production & Transportation Expenses

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Production & transportation expenses	**5,768**	5,604	164	3%
$ per BOE	**5.33**	4.30	1.04	24%

The Grande Cache Property underwent a change in ownership on November 30, 2011 and production expenses increased as a result of transitional expenses and initial costs required to integrate operations. The increase in production & transportation expenses on a per unit basis is due to lower production volumes in 2011, given certain fixed components of expenses continue to be incurred despite a decrease in production.

Inga Property

Revenues

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Production:				
Oil (bbls/d)	**133**	1	132	14760%
Natural gas (mcf/d)	**1,770**	47	1,723	3657%
Natural gas liquids (bbls/d)	**61**	8	53	637%
Combined (BOE/d)	**489**	17	472	2770%
Average realized prices:				
Oil ($/bbl)	**88.50**	69.02	19.48	28%
Natural gas ($/Mcf)	**4.29**	4.59	(0.30)	-7%
Natural gas liquids ($/bbl)	**82.56**	64.86	17.70	27%
Combined ($/BOE)	**49.87**	47.87	2.00	4%
Total revenue, before royalties:				
Oil	**4,287**	22	4,265	19386%
Natural gas	**2,770**	80	2,690	3363%
Natural gas liquids	**1,841**	196	1,645	839%
Total revenue, before royalties	**8,898**	298	8,600	2886%

For the year ended December 31, 2011, total revenue (before royalties) increased by $8.6 million due to a combination of higher production and higher average realized prices. In 2010, the Inga Property was predominantly comprised of a small number of vertical wells. The first horizontal well was spud late in 2010, followed by four additional horizontal wells drilled during 2011, resulting in a significant increase in production year over year.

The combined average product price was $49.87 per BOE, a net increase of 4% compared to the previous year ($47.87 per BOE). Although the Company realized a lower average price for natural gas

sales as a result of lower natural gas index prices, higher oil and natural gas liquids production, relative to total production, compounded by higher index prices for oil and natural gas liquids, contributed to the net increase in the combined average realized price.

Royalties

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Royalties	**896**	2	894	44700%
% of revenue	**10%**	1%	-	1400%
$ per BOE	**5.02**	0.31	4.71	1516%

During 2010, royalty expenses at the Inga Property were nominal as there was limited production and the expenses incurred were reduced by gas cost allowance credits. As new production was brought on stream in 2011, royalties normalized to an average of 10% of revenue.

Production & Transportation Expenses

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Production & transportation expenses	**1,883**	357	1,526	427%
$ per BOE	**10.55**	57.40	(46.85)	-82%

During 2010, the Inga Property was in its initial stages of operation and was predominantly comprised of a small number of vertical wells. Start-up costs combined with low initial production volumes resulted in per unit costs of $57.40 per BOE in 2010. Total production & transportation expenses increased in 2011 in conjunction with a significant increase in production volumes associated with the commencement of horizontal drilling operations late in 2010 and throughout 2011. Correspondingly, per unit expenses decreased in 2011 compared to 2010 as the fixed component of production costs is spread over a higher volume of production.

SCHEDULE "C"
FINANCIAL STATEMENTS IN RESPECT OF THE KELT ASSETS

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

As at and for the three and nine months ended
September 30, 2012 and 2011

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF FINANCIAL POSITION
[UNAUDITED]

(CA$ thousands)	[Notes]	**September 30, 2012**	**December 31, 2011**
ASSETS			
Current assets			
Accounts receivable		**1,998**	2,577
Total current assets		**1,998**	2,577
Deferred income tax asset	[8]	**734**	-
Exploration and evaluation assets	[3]	**6,655**	6,162
Property, plant and equipment	[4]	**83,804**	67,465
Total assets		**93,191**	76,204
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**1,087**	1,716
Bank debt	[5]	**84,461**	64,672
Total current liabilities		**85,548**	66,388
Decommissioning obligations	[6]	**9,844**	8,583
Deferred income tax liability	[8]	**-**	311
Total liabilities		**95,392**	75,282
OWNER'S NET INVESTMENT			
Contributed surplus		**1,860**	434
Retained earnings (deficit)		**(4,061)**	488
Total owner's net investment		**(2,201)**	922
Total liabilities and owner's net investment		**93,191**	76,204

Commitments and contingencies [11]

The accompanying notes form an integral part of these carve-out interim financial statements.

On behalf of the Board of Directors:

[signed]
David J. Wilson, Director

[signed]
Eldon A. McIntyre, Director

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS)
[UNAUDITED]

		Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	[Notes]	**2012**	2011	**2012**	2011
Revenue					
Oil and gas		**6,220**	2,518	**18,935**	6,341
Royalties		**(437)**	(335)	**(1,908)**	(799)
		5,783	2,183	**17,027**	5,542
Expenses					
Production		**1,495**	281	**5,527**	815
Transportation		**819**	174	**2,213**	269
Financing	[10]	**1,188**	113	**2,961**	210
General and administrative		**198**	44	**597**	109
Share based compensation	[7]	**404**	91	**1,426**	191
Depletion, depreciation and amortization		**3,762**	1,178	**9,897**	3,081
Exploration expenses	[3]	**-**	-	**-**	75
		7,866	1,881	**22,621**	4,750
Profit (loss) before taxes		**(2,083)**	302	**(5,594)**	792
Current income tax expense (recovery)	[8]	**-**	(16)	**-**	123
Deferred income tax expense (recovery)	[8]	**(420)**	115	**(1,045)**	131
Profit (loss) and comprehensive income (loss)		**(1,663)**	203	**(4,549)**	538

The accompanying notes form an integral part of these carve-out interim financial statements.

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF CHANGES IN OWNER'S NET INVESTMENT
[UNAUDITED]

(CA$ thousands)	[Notes]	Contributed surplus	Retained earnings (deficit)	Total owner's net investment
Balance at December 31, 2010		2	(19)	(17)
Profit (loss)		-	538	538
Share based compensation	[7]	191	-	191
Balance at September 30, 2011		**193**	**519**	**712**
Balance at December 31, 2011		434	488	922
Profit (loss)		-	(4,549)	(4,549)
Share based compensation	[7]	1,426	-	1,426
Balance at September 30, 2012		**1,860**	**(4,061)**	**(2,201)**

The accompanying notes form an integral part of these carve-out interim financial statements.

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF CASH FLOWS
[UNAUDITED]

		Three months ended September 30		Nine months ended September 30	
(CA$ thousands)	[Notes]	**2012**	2011	**2012**	2011
Operating activities					
Profit (loss)		**(1,663)**	203	**(4,549)**	538
Items not affecting cash:					
Accretion of decommissioning obligations	[6,10]	**52**	7	**163**	18
Share based compensation		**404**	91	**1,426**	191
Depletion, depreciation and amortization		**3,762**	1,178	**9,897**	3,081
Exploration expenses		**-**	-	**-**	75
Deferred income tax expense (recovery)		**(420)**	115	**(1,045)**	131
Change in non-cash operating working capital	[12]	**(186)**	(378)	**511**	(488)
Cash provided by operating activities		**1,949**	1,216	**6,403**	3,546
Financing activities					
Increase in bank debt		**12,650**	4,530	**19,789**	10,521
Cash provided by financing activities		**12,650**	4,530	**19,789**	10,521
Investing activities					
Property, plant and equipment expenditures		**(7,220)**	(5,483)	**(17,179)**	(9,372)
Property, plant and equipment acquisitions		**-**	-	**(137)**	-
Exploration and evaluation asset expenditures		**(6,097)**	(263)	**(8,185)**	(2,341)
Exploration and evaluation asset acquisitions		**(130)**	-	**(130)**	-
Change in non-cash investing working capital	[12]	**(1,152)**	-	**(561)**	(2,354)
Cash used in investing activities		**(14,599)**	(5,746)	**(26,192)**	(14,067)
Net change in cash		**-**	**-**	-	-
Cash balance, beginning of period		**-**	**-**	-	-
Cash balance, end of period		**-**	**-**	-	-

The accompanying notes form an integral part of these carve-out interim financial statements.

NOTES TO THE CARVE-OUT INTERIM FINANCIAL STATEMENTS
As at and for the three and nine months ended September 30, 2012 and 2011
(All tabular amounts in thousands of Canadian dollars, unless otherwise stated)

On October 16, 2012, ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), Celtic Exploration Ltd. ("Celtic"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt" or the "Company") entered into an arrangement agreement, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share, pursuant to an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain assets (the "Kelt Assets") to Kelt. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases, including:

- a liquids-rich gas property in the Inga area of British Columbia (the "Inga Property");
- a gas property in the Grande Cache area of Alberta (the "Grande Cache Property"); and
- a light oil prospect in the Karr area of Alberta lying north-east of the Smoky River (the "Karr Property").

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

1. BASIS OF PRESENTATION

These carve-out interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The unaudited carve-out interim financial statements should be read in conjunction with the audited annual carve-out financial statements as at and for the years ended December 31, 2011, 2010 and 2009 (the "Annual Carve-Out Financial Statements").

The carve-out interim financial statements were approved by the Board of Directors for issue on November 16, 2012.

Basis of Measurement

All references to dollar amounts in these carve-out interim financial statements and related notes are thousands of Canadian dollars, unless otherwise indicated.

As the proposed Arrangement results in a carve-out of certain assets and liabilities from Celtic, these carve-out interim financial statements have been prepared using the predecessor values method. Prior to the Arrangement, Celtic's operations represented a single reportable segment. Accordingly, certain financial statement line items were maintained at the corporate level only, rather than on a property-by-property basis. As a result, it was necessary to make allocations of certain amounts reported in the financial statements of Celtic, in order to prepare carve-out interim financial statements for the Kelt Assets. The basis of allocation is described in note 1 of the Annual Carve-Out Financial Statements. There have been no significant changes to the basis of allocation applied during the interim period ended September 30, 2012 relative to the Annual Carve-Out Financial Statements.

Critical Accounting Estimates

The timely preparation of the carve-out interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these carve-out interim financial statements are outlined in note 1 of the Annual Carve-Out Financial Statements. There have been no significant changes in the critical accounting estimates and judgments applied during the interim period ended September 30, 2012 relative to the Annual Carve-Out Financial Statements.

2. SIGNIFICANT ACCOUNTING POLICIES

Except as outlined below, these carve-out interim financial statements have been prepared following the same accounting policies and methods of computation as the Annual Carve-Out Financial Statements. Significant accounting policies are described in note 2 of the Annual Carve-Out Financial Statements.

Income tax expense for an interim period is based on an estimated average annual effective income tax rate.

3. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of undeveloped land and exploration projects for which the technical feasibility or commercial viability has yet to be determined. At the time sufficient information becomes available to determine whether the project is technically feasible or commercial viable, which is generally the point at which proved and/or probable reserves are discovered, the costs are transferred to property, plant and equipment.

The following table reconciles movements of exploration and evaluation assets during the period:

	September 30, 2012	December 31, 2011
Net carrying value, beginning of period	**6,162**	428
Additions	**8,185**	4,028
Acquisitions	**130**	1,781
Transfers to property, plant and equipment	**(7,822)**	
Expired mineral leases	**-**	(75)
Net carrying value, end of period	**6,655**	6,162

Celtic did not capitalize any general and administrative costs in respect of exploration activities during any of the periods presented.

4. PROPERTY, PLANT AND EQUIPMENT

The following table reconciles movements of property, plant and equipment during the period:

Property, plant and equipment, at cost	**September 30, 2012**	December 31, 2011
Balance, beginning of period	**72,144**	3,914
Additions	**17,179**	16,321
Decommissioning costs (note 6)	**1,098**	5,952
Acquisitions	**137**	45,957
Transfers from exploration and evaluation assets	**7,822**	-
Balance, end of period	**98,380**	72,144

Accumulated depletion, depreciation and amortization	**September 30, 2012**	December 31, 2011
Balance, beginning of period	**4,679**	11
Depletion, depreciation and amortization	**9,897**	4,668
Balance, end of period	**14,576**	4,679

Property, plant and equipment, net carrying value	**September 30, 2012**	December 31, 2011
Balance, end of period	**83,804**	67,465

Celtic did not capitalize any general and administrative costs in respect of development and production activities during any of the periods presented. There were no borrowing costs capitalized, as Celtic did not have any qualifying assets. Future capital costs required to develop proved reserves in the amount of $22.3 million (2011 – $22.3 million)

are included in the depletion calculation for development and production assets.

5. BANK DEBT

Celtic has a committed term credit facility with a syndicate of financial institutions, led by National Bank of Canada. The authorized borrowing amount under this facility as at September 30, 2012 was $335.0 million. The facilities are available for a period of 364 days, maturing on June 25, 2013 and may be extended for an additional 364 days at the discretion of the lenders. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and that Celtic is in compliance with all covenants, representations and warranties. Covenants include reporting requirements, permitted indebtedness, permitted dispositions, permitted hedging, permitted encumbrances and other standard business operating covenants; Celtic is not subject to any financial covenants. The authorized borrowing amount is subject to interim reviews by the financial institutions. As at September 30, 2012, Celtic was in compliance with all covenants. Security is provided for by a first fixed and floating charge debenture over all assets in the amount of $500.0 million and general assignment of book debts.

Bank indebtedness attributable to the Kelt Assets was estimated based on the shortfall of cash used in investing activities for the Kelt Assets relative to cash provided (used in) by operating activities for the Kelt Assets.

Interest is payable monthly for borrowings through direct advances. Interest rates fluctuate based on a pricing grid and range from bank prime plus 1.0% to bank prime plus 2.5%, depending upon Celtic's then current debt to cash flow ratio of between less than one and one tenth times to greater than three times. Under Celtic's credit facility, borrowings through the use of bankers' acceptances are also available. Stamping fees fluctuate based on a pricing grid and range from 2.0% to 3.5%, depending upon Celtic's then current debt to cash flow ratio of between less than one and one tenth times to greater than three times.

Interest expense was estimated by applying Celtic's average interest rate on bank debt for each period to Kelt's estimated average bank debt outstanding in the corresponding period.

6. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations arise as a result of the Company's net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	September 30, 2012	December 31, 2011
Balance, beginning of period	**8,583**	561
Obligations incurred	**402**	393
Obligations acquired	**-**	2,040
Revision in assumptions	**696**	5,559
Accretion expense	**163**	30
Balance, end of period	**9,844**	8,583

The key assumptions, on which the carrying amount of the decommissioning obligations is based, include an average risk-free rate of 2.3% (2011 – 2.5%) and an inflation rate of 2.0% (2011 – 2.0%). The undiscounted amount of the estimated cash flows required to settle the obligations is $11.1 million (2011 – $10.7 million) which will be incurred over the next 50 years, with the majority of costs expected to be settled between 2040 and 2055.

The amount shown under the heading of "Revision in Assumptions" in the table above is due to discounting the costs at a lower risk-free rate at September 30, 2012 relative to the rate applied at December 31, 2011. During the year ended December 31, 2011, the revision is due to discounting obligations acquired at a risk-free rate on the Statement of Financial Position date, compared to a credit-adjusted risk-free rate on initial recognition as required under fair value accounting for the business combination.

Accretion of the decommissioning obligation due to the passage of time is presented within financing expenses in the Statement of Profit (Loss) and Comprehensive Income (Loss) (note 10).

7. SHARE BASED COMPENSATION

Celtic has a stock option plan that provides for granting of stock options to directors, officers, employees and certain consultants. Stock options granted under the stock option plan have a maximum term of five years to expiry and typically vest in equal tranches over a three year period, or as determined by Celtic's Board of Directors. The exercise price of each stock option granted is determined as the closing market price of the common shares on the Toronto Stock Exchange at the time of grant. Each stock option granted permits the holder to purchase one common share of Celtic at the stated exercise price.

Celtic's stock option plan gives rise to share based compensation expense. Share based compensation expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period.

8. INCOME TAXES

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Current income tax expense (recovery)	**-**	(16)	**-**	123
Deferred income tax expense (recovery)	**(420)**	115	**(1,045)**	131
Total income tax expense (recovery)	**(420)**	99	**(1,045)**	254

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual provision for deferred income taxes per the Statement of Profit (Loss) and Comprehensive Income (Loss):

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Profit (loss) before income taxes	**(2,083)**	302	**(5,594)**	792
Canadian statutory tax rate	**25.0%**	26.5%	**25.0%**	26.5%
Expected income tax expense (recovery)	**(521)**	80	**(1,399)**	210
Increase (decrease) resulting from:				
Non-deductible share based compensation	**101**	24	**357**	50
Benefit due to decrease in statutory tax rate	**-**	(5)	**(3)**	(6)
Total income tax expense (recovery)	**(420)**	99	**(1,045)**	254

The Canadian statutory tax rate per the rate reconciliation above represents the combined federal and provincial corporate tax rate. The enacted federal corporate tax rate decreased from 16.5% in 2011 to 15.0% in 2012. The provincial tax rate in both Alberta and British Columbia was unchanged between 2011 and 2012 at 10.0%.

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting balances within the same tax jurisdiction are as follows:

Deferred income tax assets (liabilities)	Accelerated tax basis depreciation	Provisions[1]	Tax Losses[2]	Total
Balance at December 31, 2010	(365)	145	226	6
Charged (credited) to profit and CI[3]	(3,473)	2,023	1,133	(317)
Balance at December 31, 2011	**(3,838)**	**2,168**	**1,359**	**(311)**
Charged (credited) to profit and CI[3]	**(889)**	**293**	**1,641**	**1,045**
Balance at September 30, 2012	**(4,727)**	**2,461**	**3,000**	**734**

(1) Provisions relate to the Kelt's decommissioning obligations
(2) Non-capital losses expire in 20 years
(3) Comprehensive income has been abbreviated as "CI"

The amount and timing of reversals of temporary differences will be dependent upon a number of factors, including the Company's future operating results. The Company does not expect any deferred income tax assets or liabilities to

reverse within the next 12 months.

9. FINANCIAL INSTRUMENTS

Financial instruments of Kelt include accounts receivable, accounts payable and accrued liabilities, and bank debt. The fair values of these financial instruments approximate their carrying value due to their short-term to maturity.

10. FINANCING EXPENSES

The following table summarizes significant components of the Company's financing expenses:

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Interest on bank debt	**1,136**	106	**2,798**	192
Accretion of decommissioning obligations	**52**	7	**163**	18
Financing expense	**1,188**	113	**2,961**	210

Interest expense attributable to the Kelt Assets was estimated by applying Celtic's average interest rate on bank debt for each period to Kelt's estimated average bank debt outstanding in each corresponding period

11. COMMITMENTS AND CONTINGENCIES

i) Commitments

Celtic is committed to future payments under the following agreements:

(CA$ thousands)	2012	2013	2014	2015	2016	Thereafter
Operating lease – office building	207	828	828	828	387	36
Operating lease – vehicles	45	176	105	24	-	-
Firm transportation commitments	428	1,712	1,362	803	172	-
Total annual commitments	**680**	**2,716**	**2,295**	**1,655**	**559**	**36**

Payments under the office building operating lease primarily relate to rental office space in Calgary, Alberta. The current lease expires on May 31, 2016.

At September 30, 2012, Celtic had bank debt outstanding in the amount of $198.1 million, of which, approximately $84.5 million was allocated to Kelt. Celtic has a $335.0 million term credit facility that is available on a revolving basis until June 25, 2013. Refer to note 5 for additional information regarding Celtic's credit facility.

ii) Contingencies

Celtic is involved in litigation arising in the normal course of operations. Management has assessed all outstanding litigation and concludes that the possibility of any outflow in settlement is remote. There are no contingencies related to the Kelt Assets that are subject to accrual or disclosure.

12. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital, excluding bank debt, are summarized in the following table:

	Three months ended September 30		Nine months ended September 30	
	2012	2011	**2012**	2011
Accounts receivable	107	(490)	579	(888)
Accounts payable and accrued liabilities	(1,445)	128	(629)	(2,077)
Income taxes payable	-	(16)	-	123
Change in non-cash working capital	**(1,338)**	(378)	**(50)**	(2,842)
Relating to:				
Operating activities	**(186)**	(378)	**511**	(488)
Investing activities	**(1,152)**	-	**(561)**	(2,354)
Change in non-cash working capital	**(1,338)**	(378)	**(50)**	(2,842)

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

As at and for the years ended
December 31, 2011, 2010 and 2009

Independent Auditor's Report

To the Board of Directors of Celtic Exploration Ltd.

We have audited the accompanying carve-out financial statements of the Kelt Assets and Operations from Celtic Exploration Ltd., as described in note 1 to the carve-out financial statements, which comprise the carve-out statement of financial position as at December 31, 2011, 2010, and 2009, and the carve-out statements of profit (loss) and comprehensive income (loss), changes in owner's net investment and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information (the "carve-out financial statements").

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

Auditor's responsibility
Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether these carve-out financial statements free from material misstatement.

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

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

Opinion
In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of the Kelt Exploration Ltd. as at December 31, 2011, 2010, and 2009, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP
111-5th Avenue SW, Suite 3100, Calgary, Alberta, Canada, T2P 5L3
T: +1 403 509 7500, F: +1 403 781 1825, www.pwc.com/ca

Emphasis of matter
Without modifying our opinion, we draw attention the fact that, as described in note 1 to the carve-out financial statements, Kelt Exploration Ltd. has not operated as a separate entity. These carve-out financial statements are, therefore, not necessarily indicative of results that would have occurred if Kelt Exploration Ltd. had been a separate stand-alone entity during the years presented or of future results of Kelt Exploration Ltd.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta
November 16, 2012

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF FINANCIAL POSITION

	[Notes]	December 31, 2011	December 31, 2010	December 31, 2009
ASSETS				
Current assets				
Accounts receivable		**2,576,758**	36,047	-
Total current assets		**2,576,758**	36,047	-
Deferred income tax asset	[9]	**-**	5,972	2,203
Exploration and evaluation assets	[4]	**6,162,378**	427,904	211,679
Property, plant and equipment	[5]	**67,465,018**	3,902,471	-
Total assets		**76,204,154**	4,372,394	213,882
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities		**1,716,359**	2,384,362	115
Bank debt	[6]	**64,671,571**	1,444,621	219,956
Total current liabilities		**66,387,930**	3,828,983	220,071
Decommissioning obligations	[7]	**8,582,602**	560,592	-
Deferred income tax liability	[9]	**311,490**	-	-
Total liabilities		**75,282,022**	4,389,575	220,071
OWNER'S NET INVESTMENT				
Contributed surplus		**433,658**	1,961	829
Retained earnings (deficit)		**488,474**	(19,142)	(7,018)
Total owner's net investment		**922,132**	(17,181)	(6,189)
Total liabilities and owner's net investment		**76,204,154**	4,372,394	213,882

Commitments and contingencies [12]

The accompanying notes form an integral part of these carve-out financial statements.

On behalf of the Board of Directors:

[signed]
David J. Wilson, Director

[signed]
Eldon A. McIntyre, Director

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS)

	[Notes]	2011	2010	2009
Revenue				
Oil and gas		**10,540,550**	71,047	-
Royalties		**(939,770)**	-	-
		9,600,780	71,047	-
Expenses				
Production		**1,989,082**	47,124	-
Transportation		**693,799**	925	-
Financing	[11]	**624,296**	22,604	7,008
General and administrative		**293,997**	3,753	1,385
Share based compensation	[8]	**431,697**	1,132	829
Depletion, depreciation and amortization		**4,667,956**	11,402	-
Exploration expenses	[4]	**74,875**	-	-
		8,775,702	86,940	9,222
Profit (loss) before taxes		**825,078**	(15,893)	(9,222)
Deferred income tax expense (recovery)	[9]	**317,462**	(3,769)	(2,203)
Profit (loss) and comprehensive income (loss)		**507,616**	(12,124)	(7,018)

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF CHANGES IN OWNER'S NET INVESTMENT

	[Notes]	Contributed surplus	Retained earnings (deficit)	Total owner's net investment
Balance at December 31, 2008		**-**	**-**	**-**
Profit (loss)		-	(7,018)	(7,018)
Share based compensation	[8]	829	-	829
Balance at December 31, 2009		**829**	**(7,018)**	**(6,189)**
Profit (loss)		-	(12,124)	(12,124)
Share based compensation	[8]	1,132	-	1,132
Balance at December 31, 2010		**1,961**	**(19,142)**	**(17,181)**
Profit (loss)		-	507,616	507,616
Share based compensation	[8]	431,697	-	431,697
Balance at December 31, 2011		**433,658**	**488,474**	**922,132**

The accompanying notes form an integral part of these carve-out financial statements.

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

STATEMENT OF CASH FLOWS

	[Notes]	2011	2010	2009
Operating activities				
Profit (loss)		**507,616**	(12,124)	(7,018)
Items not affecting cash:				
Accretion of decommissioning obligations	[7,11]	**29,899**	1,486	-
Share based compensation		**431,697**	1,132	829
Depletion, depreciation and amortization		**4,667,956**	11,402	-
Exploration expenses		**74,875**	-	-
Deferred income tax expense (recovery)		**317,462**	(3,769)	(2,203)
Change in non-cash operating working capital	[13]	**(1,415,714)**	(5,800)	115
Cash provided by (used in) operating activities		**4,613,791**	(7,673)	(8,277)
Financing activities				
Increase in bank debt		**63,226,950**	1,224,665	8,277
Cash provided by financing activities		**63,226,950**	1,224,665	8,277
Investing activities				
Property, plant and equipment expenditures		**(16,321,824)**	(2,354,000)	-
Property, plant and equipment acquisitions		**(43,916,568)**	(1,000,767)	-
Exploration and evaluation asset expenditures		**(4,028,317)**	-	-
Exploration and evaluation asset acquisitions		**(1,781,032)**	(216,225)	-
Change in non-cash investing working capital	[13]	**(1,793,000)**	2,354,000	-
Cash used in investing activities		**(67,840,741)**	(1,216,992)	-
Net change in cash		**-**	-	-
Cash balance, beginning of period		**-**	-	-
Cash balance, end of period		**-**	-	-

The accompanying notes form an integral part of these carve-out financial statements.

NOTES TO THE CARVE-OUT FINANCIAL STATEMENTS
As at and for the years ended December 31, 2011, 2010 and 2009
(All tabular amounts in Canadian dollars, unless otherwise stated)

On October 16, 2012, ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), Celtic Exploration Ltd. ("Celtic"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt" or the "Company") entered into an arrangement agreement, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share, pursuant to an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain assets (the "Kelt Assets" or "Carve-Out Properties") to Kelt. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases, including:

- a liquids-rich gas property in the Inga area of British Columbia (the "Inga Property");
- a gas property in the Grande Cache area of Alberta (the "Grande Cache Property"); and
- a light oil prospect in the Karr area of Alberta lying north-east of the Smoky River (the "Karr Property").

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

1. BASIS OF PRESENTATION

These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The carve-out financial statements were approved by the Board of Directors for issue on November 16, 2012.

Basis of Measurement

All references to dollar amounts in these carve-out financial statements and related notes are Canadian dollars, unless otherwise indicated.

As the proposed Arrangement results in a carve-out of certain assets and liabilities from Celtic, these carve-out financial statements have been prepared using the predecessor values method. Prior to the Arrangement, Celtic's operations represented a single reportable segment. Accordingly, certain financial statement line items were maintained at the corporate level only, rather than on a property-by-property basis. As a result, it was necessary to make allocations of certain amounts reported in the financial statements of Celtic, in order to prepare carve-out financial statements for the Kelt Assets.

The basis of allocation for certain assets, liabilities, revenue and expenses are described below:

Accounts receivable

Accounts receivable attributable to the Kelt Assets were estimated based on the last month's accrued revenue for each fiscal year end, assuming a 31 day payment cycle.

Exploration and evaluation assets ("E&E")

Prior to the acquisition of the Inga Property and the Grande Cache Property (as described in note 3), Kelt's E&E assets consisted primarily of undeveloped land at the Karr Property, which was carved-out based on historical cost.

Property, plant and equipment ("PP&E)

Prior to the acquisition of the Inga Property and the Grande Cache Property (as described in note 3), PP&E attributable to the Kelt assets was nil, therefore it was not necessary to allocate the cost of PP&E. At the time of acquisition, PP&E was initially recognized at fair value, in accordance with IFRS 3R *Business Combinations.*

Accounts payable and accrued liabilities

Accounts payable related to the Kelt Assets were estimated based on the last month's operating expenditures for each fiscal year end, assuming a 31 day payment cycle. Accrued liabilities include accrued capital expenditures directly attributable to the Kelt Assets.

Bank debt

Bank indebtedness attributable to the Kelt Assets was estimated assuming property acquisitions were financed by bank debt and based on the shortfall of cash used in investing activities for the Kelt Assets relative to cash provided (used in) by operating activities for the Kelt Assets.

Revenue, royalties, production and transportation expenses

Revenue, royalties, production and transportation expenses (collectively the "operating cash flows") were derived from the individual lease operating statements for the Carve-Out Properties. Operating cash flows in respect of the Carve-Out Properties are included in the carve-out financial statements commencing on the respective closing dates of the acquisitions of the Inga Property and Grande Cache Property.

Interest expense

Interest expense was estimated by applying Celtic's average interest rate on bank debt for each period to Kelt's estimated average bank debt outstanding in each corresponding period.

General and administrative expense ("G&A")

G&A expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. In addition, reported G&A expenses include any G&A expenses directly attributable to the Kelt Assets, if any. For the year ended December 31, 2009, the Carve-Out Properties had no production, therefore G&A was allocated based on total assets.

Share based compensation expense ("SBC")

SBC expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. For the year ended December 31, 2009, the Carve-Out Properties had no production, therefore SBC expenses were allocated based on total assets.

Incomes taxes

The provision for current and deferred income taxes was calculated as if the Carve-Out Properties had been a separate legal entity and had filed a separate tax return for the periods presented.

In each of the years ended December 31, 2011, 2010 and 2009, Kelt was not subject to current income taxes as it had sufficient income tax deductions available to shelter taxable income in each period.

Critical Accounting Estimates

The timely preparation of these carve-out financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these carve-out financial statements are outlined below:

Allocations

The allocation for certain assets, liabilities, revenues, and expenses from Celtic to the Carve-Out Properties, as described above, required significant judgment. Although management believes the method of allocation to be reasonable, these carve-out financial statements may not be representative of what the results of operations would have been if the Kelt Assets had been a stand-alone entity from inception.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and property, plant and equipment acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Future profit (loss) can be affected as a result of changes in future depletion, depreciation and amortization or asset impairment.

Reserves

The estimation of recoverable quantities of proven and probable reserves includes estimates and assumptions regarding future commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of non-financial assets, decommissioning obligations, the economic feasibility of exploration and evaluation assets and the amounts reported for depletion, depreciation and amortization.

Impairment of non-financial assets

Impairment of the Company's PP&E is evaluated at the cash-generating unit ("CGU") level. The determination of CGU's requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU's have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposures to market risks.

In testing for impairment of PP&E, the recoverable amount of the Company's CGU's is determined based on the greater of the value-in-use and fair value less costs to sell. In the absence of quoted market prices, the recoverable amount is based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates and other relevant assumptions.

Decommissioning obligations

The Company estimates the decommissioning obligations for oil and gas wells and their associated production facilities and pipelines. In most instances, dismantling of assets and remediation occurs many years into the future. The value of the ultimate decommissioning obligation can fluctuate in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, and changes to the risk-free discount rate. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation.

Exploration and evaluation assets

The accounting policy for exploration and evaluation assets is described in note 2. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances as to whether economic quantities of reserves have been found and whether the costs incurred are recoverable.

Deferred income taxes

Tax interpretations, regulations and legislation in the jurisdictions in which the Company operates are subject to change. As such, deferred income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

2. SIGNIFICANT ACCOUNTING POLICIES

Joint Interests

A substantial portion of the Company's exploration, development and production activities is conducted jointly with others through unincorporated joint ventures. These carve-out financial statements reflect only the Company's proportionate interest of these jointly controlled assets and the proportionate share of the relevant revenue and related costs.

Foreign currency translation

The financial statements are presented in Canadian dollars, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the exchange rate in effect at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Canadian dollars using the closing exchange rate at the Statement of Financial Position date. The resulting exchange rate differences are included in the Statement of Profit and Comprehensive Income.

Business combinations

Business combinations are accounted for using the acquisition method. The identifiable net assets acquired are measured at their fair value at the date of acquisition. The excess, if any, of the purchase price over the fair value of the net assets acquired is recognized as goodwill. A deficiency, if any, of the purchase price below the fair value of the net assets acquired is recorded as a gain in the Statement of Profit and Comprehensive Income. Transaction costs associated with the acquisition are expensed when incurred and are included in general and administrative expenses in the Statement of Profit and Comprehensive Income

Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument. Measurement in subsequent periods depends on whether the financial instrument has been classified as "fair value through profit or loss", "available-for-sale", "loans and receivables", "financial liabilities at amortized cost", or "derivative financial instruments", as defined by the accounting standard.

Accounts receivable are designated as "loans and receivables" and are presented as current assets due to their short term nature. Accounts receivable are initially recognized at the amount expected to be received less any required discount to reduce the receivable to fair value. Subsequently, accounts receivable are measured at amortized cost using the effective interest method less any provision for impairment.

Accounts payable and bank debt are designated as "financial liabilities at amortized cost". Accounts payable are initially recognized at the amount required to be paid less any required discount to reduce the payables to fair value. Bank debt is recognized initially at fair value, net of any transaction costs incurred, and subsequently at amortized cost using the effective interest method. Accounts payable and bank debt are classified as current liabilities because payment is due within twelve months.

Property, plant and equipment ("PP&E") and Exploration and evaluation assets ("E&E")

i) Recognition and measurement

Pre-license costs

Costs incurred prior to acquiring the legal rights to explore an area are charged directly to profit or loss as exploration expense in the period incurred. The Company did not incur pre-license costs in the current or prior period.

Exploration and evaluation assets

All costs directly associated with the exploration and evaluation of petroleum and natural gas reserves are initially capitalized. Exploration and evaluation costs include unproved property acquisition costs such as undeveloped land and mineral leases, geological and geophysical costs, and costs associated with exploratory drilling, sampling and appraisals.

The costs are accumulated by field or exploration area pending determination of technical feasibility and commercial viability. The technical feasibility and commercial viability is considered to be achieved when proven plus probable

reserves are determined to exist. Prior to being transferred to PP&E, E&E costs are first tested for impairment. If proved/probable reserves have not been established through the completion of exploration and evaluation activities and there are no future plans for activity in that field, then the costs are determined to be impaired and the amounts are charged to the Statement of Profit and Comprehensive Income. Such costs are not subject to depletion or depreciation until they are reclassified from E&E to PP&E.

Property, plant and equipment

Property, plant, and equipment consists of petroleum and natural gas development and production assets, and is measured at cost less accumulated depletion, depreciation and amortization and accumulated impairment losses. These costs include property acquisitions, development drilling, completion, gathering and infrastructure, estimated decommissioning costs and transfers from E&E. In addition, borrowing costs incurred for the construction of qualifying assets are capitalized during the period of time that is required to complete and prepare the assets for their intended use.

ii) Subsequent costs

Costs incurred subsequent to the determination of technical feasibility and commercial viability and the costs of replacing components of equipment are recognized as property, plant and equipment only when they increase the future economic benefits embodied in the specific asset to which they relate. All other expenditures are expensed as incurred. Such capitalized amounts generally represent costs incurred in developing proved and/or probable reserves and bringing in or enhancing production from such reserves. The carrying amount of any replaced or sold component is derecognized.

The gain or loss from the divestitures of property, plant and equipment is recognized in the Statement of Profit and Comprehensive Income. In addition, risk-sharing agreements in which the Company cedes a portion of its working interest to a third-party are generally considered to be disposals of property, plant and equipment, potentially resulting in a gain or loss on disposition.

Exchanges of assets within property, plant and equipment are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. Unless the fair value of the asset received is more clearly evident, the cost of the acquired asset is measured at the fair value of the asset given up. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognized in profit or loss.

An asset within property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in profit or loss in the period in which the item is derecognized.

iii) Depletion, depreciation and amortization

Development and production costs are accumulated on a field or geotechnical area basis (“depletion units”). The net carrying value of each depletion unit is depleted using the unit of production method by reference to the ratio of production in the year to the related proved reserves, taking into account estimated future development costs necessary to bring those reserves into production. Future development costs are estimated taking into account the level of development required to produce the reserves. These estimates are reviewed by independent reserve engineers at least annually. Where significant components of development or production assets have different useful lives, they are accounted for and depreciated as separate items of property, plant and equipment.

Impairment of non-financial assets

The Company reviews the carrying value of its non-financial assets, other than E&E assets and deferred tax assets, at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. E&E assets are assessed for impairment when they are reclassified to PP&E, and also if facts and circumstances suggest that the carrying value exceeds the recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating

units ("CGU's"). The recoverable amount of an asset or a CGU is the greater of its value-in-use and its fair value less costs to sell. E&E assets are assessed for impairment at the operating segment level.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Value in use is generally computed by reference to the present value of the future cash flows expected to be derived from production of proved and probable reserves. Fair value less costs to sell is defined as the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in the Statement of Profit and Comprehensive Income. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the assets in the CGU on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Provisions and Contingencies

Provisions are recognized when the Company has a present obligation as a result of a past event, if it is probable that an outflow of resources will be required and if a reliable estimate can be made of the amount of the obligation. Provisions are measured based on the best estimate of discounted future cash outflows.

Decommissioning obligations

The Company's activities give rise to dismantling, decommissioning and site disturbance remediation activities. An obligation is accrued for the estimated cost of site restoration and the corresponding amount is included in the cost of the assets to which the obligations relate. Decommissioning obligations are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the Statement of Financial Position date. Subsequent to the initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation as well as any changes in the risk-free discount rate. Increases in the provision due to the passage of time are recognized as a financing expense in the Statement of Profit and Comprehensive Income whereas increases/decreases due to changes in the estimated future cash flows are capitalized. Actual costs incurred upon settlement of the decommissioning obligations are charged against the provision to the extent the provision is established.

Contingencies

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the Company. When a contingency is substantiated by confirming events, can be reliably measured and will likely result in an economic outflow, a liability is recognized in the financial statements as the best estimate required to settle the obligation. A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events, or where the amount of a present obligation cannot be measured reliably or will likely not result in an economic outflow.

Contingent assets are only disclosed when the inflow of economic benefits is probable. When the economic benefit becomes virtually certain, the asset is no longer contingent and is recognized in the financial statements.

Deferred income taxes

Total income tax expense is composed of both current and deferred income taxes.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

The Company follows the liability method of accounting for income taxes. Under this method, deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial

reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits only if it is probable that sufficient future taxable income will be available to utilize those temporary differences and losses. Such deferred tax liabilities and assets are not recognized if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable income. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in the Statement of Profit and Comprehensive Income in the period that the change occurs.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Owner's net investment

The owner's net investment includes the retained earnings (deficit) in respect of the Kelt Assets and contributed surplus arising from allocated share based compensation expense.

Share based compensation

Pursuant to Celtic's Incentive Stock Option Plan, stock options may be granted to officers, directors, employees and other services providers, which call for settlement through the issuance of new common shares of Celtic. Celtic applies the fair value method of accounting for stock options, whereby each tranche in an award is valued separately on the grant date using the Black-Scholes option pricing model. The total fair value is recognized as share based compensation expense over the service period using graded vesting, with a corresponding increase to contributed surplus. An estimated forfeiture rate is applied against the total fair value on the grant date and is adjusted to reflect the actual number of options that ultimately vest each period.

Revenue recognition

Revenue from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer which is usually when legal title passes to the external party. This is generally at the time product enters the pipeline. Royalties, which are presented as a reduction in revenue in the Statement of Profit and Comprehensive Income, are recognized at the time of production. Net revenues earned from properties in which the Company shares a joint interest, are recognized proportionately based on the Company's working interest in those properties.

Royalty income is recognized as it accrues in accordance with the terms of the overriding royalty agreements.

Financing expense

Financing expenses include interest expense on bank debt and accretion of the discount on decommissioning obligations due to the passage of time.

3. PROPERTY ACQUISITIONS

Grande Cache Property

On November 30, 2011, Celtic acquired natural gas assets at Grande Cache, Alberta, for cash consideration of $50.0 million, before closing adjustments. The assets acquired consist of gas production, reserves and undeveloped land. The acquisition had an effective date of July 1, 2011 and the bid price was adjusted for the results of operations between the effective date and closing of the transaction.

The transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The following table summarizes the fair value of net assets acquired pursuant to the acquisition:

Exploration and evaluation assets	1,781,032
Property, plant and equipment	45,956,579
Decommissioning obligations	(2,040,011)
Fair value of net assets acquired	**45,697,600**
Bid price	50,000,000
Closing adjustments	(4,302,400)
Net consideration	**45,697,600**

Management reviewed the agreement to ensure that all identifiable assets acquired and liabilities assumed have been recognized, and that the fair values assigned are appropriate based on current information. The above amounts are estimates, which were made by management at the time of the preparation of the financial statements based on information then available.

Acquisition related costs of approximately $0.1 million were recognized as an expense during the year ended December 31, 2011.

The Statement of Profit and Comprehensive Income includes the results of operations for the period following the close of the transaction on November 30, 2011. Specifically, Kelt's profit for the year ended December 31, 2011 includes approximately $1.6 million of revenue and $0.8 million of operating profit generated from the Grande Cache Property subsequent to November 30, 2011.

Inga Property

On September 24, 2010, Celtic acquired natural gas assets at Inga, Alberta, for cash consideration of $1.2 million, before closing adjustments. The assets acquired consist of liquids-rich gas production, reserves and undeveloped land. The acquisition had an effective date of September 1, 2010 and the bid price was adjusted for the results of operations between the effective date and closing of the transaction.

The transaction has been accounted for as a business combination using the acquisition method whereby the net assets acquired and the liabilities assumed are recorded at fair value. The following table summarizes the fair value of net assets acquired pursuant to the acquisition:

Exploration and evaluation assets	216,225
Property, plant and equipment	1,156,436
Decommissioning obligations	(155,669)
Fair value of net assets acquired	**1,216,992**
Bid price	1,200,000
Closing adjustments	16,992
Net consideration	**1,216,992**

Management reviewed the agreement to ensure that all identifiable assets acquired and liabilities assumed have been recognized, and that the fair values assigned are appropriate based on current information. The above amounts are estimates, which were made by management at the time of the preparation of the financial statements based on information then available.

Acquisition related costs of approximately $2.6 thousand were recognized as an expense during the year ended December 31, 2010.

The Statement of Profit and Comprehensive Income includes the results of operations for the period following the close of the transaction on September 24, 2010. Specifically, Kelt's profit for the year ended December 31, 2010 includes approximately $71.0 thousands of revenue and $23.0 thousand of operating profit generated from the Inga Property subsequent to September 24, 2010.

4. EXPLORATION AND EVALUATION ASSETS

Exploration and evaluation assets consist of undeveloped land and exploration projects for which the technical feasibility or commercial viability has yet to be determined. At the time sufficient information becomes available to determine whether the project is technically feasible or commercial viable, which is generally the point at which proved and/or probable reserves are discovered, the costs are transferred to property, plant and equipment.

The following table reconciles movements of exploration and evaluation assets during the period:

	December 31, 2011	December 31, 2010	December 31, 2009
Net carrying value, beginning of period	**427,904**	211,679	211,679
Additions	**4,028,317**	-	-
Acquisitions (note 3)	**1,781,032**	216,225	-
Expired mineral leases	**(74,875)**	-	-
Net carrying value, end of period	**6,162,378**	427,904	211,679

Celtic did not capitalize any general and administrative costs in respect of exploration activities during any of the periods presented.

5. PROPERTY, PLANT AND EQUIPMENT

The following table reconciles movements of property, plant and equipment during the period:

Property, plant and equipment, at cost	December 31, 2011	December 31, 2010	December 31, 2009
Balance, beginning of period	**3,913,873**	-	-
Additions	**16,321,824**	2,354,000	-
Decommissioning costs (note 7)	**5,952,100**	403,437	
Acquisitions (note 3)	**45,956,579**	1,156,436	-
Balance, end of period	**72,144,376**	3,913,873	-

Accumulated depletion, depreciation and amortization	December 31, 2011	December 31, 2010	December 31, 2009
Balance, beginning of period	**11,402**	-	-
Depletion, depreciation and amortization	**4,667,956**	11,402	-
Balance, end of period	**4,679,358**	11,402	-

Property, plant and equipment, net carrying value	December 31, 2011	December 31, 2010	December 31, 2009
Balance, end of period	**67,465,018**	3,902,471	-

Celtic did not capitalize any general and administrative costs in respect of development and production activities during any of the periods presented. There were no borrowing costs capitalized, as Celtic did not have any qualifying assets.

Future capital costs required to develop proved reserves in the amount of $22.3 million (2010 – $9.9 million) are included in the depletion calculation for development and production assets.

6. BANK DEBT

Celtic has a committed term credit facility with a syndicate of financial institutions, led by National Bank of Canada. The authorized borrowing amount under this facility as at December 31, 2011 was $275.0 million. The facilities are available for a period of 364 days, maturing on June 26, 2012 and may be extended for an additional 364 days at the discretion of the lenders. Repayments of principal are not required provided that the borrowings under the facility do not exceed the authorized borrowing amount and that Celtic is in compliance with all covenants, representations and warranties. Covenants include a current ratio test, reporting requirements, permitted indebtedness, permitted dispositions, permitted hedging, permitted encumbrances and other standard business operating covenants. The authorized borrowing amount is subject to interim reviews by the financial institutions. As at December 31, 2011, Celtic was in compliance with all covenants. Security is provided for by a first fixed and floating charge debenture over all assets in the amount of $500.0 million and general assignment of book debts.

On April 26, 2012, Celtic executed an amended and restated credit facility agreement with its lenders (the "New Facility") extending the current revolving period to June 25, 2013, and may be extended an additional 364 days. The New Facility replaces and is similar in nature to the terms to the current credit facility, however commitments under the New Facility total $335.0 million and the current ratio covenant was eliminated.

Bank indebtedness attributable to the Kelt Assets was estimated assuming property acquisitions were financed by bank debt and based on the shortfall of cash used in investing activities for the Kelt Assets relative to cash provided (used in) by operating activities for the Kelt Assets.

Interest is payable monthly for borrowings through direct advances. Interest rates fluctuate based on a pricing grid and range from bank prime plus 1.0% to bank prime plus 2.5%, depending upon Celtic's then current debt to cash flow ratio of between less than one and one tenth times to greater than three times. Under Celtic's credit facility, borrowings through the use of bankers' acceptances are also available. Stamping fees fluctuate based on a pricing grid and range from 2.0% to 3.5%, depending upon Celtic's then current debt to cash flow ratio of between less than one and one tenth times to greater than three times.

Interest expense was estimated by applying Celtic's average interest rate on bank debt for each period to Kelt's estimated average bank debt outstanding in the corresponding period.

7. DECOMMISSIONING OBLIGATIONS

Decommissioning obligations arise as a result of the Company's net ownership interests in petroleum and natural gas assets including well sites, gathering systems and processing facilities. The following table provides a reconciliation of the carrying amount of the obligation associated with the retirement of oil and gas properties:

	December 31, 2011	December 31, 2010	December 31, 2009
Balance, beginning of period	**560,592**	-	-
Obligations incurred	**393,077**	56,046	-
Obligations acquired (note 3)	**2,040,011**	155,669	-
Obligations settled	**-**	-	-
Revision in assumptions	**5,559,023**	347,391	-
Accretion expense	**29,899**	1,486	-
Balance, end of period	**8,582,602**	560,592	-

The key assumptions, on which the carrying amount of the decommissioning obligations is based, include an average risk-free rate of 2.5% (2010 – 3.5%) and an inflation rate of 2.0% (2010 – 2.0%). The undiscounted amount of the

estimated cash flows required to settle the obligations is $10.7 million (2010 – $0.9 million) which will be incurred over the next 50 years, with the majority of costs expected to be settled between 2040 and 2055.

The amounts shown under the heading of "Revision in Assumptions" in the table above primarily relates to the application of a risk-free discount rate to the obligations acquired in conjunction with the Grande Cache and Inga Property acquisitions. As described in note 4, the decommissioning obligations acquired are initially recognized at fair value; this fair value is determined by discounting the estimated future costs of site restoration using a credit-adjusted risk-free rate of 7.5% (2010 – 7.5%). However, the Company's accounting policy is to value the decommissioning obligations using a risk-free rate at the Statement of Financial Position date. Thus, the application of a risk-free discount rate to the obligations acquired results in an increase in the present value of the obligations for financial reporting purposes. Accretion of the decommissioning obligation due to the passage of time is presented within financing expenses in the Statement of Profit (Loss) and Comprehensive Income (Loss) (note 11).

8. SHARE BASED COMPENSATION

Celtic has a stock option plan that provides for granting of stock options to directors, officers, employees and certain consultants. Stock options granted under the stock option plan have a maximum term of five years to expiry and typically vest in equal tranches over a three year period, or as determined by Celtic's Board of Directors. The exercise price of each stock option granted is determined as the closing market price of the common shares on the Toronto Stock Exchange at the time of grant. Each stock option granted permits the holder to purchase one common share of Celtic at the stated exercise price.

Celtic's stock option plan gives rise to share based compensation expense. Share based compensation expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. For the year ended December 31, 2009, the Carve-Out Properties had no production, therefore the expense was allocated based on total assets.

9. INCOME TAXES

	2011	**2010**	**2009**
Current income tax expense (recovery)	-	-	-
Deferred income tax expense (recovery)	**317,462**	(3,769)	(2,203)
Total income tax expense (recovery)	**317,462**	(3,769)	(2,203)

The following table reconciles income taxes calculated at the Canadian statutory rate with the actual provision for deferred income taxes per the Statement of Profit (Loss) and Comprehensive Income (Loss):

	2011	**2010**	**2009**
Profit (loss) before income taxes	**825,078**	(15,893)	(9,222)
Canadian statutory tax rate	**26.50%**	28.25%	29.00%
Expected income tax expense (recovery)	**218,646**	(4,490)	(2,674)
Increase (decrease) resulting from:			
Non-deductible share based compensation	**114,400**	320	240
Benefit due to decrease in statutory tax rates	**(15,584)**	401	231
Deferred income tax expense (recovery)	**317,462**	(3,769)	(2,203)

The Canadian statutory tax rate per the rate reconciliation above represents the combined federal and provincial corporate tax rate. The enacted federal corporate tax rates were 16.5%, 18.0% and 19.0% in the years ended December 31, 2011, 2010 and 2009, respectively. In 2009, Kelt's permanent establishment was in Alberta only, therefore the provincial rate is 10.0%. In 2010, Kelt's permanent establishment was in Alberta, however income was generated in British Columbia ("BC") in respect of the Inga Property, therefore the estimated provincial rate is 10.25% for 2010 (ie: combination of Alberta rate of 10.0% and BC rate of 10.5%). Effective January 1, 2011, the provincial tax rate for BC was reduced from 10.5% to 10.0%, therefore the combined provincial tax rate is 10.0% for 2011.

In each of the years ended December 31, 2011, 2010 and 2009, Kelt was not subject to current income taxes as it had sufficient income tax deductions available to shelter taxable income in each period.

The movement in deferred income tax assets and liabilities, without taking into consideration the offsetting balances within the same tax jurisdiction are as follows:

Deferred income tax assets (liabilities)	Accelerated tax basis depreciation	Provisions[1]	Tax Losses[2]	Total
Balance at December 31, 2008	-	-	-	-
Charged (credited) to profit and CI[3]	(8,158)	-	10,361	2,203
Balance at December 31, 2009	(8,158)	-	10,361	2,203
Charged (credited) to profit and CI[3]	(356,775)	144,586	215,958	3,769
Balance at December 31, 2010	**(364,933)**	**144,586**	**226,319**	**5,972**
Charged (credited) to profit and CI[3]	**(3,472,622)**	**2,022,522**	**1,132,640**	**(317,462)**
Balance at December 31, 2011	**(3,837,555)**	**2,167,108**	**1,358,959**	**(311,490)**

(1) Provisions relate to the Kelt's decommissioning obligations
(2) Non-capital losses expire in 20 years
(3) Comprehensive income has been abbreviated as "CI"

The amount and timing of reversals of temporary differences will be dependent upon a number of factors, including the Company's future operating results. The Company does not expect any deferred income tax assets or liabilities to reverse within the next 12 months.

10. FINANCIAL INSTRUMENTS

Financial instruments of Kelt include accounts receivable, accounts payable and accrued liabilities, and bank debt. The fair values of these financial instruments approximate their carrying value due to their short-term to maturity.

11. FINANCING EXPENSES

The following table summarizes significant components of the Company's financing expenses:

	2011	**2010**	**2009**
Interest on bank debt	**594,397**	21,118	7,008
Accretion of decommissioning obligations	**29,899**	1,486	-
Financing expense	**624,296**	22,604	7,008

Interest expense attributable to the Kelt Assets was estimated by applying Celtic's average interest rate on bank debt for each period to Kelt's estimated average bank debt outstanding in each corresponding period

12. COMMITMENTS AND CONTINGENCIES

i) Commitments

Celtic is committed to future payments under the following agreements:

(CA$ thousands)	2012	2013	2014	2015	2016	Thereafter
Operating lease – office building	601	601	601	601	293	36
Operating lease – vehicles	137	94	28	-	-	-
Firm transportation commitments	1,568	1,712	1,362	707	172	-
Total annual commitments	**2,306**	**2,407**	**1,991**	**1,308**	**465**	**36**

Payments under the office building operating lease primarily relate to rental office space in Calgary, Alberta. The current lease expires on May 31, 2016.

At December 31, 2011, Celtic had bank debt outstanding in the amount of $129.3 million, of which, approximately $64.7 million was allocated to Kelt. Celtic has a $275.0 million term credit facility that is available on a revolving basis until June 26, 2012. Refer to note 6 for additional information regarding Celtic's credit facility.

ii) Contingencies

Celtic is involved in litigation arising in the normal course of operations. Management has assessed all outstanding litigation and concludes that the possibility of any outflow in settlement is remote. There are no contingencies related to the Kelt Assets that are subject to accrual or disclosure.

13. SUPPLEMENTAL CASH FLOW INFORMATION

The changes in non-cash working capital, excluding bank debt, are summarized in the following table:

	2011	**2010**	**2009**
Accounts receivable	**(2,540,711)**	(36,047)	-
Accounts payable and accrued liabilities	**(668,003)**	2,384,247	115
Change in non-cash working capital	**(3,208,714)**	2,348,200	115
Relating to:			
Operating activities	**(1,415,714)**	(5,800)	115
Investing activities	**(1,793,000)**	2,354,000	-
Change in non-cash working capital	**(3,208,714)**	2,348,200	115

SCHEDULE "D"
UNAUDITED *PRO FORMA* FINANCIAL STATEMENTS
IN RESPECT OF THE KELT ASSETS

Pro-Forma Financial Statements in respect of the Kelt Assets

As at and for the nine months ended September 30, 2012
and for the year ended December 31, 2011

Kelt Exploration Ltd.
Pro-Forma Statement of Financial Position
As at September 30, 2012
[UNAUDITED]

(CA$ thousands)	Carve-out September 30, 2012	Pro-Forma Adjustments	[Note 4]	**Pro-Forma September 30, 2012**
ASSETS				
Current assets				
Accounts receivable	1,998	(1,998)	[e]	**-**
Total current assets	1,998	(1,998)		**-**
Deferred income tax asset	734	(734)	[c]	**-**
Exploration and evaluation assets	6,655	-		**6,655**
Property, plant and equipment	83,804	-		**83,804**
Total assets	93,191	(2,732)		**90,459**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	1,087	(947)	[d,e]	**140**
Bank debt	84,461	(84,461)	[e]	**-**
Total current liabilities	85,548	(85,408)		**140**
Decommissioning obligations	9,844	-		**9,844**
Deferred income tax liability	-			**-**
Total liabilities	95,392	(85,408)		**9,984**
SHAREHOLDERS' EQUITY[(1)]				
Shareholders' capital		141,961	[a]	**141,961**
Reserve from common control transaction		(61,486)	[b]	**(61,486)**
Contributed surplus	1,860	(1,860)		**-**
Retained earnings (deficit)	(4,061)	4,061		**-**
Total shareholders' equity[(1)]	(2,201)	82,676		**80,475**
Total liabilities and shareholders' equity[(1)]	93,191	(2,732)		**90,459**

(1) Shareholders' equity was presented under the heading "Owner's net investment" in the carve-out financial statements and has been renamed "Shareholders' equity" in the pro-forma financial statements due to the issuance of common shares pursuant to the Arrangement.

The accompanying notes form an integral part of these pro-forma financial statements.

Kelt Exploration Ltd.
Pro-Forma Statement of Profit (Loss) and Comprehensive Income (Loss)
For the nine months ended September 30, 2012
[UNAUDITED]

(CA$ thousands)	Carve-out Statement	Pro-Forma Adjustments	[Note 4]	**Pro-Forma Statement**
Revenue				
Oil and gas	18,935	-		**18,935**
Royalties	(1,908)	-		**(1,908)**
	17,027	-		**17,027**
Expenses				
Production	5,527	-		**5,527**
Transportation	2,213	-		**2,213**
Financing	2,961	(2,798)	[f]	**163**
General and administrative	597	-		**597**
Share based compensation	1,426	-		**1,426**
Depletion, depreciation and amortization	9,897	-		**9,897**
Exploration expenses	-	-		**-**
	22,621	(2,798)		**19,823**
Profit (loss) before taxes	(5,594)	2,798		**(2,796)**
Deferred income tax expense (recovery)	(1,045)	1,045	[c]	**-**
Profit (loss) and comprehensive income (loss)	(4,549)	1,753		**(2,796)**

The accompanying notes form an integral part of these pro-forma financial statements.

Kelt Exploration Ltd.
Pro-Forma Statement of Profit and Comprehensive Income
For the year ended December 31, 2011
[UNAUDITED]

(CA$ thousands)	Carve-out Statement	Pro-Forma Adjustments	[Note 6]	**Pro-Forma Statement**
Revenue				
Oil and gas	10,541	21,512	[a]	**32,053**
Royalties	(940)	(3,910)	[a]	**(4,850)**
	9,601	17,602		**27,203**
Expenses				
Production	1,989	4,939	[a]	**6,928**
Transportation	694	29	[a]	**723**
Financing	624	(594)	[b]	**30**
General and administrative	294	781	[c]	**1,075**
Share based compensation	432	1,571	[d]	**2,003**
Depletion, depreciation and amortization	4,668	8,660	[e]	**13,328**
Exploration expenses	75	-	[f]	**75**
	8,776	15,386		**24,162**
Profit before taxes	825	2,216		**3,041**
Deferred income tax expense	317	851	[g]	**1,168**
Profit and comprehensive income	508	1,365		**1,873**

The accompanying notes form an integral part of these pro-forma financial statements.

Kelt Exploration Ltd.
Notes to the Pro-Forma Financial Statements
[UNAUDITED]

1. BACKGROUND

Kelt Exploration Ltd. (the "Company" or "Kelt") was incorporated under the *Business Corporations Act* (Alberta) on October 11, 2012 as 1705972 Alberta Ltd. On October 19, 2012, Articles of Amendment were filed to change the name of the company to Kelt Exploration Ltd. The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

On October 16, 2012, ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), Celtic Exploration Ltd. ("Celtic"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt" or the "Company") entered into an arrangement agreement, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share, pursuant to an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain assets (the "Kelt Assets") to Kelt. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases, including:

- a liquids-rich gas property in the Inga area of British Columbia (the "Inga Property");
- a gas property in the Grande Cache area of Alberta (the "Grande Cache Property"); and
- a light oil prospect in the Karr area of Alberta lying north-east of the Smoky River (the "Karr Property").

Completion of the Arrangement is subject to customary closing conditions, including receipt of court, shareholder and regulatory approvals, including under the Investment Canada Act and Competition Act. Celtic's securityholders will be asked to vote on the transaction at a special securityholders meeting on December 14, 2012 and the completion of the Arrangement will require the approval of two-thirds of the votes cast by shareholders in person or by proxy at the meeting.

2. BASIS OF PRESENTATION

The accompanying unaudited pro-forma financial statements (the "Statements") have been prepared by management of Celtic for inclusion in the information circular and proxy statement relating to the Arrangement, as described in note 1. The line items in the Statements have been prepared in all material respects using the accounting policies that are permitted by International Financial Reporting Standards ("IFRS") as if those line items were presented as part of a complete set of financial statements.

The pro-forma Statement of Financial Position as at September 30, 2012, pro-forma Statement of Profit (Loss) and Comprehensive Income (Loss) for the nine months ended September 30, 2012, and the pro-forma Statement of Profit and Comprehensive Income for the year ended December 31, 2011 give effect to the Arrangement and assumptions described in notes 4 and 6, as if they had occurred January 1, 2011.

The Statements have been prepared using the following information:

- unaudited carve-out interim financial statements of the Kelt Assets and Operations from Celtic Exploration Ltd. as at and for the three and nine months ended September 30, 2012 and 2011 (the "Carve-Out Interim Financial Statements");
- audited carve-out financial statements of the Kelt Assets and Operations from Celtic Exploration Ltd. as at and for the years ended December 31, 2011, 2010 and 2009 (the "Carve-Out Financial Statements");
- separate audited operating statements in respect of the Grande Cache and Inga Properties for the years ended December 31, 2011, 2010 and 2009 (the "Operating Statements"); and
- the terms of the conveyance agreement, which Kelt and Celtic will enter into upon closing of the Arrangement.

The Statements are not necessarily indicative of the results of operations or the financial position that would have resulted had the Arrangement been effected on the dates indicated, or the results that may be obtained in the future.

The Statements have been prepared for illustrative purposes only. Actual amounts recorded once the conveyance is finalized will depend on a number of factors and may differ materially from those recorded in the Statements.

All references to dollar amounts in these pro-forma financial statements and related notes are thousands of Canadian dollars, unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

These pro-forma financial statements have been prepared following the same accounting policies and methods of computation as the audited Carve-Out Financial Statements and as described further below. Significant accounting policies are described in note 2 of the December 31, 2011 Carve-out Financial Statements.

Business combinations involving entities under common control are outside the scope of IFRS 3 *Business Combinations*. IFRS provides no guidance on the accounting for these types of transactions and an entity is required to develop an accounting policy. The two most common methods utilized are the purchase method and the predecessor values method. A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party, both before and after the business combination, and control is not transitory. Management has determined the predecessor values method to be most appropriate. The predecessor method requires the financial statements to be prepared using the predecessor carrying values without any step up to fair value. The difference between any consideration and the aggregate carrying value of the assets and liabilities are recorded as a reserve from common-control transaction in shareholders' equity.

4. PRO-FORMA ADJUSTMENTS AS AT AND FOR THE NINE MONTHS ENDED SEPTMEBER 30, 2012

(a) Shareholders' capital

Pursuant to the Arrangement described in note 1, Celtic will transfer certain assets and liabilities to Kelt. The conveyance has been accounted for using the predecessor values method as described in note 3, whereby the Kelt Assets are transferred to Kelt based on the historical carrying value carved-out of Celtic.

Net assets transferred:	
Exploration and evaluation assets	6,655
Property, plant and equipment	83,804
Decommissioning obligations	(9,844)
	80,615
Arrangement adjustments:	
Reserve from common control transaction [b]	61,486
Transaction costs [d]	(140)
Pro-forma shareholders' capital [note 5]	**141,961**

(b) Reserve from common control transaction

Pursuant to the Arrangement, Celtic will transfer tax pools to Kelt based on the agreed fair market value of $142.0 million. The difference of $61.5 million between the value of the tax pools and the carrying value of net assets transferred has been recognized within shareholders' equity as a reserve from common-control transaction.

(c) Deferred income taxes

In accordance with IFRS, deferred income tax is not recognized on the initial recognition of assets or liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting income nor taxable income. Accordingly, Kelt did not recognize a deferred income tax asset of $15.4 million related to the

common-control transaction. The unrecognized deferred income tax asset of $15.4 million is estimated based on the excess value of $61.5 million of tax pools over the carrying value of net assets transferred, as described under part (b) above, multiplied by an estimated combined federal and provincial tax rate of 25.0%.

For accounting purposes, the tax pools are assumed to have been transferred with a tax basis equal to the carrying value. As such, the deferred income tax asset as per the Carve-Out Statement of Financial Position as at September 30, 2012 has been eliminated.

Deferred income tax expense per the Carve-Out Statement of Profit (Loss) and Comprehensive Income (Loss) has also been eliminated on the basis that Kelt would not be taxable given the actual tax pools acquired pursuant to the Arrangement would be sufficient to shelter taxable income. The impact of any recovery to be realized through the amortization of the unrecognized deferred income tax asset, has been ignored for the purposes of these pro-forma financial statements.

(d) Transaction costs

Transaction costs directly attributable to Kelt have been estimated to be $140.0 thousand and the balance of accounts payable and accrued liabilities has been adjusted to reflect the additional liability for these expenditures.

(e) Working capital

Accounts receivable, accounts payable and accrued liabilities, and bank debt have been eliminated as these amounts will not be transferred to Kelt under the proposed Arrangement, except as noted under part (d) above.

(f) Financing expenses

Given that bank debt will not be transferred to Kelt under the proposed Arrangement, interest expense in the amount of $2.8 million has been eliminated in the pro-forma Statement of Profit (Loss) and Comprehensive Income (Loss) for the nine months ended September 30, 2012. The remaining balance of pro-forma financing expenses of $0.2 million relates to accretion of decommissioning obligations.

5. SHAREHOLDERS' CAPITAL

Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares.

Issued and outstanding

The following table summarizes pro-forma common shares issued and outstanding:

	Number of common shares (thousands)	Amount (CA$ thousands)
Issued on incorporation October 11, 2012	1	-
Issued pursuant to the Arrangement	61,178	141,961
Pro-Forma shareholders' capital	**61,178**	**141,961**

The number of common shares to be issued pursuant to the Arrangement assumes that: (i) the Celtic Debentures participate in the Arrangement; (ii) the effective date of the Arrangement (the "Effective Date") is December 14, 2012 (being the date of the Meeting and the earliest date the Effective Date could occur, provided that all other conditions to the completion of the Arrangement have been satisfied); (iii) the Make Whole Premium is equal to 5.7211 Celtic Shares per $1,000 principal amount of Celtic Debentures (based on an assumed Stock Price of $25.96, being the 20-day VWAP for the period from October 19, 2012 until November 15, 2012; (iv) no Dissent Rights are exercised; (v) all of the Celtic Options are exercised prior to the Arrangement; and (vi) 105,827,094 Celtic Shares and $172,200,000 aggregate principal amount of Celtic Debentures are outstanding, being the amount outstanding as of November 15,

2012. To the extent the actual factors and circumstances differ from the assumptions set forth above, the number of Kelt Shares outstanding will also differ.

6. PRO-FORMA ADJUSTMENTS FOR THE YEAR ENDED DECEMBER 31, 2011

On November 30, 2011, Celtic acquired natural gas assets at Grande Cache, Alberta. The Statement of Profit and Comprehensive Income included in the Carve-Out Financial Statements for the year ended December 31, 2011 includes the results of operations for the one month period following the close of the transaction on November 30, 2011, in accordance with the prescribed accounting treatment under IFRS for business combinations. The pro-forma Statement of Profit and Comprehensive Income for the year ended December 31, 2011 has been adjusted to reflect twelve months of operations in respect of the Grande Cache Property, as if the acquisition had occurred on January 1, 2011.

(a) Adjustments to operating income

The following pro-forma adjustments were derived from the audited Operating Statements in respect of the Grande Cache Property, and represent the operating cash flows for the period from January 1, 2011 to November 30, 2011:

Pro-Forma adjustments:	*(CA$ thousands)*
Revenue	21,512
Royalties	(3,910)
Production expenses	(4,939)
Transportation expenses	(29)
Net adjustment to operating income[(1)]	**12,634**

(1) "Operating Income" is a measure of financial performance used by the Company, which does not have a standardized meaning prescribed by IFRS. As this measure is commonly used in the oil and gas industry, the Company believes its inclusion is useful to investors. Operating income is calculated by deducting royalties, production expenses and transportation expenses from oil and gas revenue. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used.

(b) Financing expense

Given that bank debt will not be transferred to Kelt under the proposed Arrangement, interest expense in the amount of $594 thousand has been eliminated in the pro-forma Statement of Profit and Comprehensive Income for the year ended December 31, 2011. The remaining balance of pro-forma financing expenses of $30 thousand relates to accretion of decommissioning obligations.

(c) General and administrative ("G&A") expense

For the purposes of the Carve-Out Financial Statements, G&A expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. The pro-forma adjustment to G&A expense reflects additional production associated with twelve months of operations in respect of the Grande Cache Property.

(d) Share based compensation ("SBC") expense

For the purposes of the Carve-Out Financial Statements, SBC expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. The pro-forma adjustment to SBC expense reflects additional production associated with twelve months of operations in respect of the Grande Cache Property.

(e) Depletion, depreciation and amortization ("DD&A") expense

DD&A expense for the pro-forma year ended December 31, 2011 was estimated by extrapolating the proportion of DD&A expense for the month of December in respect of the Grande Cache Property relative to production for the month of December in respect of the Grande Cache Property, by total production in respect of the Grande Cache property for the twelve month period ended December 31, 2011.

(f) Exploration expense

Given that the Grande Cache Property consists primarily of property, plant and equipment, it was assumed there are no incremental exploration expenses for the pro-forma year ended December 31, 2011.

(g) Deferred income tax expense

The change in deferred income tax expense has been estimated by applying the effective tax rate per the Carve-Out Financial Statements of 38.4% to pro-forma profit before taxes.

SCHEDULE "E"
MANAGEMENT'S DISCUSSION AND ANALYSIS
IN RESPECT OF THE KELT ASSETS

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2012 and 2011
(All tabular amounts in thousands of Canadian dollars, unless otherwise stated)

INTRODUCTION

On October 16, 2012, ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), Celtic Exploration Ltd. ("Celtic"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt" or the "Company") entered into an arrangement agreement, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share, pursuant to an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain assets (the "Kelt Assets" or "Carve-Out Properties") to Kelt. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases, including:

- a liquids-rich gas property in the Inga area of British Columbia (the "Inga Property");
- a gas property in the Grande Cache area of Alberta (the "Grande Cache Property"); and
- a light oil prospect in the Karr area of Alberta lying north-east of the Smoky River (the "Karr Property").

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

The following management's discussion and analysis ("MD&A"), dated as of November 16, 2012, provides a detailed explanation of the results of operations for the Carve-Out Properties for the three and nine month periods ended September 30, 2012 and 2011. This MD&A should be read in conjunction with the unaudited carve-out interim financial statements for the periods then ended, as well as the audited annual carve-out financial statements as at and for the years ended December 31, 2011, 2010 and 2009 (the "Annual Carve-Out Financial Statements"), as set forth in Schedule "C" to Appendix F. These carve-out interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Forward-looking Statements

This MD&A contains expectations, beliefs, plans, goals, objectives, assumptions, information and statements about future events, conditions, results of operations or performance that constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") under applicable securities laws. Undue reliance should not be placed on forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. Well test results, if any, are not necessarily indicative of long-term performance. We caution that the foregoing list of risks and uncertainties is not exhaustive. Events or circumstances could cause actual dates to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

Measurements

All dollar amounts are referenced in Canadian dollars, except when noted otherwise. Where amounts are expressed on a barrel of oil equivalent ("BOE") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and

does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids ("NGLs"). NGLs include condensate, propane, butane and ethane. References to gas in this discussion include natural gas and sulphur.

Critical Accounting Estimates

The timely preparation of the carve-out interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these carve-out interim financial statements are outlined in note 1 of the Annual Carve-Out Financial Statements. There have been no significant changes in the critical accounting estimates and judgments applied during the interim period ended September 30, 2012 relative to the Annual Carve-Out Financial Statements.

BUSINESS OBJECTIVE

The business plan of Kelt is to create sustainable and profitable growth as a participant in the oil and gas industry in Canada. Kelt will seek to identify and acquire strategic acquisitions of oil and gas properties where it believes further exploitation, development and exploration opportunities exist. In addition, Kelt intends to implement a full cycle exploration program through land acquisition, resulting in exploration and development drilling opportunities based on internally generated ideas.

RESULTS OF OPERATIONS

Revenues – Third Quarter 2012 vs Third Quarter 2011

	Three months ended September 30		Increase (Decrease)	
	2012	2011	Value	%
Production:				
Oil (bbl/d)	**117**	202	(84)	-42%
Natural gas (Mcf/d)	**18,510**	1,996	16,514	827%
Natural gas liquids (bbl/d)	**218**	25	194	782%
Combined (BOE/d)	**3,421**	559	2,862	512%
Average realized prices:				
Oil ($/bbl)	**75.74**	83.73	(7.99)	-10%
Natural gas ($/Mcf)	**2.43**	4.36	(1.93)	-44%
Natural gas liquids ($/bbl)	**62.66**	71.96	(9.30)	-13%
Combined ($/BOE)	**19.76**	48.96	(29.20)	-60%
Total revenue, before royalties:				
Oil	**817**	1,553	(736)	-47%
Natural gas	**4,144**	801	3,343	417%
Natural gas liquids	**1,259**	164	1,095	668%
Total revenue, before royalties	**6,220**	2,518	3,702	147%

For the three month period ended September 30, 2012, total revenue (before royalties) was $6.2 million, representing an increase of 147% compared to the same three month period of the previous year. The increase in revenue is primarily due to a significant increase in production, partially offset by lower combined average realized prices.

On November 30, 2011, Celtic acquired a gas property in the Grande Cache area of Alberta (the "Grande Cache Property"), which contributed to approximately 2,600 BOE/d of production during the three months ended September 30, 2012. In addition, there were five horizontal wells drilled at Inga, a liquids rich gas property, during the first nine months of 2011, which contributed to an increase in production at the this property during the quarter ended September 30, 2012.

The combined average product price was $19.76 per BOE during the quarter ended September 30, 2012, a decrease of 60% compared to the same quarter of the previous year ($48.96 per BOE). The decrease in the combined average price is due to a higher volume of total production being weighted to natural gas, compounded by a significant decrease in index prices for natural gas quarter over quarter. In addition, realized prices for oil and natural gas liquids decreased in 2012, due to a widening discount between the Edmonton Light Par price relative WTI and softening of propane and butane prices, particularly in the third quarter 2012. In spite of deeper discounts on oil and natural gas liquids relative to WTI benchmark prices, the average price realized by the Company was not impacted as significantly because a high proportion of liquids sales are condensate, which attracts a premium over WTI.

Revenues – YTD 2012 vs YTD 2011

	Nine months ended September 30		Increase (Decrease)	
	2012	2011	Value	%
Production:				
Oil (bbl/d)	**100**	170	(70)	-41%
Natural gas (Mcf/d)	**18,450**	1,522	16,928	1112%
Natural gas liquids (bbl/d)	**249**	20	229	1143%
Combined (BOE/d)	**3,424**	444	2,980	671%
Average realized prices:				
Oil ($/bbl)	**79.47**	88.31	(8.84)	-10%
Natural gas ($/Mcf)	**2.27**	4.49	(2.22)	-49%
Natural gas liquids ($/bbl)	**77.44**	68.43	9.01	13%
Combined ($/BOE)	**20.18**	52.33	(32.15)	-61%
Total revenue, before royalties:				
Oil	**2,178**	4,103	(1,925)	-47%
Natural gas	**11,472**	1,864	9,608	515%
Natural gas liquids	**5,285**	374	4,911	1313%
Total revenue, before royalties	**18,935**	6,341	12,594	199%

For the nine month period ended September 30, 2012, total revenue (before royalties) was $18.9 million, representing an increase of 199% compared to the same nine month period of the previous year. The increase in revenue is primarily due to a significant increase in production, partially offset by lower combined average realized prices.

On November 30, 2011, Celtic acquired the Grande Cache Property, which contributed to approximately 2,600 BOE/d of production during the nine months ended September 30, 2012. In addition, there were five horizontal wells drilled at Inga during the first nine months of 2011 resulting in aggregate average production of approximately 800 BOE/d at Inga during the nine month period ended September 30, 2012.

The combined average product price was $20.18 per BOE during the nine month period ended September 30, 2012, a decrease of 61% compared to the same period of the previous year ($52.33 per BOE). During the previous nine month period ended September 30, 2011, 100% of production was derived from the Inga Property which is comprised of liquids-rich gas. With the acquisition of the Grande Cache Property in the fourth quarter of 2011, production volumes are more heavily weighted to dry gas in 2012, thus, the significant decrease in index prices for natural gas in 2012 had a pervasive impact on the combined average realized price. In addition, the realized price for oil decreased in 2012, due to a widening discount between the Edmonton Light Par price relative WTI. The average price for natural gas liquids increased in 2012 due to a higher volume of condensate production, which attracts a premium to WTI.

Royalties

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
Royalties	**437**	335	30%	**1,908**	799	139%
% of revenue	**7%**	13%	-47%	**10%**	13%	-20%
$ per BOE	**1.39**	6.51	-79%	**2.03**	6.59	-69%

Royalty expenses consist of crown royalties paid to the provincial government and payments to overriding royalty owners. Total royalties increased during each of the three and nine month periods of 2012 in conjunction with higher gross revenue in each period. As a percentage of revenue, royalty expenses decreased in the current periods as a higher proportion of production is weighted to natural gas which is subject to lower royalties than oil and natural gas liquids, particularly in the environment of low natural gas prices. In addition, royalties are reduced by gas cost allowance credits, which do not fluctuate with gas prices.

Production & Transportation Expenses

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
Production & transportation expenses	**2,314**	455	409%	**7,740**	1,084	614%
$ per BOE	**7.35**	8.85	-17%	**8.25**	8.95	-8%

Total production & transportation expenses increased during each of the three and nine month periods of 2012 in conjunction with a significant increase in production volumes associated with the Grande Cache Property acquired in the fourth quarter of 2011 and new production from wells at the Inga Property during 2012. Correspondingly, per unit expenses decreased in 2012 compared to 2011 as the fixed component of production costs is spread over a higher volume of production.

Financing Expenses

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
Interest on bank debt	**1,136**	106	972%	**2,798**	192	1357%
Accretion of decommissioning obligations	**52**	7	643%	**163**	18	806%
Financing expense	**1,188**	113	951%	**2,961**	210	1310%
Average bank debt outstanding	**84,136**	9,846	755%	**73,148**	5,456	1241%
Average interest rate on bank debt	**5.4%**	4.3%	26%	**5.1%**	4.7%	8%
Interest expense[(1)] per BOE	**3.61**	2.06	75%	**2.98**	1.59	87%

(1) Interest expense used in the calculation of "Interest expense per BOE" includes interest on bank debt only

Interest on bank debt increased during each of the three and nine month periods of 2012 due to higher average debt levels combined with an increase in the average interest rate. The average interest rate increased during the current year, as Celtic's debt to cash flow ratio was higher in the current period in conjunction with higher capital spending and lower cash flows provided by operating activities, compared to the previous period. Bank indebtedness attributable to the Kelt Assets was estimated based on the shortfall of cash used in investing activities for the Kelt Assets relative to cash provided (used in) by operating activities for the Kelt Assets. Interest expense was estimated by applying Celtic's average interest rate on bank debt for each period to Kelt's estimated average bank debt outstanding in each corresponding period

Accretion expense is a measure of the increase in the present value of the decommissioning obligation due to the passage of time. Accretion expense increased in each period of 2012 corresponding to the increase in decommissioning obligations.

General and administrative ("G&A") expenses

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
G&A expense	**198**	44	349%	**597**	109	447%
$ per BOE	**0.63**	0.86	-27%	**0.64**	0.90	-29%

G&A expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. Total G&A expenses increased during each of the three and nine month periods of 2012 in conjunction with a significant increase in activity levels associated with the acquisition of the

Grande Cache Property in the fourth quarter of 2011 and the drilling program at the Inga Property during 2012. Per unit G&A expenses decreased in 2012 compared to 2011 due to operating efficiencies.

Share based compensation ("SBC") expense

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
SBC expense	**404**	91	344%	**1,426**	191	647%
$ per BOE	**1.28**	1.77	-28%	**1.52**	1.58	-4%

SBC expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. Accordingly, SBC expenses allocated to the Kelt Assets in each of the three and nine month periods ended September 30, 2012 increased relative to the prior periods due to the significant increase in production.

Depletion, depreciation and amortization ("DD&A") expense

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
DD&A expense	**3,762**	1,178	219%	**9,897**	3,081	221%
$ per BOE	**11.95**	22.90	-48%	**10.55**	25.43	-59%

DD&A expense increased during each of the three and nine month periods of 2012 in conjunction with the increase in the carrying value of property, plant and equipment. The increase in DD&A resulting from a larger depletable base is partially offset by a lower average depletion rate. The rate of depletion is a ratio of production relative to total proved reserves. Although daily average production was higher in each of the current periods, total proved reserves of the Grande Cache and Inga Properties increased significant per the December 31, 2011 reserve evaluation, resulting in a lower average depletion rate for both of the three and nine month periods of 2012.

Exploration expense

Exploration expense relates to the expiry of a mineral lease at the Karr Property during the second quarter of 2011. There were no expired mineral leases during the three and nine month periods of 2012.

Income taxes

The provision for current and deferred income taxes was calculated as if the Kelt Assets had been a separate legal entity and had filed a separate tax return for the periods presented. For the quarter ended September 30, 2012, Kelt recognized a recovery of deferred income taxes on the amount of $0.4 million, compared to an expense of $0.1 million in the previous quarter ended September 30, 2011. For the nine month period ended September 30, 2012, Kelt recognized a recovery of deferred income taxes on the amount of $1.0 million, compared to an expense of $0.1 million in the previous nine month period ended September 30, 2011. These amounts differ from the expected provision for (recovery of) income taxes calculated based on the statutory tax rate, due to non-deductible share based compensation costs and the decrease in the combined federal and provincial statutory tax rate from 28.25% in 2010 to 26.5% in 2011.

During the nine month period ended September 30, 2011, it was estimated that Kelt would be subject to approximately $0.1 million of current income taxes, however, by December 31, 2011, Kelt had sufficient income tax deductions available to shelter taxable income so there were no cash taxes paid in 2011. During the three and nine month periods ended September 30, 2012, it is estimated that Kelt will have sufficient income tax deductions available to shelter taxable income, therefore the provision for current income taxes is nil.

Profit (loss) and comprehensive income (loss)

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
Profit (loss) and comprehensive income (loss)	**(1,663)**	203	-919%	**(4,549)**	538	-946%
$ per BOE	**(5.28)**	3.98	-233%	**(4.85)**	4.43	-209%

The decrease in profit and comprehensive income for each of the three and nine month periods of 2012 is primarily due to non-cash share based compensation and DD&A expenses.

Funds from Operations

"Funds from operations" is a measure of financial performance used by the Company, which does not have a standardized meaning prescribed by IFRS. As this measure is commonly used in the oil and gas industry, the Company believes its inclusion is useful to investors. The reader is cautioned that these amounts may not be directly comparable to measures for other companies where similar terminology is used. "Funds from operations" is calculated by adding back the change in non-cash operating working capital to cash provided by operating activities, as shown in the table below.

	Three months ended September 30			Nine months ended September 30		
	2012	2011	%	**2012**	2011	%
Cash provided by operating activities	**1,949**	1,216	60%	**6,403**	3,546	81%
Change in non-cash working capital	**186**	378	-51%	**(511)**	488	-205%
Funds from operations	**2,135**	1,594	34%	**5,892**	4,034	46%
Funds from operations per BOE	**6.78**	30.99	-78%	**6.28**	33.29	-81%

Funds from operations increased in each of the three and nine month periods of 2012 due to a significant increase in production. The decrease in funds from operations per BOE is primarily due to lower combined average realized prices, partially offset by lower per unit expenses. Refer to the "Results of Operations" section of this MD&A for further information.

Capital expenditures

Kelt's capital expenditures, including acquisitions, for the nine month periods ended September 30, 2012 and 2011 are summarized in the following table:

	Nine months ended September 30	
	2012	2011
Capital expenditures:		
Lease acquisition and retention	**1,810**	149
Geological and geophysical	**4**	16
Drilling and completion of wells	**20,218**	9,346
Facilities, pipeline and well equipment	**3,332**	2,202
Acquisitions	**267**	-
Total capital expenditures	**25,631**	11,713

Drilling activity

During the nine month period ended September 30, 2012, Celtic drilled 5 (2.0 net) horizontal wells at Inga, with an overall success rate of 100%. In the previous nine month period ended September 30, 2011, Celtic drilled 4 (1.6 net) horizontal well at Inga, with an overall success rate of 100%.

Contractual obligations

Celtic is committed to future payments under the following agreements:

(CA$ thousands)	2012	2013	2014	2015	2016	Thereafter
Operating lease – office building	207	828	828	828	387	36
Operating lease – vehicles	45	176	105	24	-	-
Firm transportation commitments	428	1,712	1,362	803	172	-
Total annual commitments	**680**	**2,716**	**2,295**	**1,655**	**559**	**36**

Payments under the office building operating lease primarily relate to rental office space in Calgary, Alberta. The current lease expires on May 31, 2016.

At September 30, 2012, Celtic had bank debt outstanding in the amount of $198.1 million, of which, approximately $84.5 million was allocated to Kelt. Celtic has a $335.0 million term credit facility that is available on a revolving basis until June 25, 2013.

BUSINESS RISKS

Kelt's exploration and production activities will be concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different sized companies ranging from smaller junior producers, intermediate and senior producers, to the much larger integrated petroleum companies. Kelt is subject to a number of risks which are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, financial and liquidity risks and environmental and safety risks.

In order to reduce exploration risk, Kelt expects to employ highly qualified and motivated professional employees who have demonstrated the ability to generate quality proprietary geological and geophysical prospects. To maximize drilling success, Kelt expects to explore in areas that afford multi-zone prospect potential, targeting a range of shallower low to moderate risk prospects as well as deeper high-risk prospects with high-reward opportunities.

Kelt has retained an independent engineering consulting firm that assists the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulation. Such estimates may vary from actual results.

Kelt is exposed to market risk to the extent that the demand for oil and gas produced by the Company exists within Canada and the United States. External factors beyond the Company's control may affect the marketability of oil and gas produced. These factors include commodity prices and variations in the Canada-United States currency exchange rate, which in turn respond to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals. Kelt may periodically use futures, swaps and/or option contracts to hedge its exposure against the potential adverse impact of commodity price volatility.

Exploration and production for oil and gas is very capital intensive. As a result, Kelt expects to rely on equity and debt markets as a source of new capital. In addition, Kelt expects to utilize bank financing to support on-going capital investment. Funds from operations will also provide Kelt with capital required to grow its business. Equity and debt capital is subject to market conditions and availability may increase or decrease from time to time. Funds from operations also fluctuate with changing commodity prices.

Carve-out of Kelt Assets and Operations from Celtic Exploration Ltd.

Management's Discussion and Analysis
For the years ended December 31, 2011 and 2010
(All tabular amounts in Canadian dollars, unless otherwise stated)

INTRODUCTION

On October 16, 2012, ExxonMobil Canada Ltd. ("ExxonMobil Canada"), ExxonMobil Celtic ULC (formerly 1690731 Alberta ULC) (the "Purchaser"), Celtic Exploration Ltd. ("Celtic"), and Kelt Exploration Ltd. (formerly 1705972 Alberta Ltd.) ("Kelt" or the "Company") entered into an arrangement agreement, whereby the Purchaser will purchase all Celtic's outstanding common shares at a cash price of $24.50 per share, pursuant to an arrangement under the *Business Corporations Act* (Alberta) (the "Arrangement"). Additionally, Celtic shareholders will receive 0.5 of a share of Kelt for each Celtic common share. Pursuant to the Arrangement and a conveyance agreement to be entered into by Celtic and Kelt upon closing of the Arrangement, Celtic will transfer certain assets (the "Kelt Assets" or "Carve-Out Properties") to Kelt. The Kelt Assets include all of Celtic's right, title, estate and interest in the petroleum, natural gas and related hydrocarbon rights and related personal property interests within, upon or under the lands and leases, including:

- a liquids-rich gas property in the Inga area of British Columbia (the "Inga Property");
- a gas property in the Grande Cache area of Alberta (the "Grande Cache Property"); and
- a light oil prospect in the Karr area of Alberta lying north-east of the Smoky River (the "Karr Property").

The head office of Kelt is located at Suite 600, 321 – 6th Avenue S.W., Calgary, Alberta T2P 3H3 and its registered office is located at 1900, 520 – 3rd Avenue S.W., Calgary, Alberta T2P 0R3.

The following management's discussion and analysis ("MD&A"), dated as of November 16, 2012, provides a detailed explanation of the results of operations for the Carve-Out Properties for the years ended December 31, 2011 and 2010 and should be read in conjunction with the audited carve-out financial statements for the years then ended, as set forth in Schedule "C" to Appendix F. These carve-out financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Forward-looking Statements

This MD&A contains expectations, beliefs, plans, goals, objectives, assumptions, information and statements about future events, conditions, results of operations or performance that constitute "forward-looking information" or "forward-looking statements" (collectively, "forward-looking statements") under applicable securities laws. Undue reliance should not be placed on forward-looking statements. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Company and described in the forward-looking statements. Well test results, if any, are not necessarily indicative of long-term performance. We caution that the foregoing list of risks and uncertainties is not exhaustive. Events or circumstances could cause actual dates to differ materially from those estimated or projected and expressed in, or implied by, these forward-looking statements. The forward-looking statements contained in this document are made as of the date hereof and the Company does not intend, and does not assume any obligation, to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise unless expressly required by applicable securities laws.

Measurements

All dollar amounts are referenced in Canadian dollars, except when noted otherwise. Where amounts are expressed on a barrel of oil equivalent ("BOE") basis, natural gas volumes have been converted to oil equivalence at six thousand cubic feet per barrel and sulphur volumes have been converted to oil equivalence at 0.6 long tons per barrel. The term BOE may be misleading, particularly if used in isolation. A BOE conversion ratio of six thousand cubic feet per barrel is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. References to oil in this discussion include crude oil and natural gas liquids ("NGLs"). NGLs include condensate, propane, butane and ethane. References to gas in this

discussion include natural gas and sulphur.

Critical Accounting Estimates

The timely preparation of these carve-out financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are reviewed and for any future years affected. Significant judgments, estimates and assumptions made by management in these carve-out financial statements are outlined below:

Allocations

The allocation for certain assets, liabilities, revenues, and expenses from Celtic to the Carve-Out Properties required significant judgment. Although management believes the method of allocation to be reasonable, these carve-out financial statements may not be representative of what the results of operations would have been if the Kelt Assets had been a stand-alone entity from inception.

Business combinations

Business combinations are accounted for using the acquisition method of accounting. The determination of fair value often requires management to make assumptions and estimates about future events. The assumptions and estimates with respect to determining the fair value of exploration and evaluation assets and property, plant and equipment acquired generally require the most judgment and include estimates of reserves acquired, forecast benchmark commodity prices and discount rates. Assumptions are also required to determine the fair value of decommissioning obligations associated with the properties. Changes in any of these assumptions or estimates used in determining the fair value of acquired assets and liabilities could impact the amounts assigned to assets, liabilities and goodwill in the purchase price allocation. Future profit (loss) can be affected as a result of changes in future depletion, depreciation and amortization or asset impairment.

Reserves

The estimation of recoverable quantities of proven and probable reserves includes estimates and assumptions regarding future commodity prices, exchange rates, discount rates, production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of non-financial assets, decommissioning obligations, the economic feasibility of exploration and evaluation assets and the amounts reported for depletion, depreciation and amortization.

Impairment of non-financial assets

Impairment of the Company's PP&E is evaluated at the cash-generating unit ("CGU") level. The determination of CGU's requires judgment in defining the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGU's have been determined based on similar geological structure, shared infrastructure, geographical proximity, commodity type and similar exposures to market risks.

In testing for impairment of PP&E, the recoverable amount of the Company's CGU's is determined based on the greater of the value-in-use and fair value less costs to sell. In the absence of quoted market prices, the recoverable amount is based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates and other relevant assumptions.

Decommissioning obligations

The Company estimates the decommissioning obligations for oil and gas wells and their associated production facilities and pipelines. In most instances, dismantling of assets and remediation occurs many years into the future. The value of the ultimate decommissioning obligation can fluctuate in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques, experience at other production sites, and changes to the risk-free discount rate. The expected timing and amount of expenditure can also change, for example,

in response to changes in reserves or changes in laws and regulations or their interpretation.

Exploration and evaluation assets

The accounting policy for exploration and evaluation assets is described in note 2. The application of this policy requires management to make certain estimates and assumptions as to future events and circumstances as to whether economic quantities of reserves have been found and whether the costs incurred are recoverable.

Deferred income taxes

Tax interpretations, regulations and legislation in the jurisdictions in which the Company operates are subject to change. As such, deferred income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

BUSINESS OBJECTIVE

The business plan of Kelt is to create sustainable and profitable growth as a participant in the oil and gas industry in Canada. Kelt will seek to identify and acquire strategic acquisitions of oil and gas properties where it believes further exploitation, development and exploration opportunities exist. In addition, Kelt intends to implement a full cycle exploration program through land acquisition, resulting in exploration and development drilling opportunities based on internally generated ideas.

RESULTS OF OPERATIONS

Revenues

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Production:				
Oil (bbl/d)	**133**	1	132	14770%
Natural gas (Mcf/d)	**3,292**	12	3,280	28351%
Natural gas liquids (bbl/d)	**62**	1	61	4457%
Combined (BOE/d)	**744**	4	740	17648%
Average realized prices:				
Oil ($/bbl)	**88.51**	69.02	19.50	28%
Natural gas ($/Mcf)	**3.63**	3.68	(0.05)	-1%
Natural gas liquids ($/bbl)	**82.86**	66.01	16.86	26%
Combined ($/BOE)	**38.82**	46.44	(7.62)	-16%
Total revenue, before royalties:				
Oil	**4,290,628**	22,499	4,268,129	18970%
Natural gas	**4,362,047**	15,544	4,346,503	27963%
Natural gas liquids	**1,887,875**	33,004	1,854,871	5620%
Total revenue, before royalties	**10,540,550**	71,047	10,469,503	14736%

Total revenue (before royalties) increased by increased from $0.1 million in 2010 to $10.5 million in 2011. The increase in revenue is primarily due to a significant increase in production, partially offset by lower combined average realized prices.

On September 24, 2010, Celtic acquired a liquids-rich gas property in the Inga area of British Columbia (the “Inga Property”). Prior thereto, the Kelt Assets were limited to non-producing exploration and evaluation assets. In 2010, the Inga property was comprised of a small number of producing vertical wells. Subsequent to Celtic’s acquisition of the Inga Property, the first horizontal well was spud in late in 2010, followed by four additional horizontal wells drilled during 2011, resulting in a significant increase in production year over year. In addition, Celtic acquired a gas property in the Grande Cache area of Alberta (the “Grande Cache Property”) on November 30, 2011, which contributed to the increase in revenue through the sale of production for the month of December.

The combined average product price was $38.82 per BOE in 2011, a net decrease of 16% compared to the previous year ($46.44 per BOE). The decrease in the combined average price realized is correlated to the decrease in index prices for natural gas during 2011.

Royalties

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Royalties	**939,770**	-	939,770	-
% of revenue	**9%**	0%	-	-
$ per BOE	**3.46**	-	3.46	-

Royalty expenses consist of crown royalties paid to the provincial government and payments to overriding royalty owners. During 2010, royalty expenses at the Inga Property were nominal as there was limited production and the royalty expenses incurred were reduced by gas cost allowance credits. As new production was brought on stream in 2011, royalties normalized to an average of 9% of revenue.

Production & Transportation Expenses

	Year ended December 31		Increase (Decrease)	
	2011	2010	Value	%
Production & transportation expenses	**2,682,881**	48,049	2,634,832	5484%
$ per BOE	**9.88**	31.41	(21.53)	-69%

During 2010, the Inga Property was in its initial stages of operation and was predominantly comprised of a small number of vertical wells. Start-up costs combined with low initial production volumes resulted in per unit costs of $31.41 per BOE in 2010. Total production & transportation expenses increased in 2011 in conjunction with a significant increase in production volumes associated with the commencement of horizontal drilling operations late in 2010 and throughout 2011. Correspondingly, per unit expenses decreased in 2011 compared to 2010 as the fixed component of production costs is spread over a higher volume of production. Production & transportation expenses were also impacted by transitional expenses and initial costs required to integrate operations of the Grande Cache Property which was acquired on November 30, 2011.

Financing Expenses

	2011	2010
Interest on bank debt	**594,397**	21,118
Accretion of decommissioning obligations	**29,899**	1,486
Financing expense	**624,296**	22,604
Average bank debt outstanding	**12,383,267**	515,065
Average interest rate on bank debt	**4.8%**	4.1%
Interest expense[(1)] per BOE	**2.19**	13.80

(1) Interest expense used in the calculation of "Interest expense per BOE" includes interest on bank debt only

Interest on bank debt increased during the year ended December 31, 2011 due to higher average debt levels combined with an increase in the average interest rate. The average interest rate increased during the current year, as Celtic's debt to cash flow ratio was higher in 2011 in conjunction with higher capital spending and lower cash flows provided by operating activities, compared to the previous year. Bank indebtedness attributable to the Kelt Assets was estimated assuming the property acquisitions were financed by bank debt and based on the shortfall of cash used in investing activities for the Kelt Assets relative to cash provided (used in) by operating activities for the Kelt Assets. Interest expense was estimated by applying Celtic's average interest rate on bank debt for each period to Kelt's estimated average bank debt outstanding in each corresponding period. Interest expense per BOE was $13.80 in 2010 as there was nominal production relative to the level of capital expenditures. Per unit interest expenses normalized in 2011 as a result of increased production.

Accretion expense is a measure of the increase in the present value of the decommissioning obligation due to the passage of time. Accretion expense increased in 2011 corresponding to the increase in decommissioning obligations associated with the horizontal drilling program at Inga and the Grande Cache Property acquisition.

General and administrative ("G&A") expenses

G&A expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. G&A expenses increased from $3.8 thousand in 2010 to $294.0 thousand in 2011 corresponding to an increase in production in 2011. In addition, reported G&A expenses include transaction costs associated with the acquisition of the Inga Property in 2010 and the Grande Cache Property in 2011.

Share based compensation ("SBC") expense

SBC expenses were allocated to the Kelt Assets based on pro-rata production volumes of the Kelt Assets, relative to Celtic's total production volumes in each period. SBC expense increased from $3.8 thousand in 2010 to $294.0 thousand in 2011 corresponding to an increase in production in 2011.

Depletion, depreciation and amortization ("DD&A") expense

DD&A expense increased from $11.4 thousand in 2010 to $4,668.0 thousand in 2011. Prior to the acquisition of the Inga Property on September 24, 2010, the Kelt Assets were limited to non-producing exploration and evaluation assets which are not subject to DD&A. The increase in DD&A expense in 2011 is due to an increase in the carrying value of property, plant and equipment corresponding to the horizontal drilling program at Inga, as well as a higher depletion rate associated with higher production.

Exploration expense

Exploration expense relates to the expiry of a mineral lease at the Karr Property during the second quarter of 2011. There were no expired mineral leases during the previous year ended December 31, 2010.

Income taxes

The provision for current and deferred income taxes was calculated as if the Kelt Assets had been a separate legal entity and had filed a separate tax return for the periods presented. For the year ended December 31, 2011, Kelt recognized $317.5 thousand of deferred income tax expenses, compared to a recovery of $3.8 thousand in the previous year ended December 31, 2010. These amounts differ from the expected provision for (recovery of) income taxes calculated based on the statutory tax rate, due to non-deductible share based compensation costs and the decrease in the combined federal and provincial statutory tax rate from 28.25% in 2010 to 26.5% in 2011.

In each of the years ended December 31, 2011 and 2010, Kelt was not subject to current income taxes as it had sufficient income tax deductions available to shelter taxable income in each period.

Profit (loss) and comprehensive income (loss)

Kelt generated a profit of $507.6 thousand during the year ended December 31, 2011, compared to a loss of $12.1 thousand during the previous year ended December 31, 2010. Prior to the acquisition of the Inga Property on September 24, 2010, the Kelt Assets were limited to non-producing exploration and evaluation assets which did not generate income. The commencement of horizontal drilling operations at the liquids-rich Inga Property yielded a significant increase in production and revenue during 2011, contributing to the profit in the period.

Cash provided by operating activities

Kelt generated $4,613.8 thousand of cash provided by operating activities during the year ended December 31, 2011. In the previous year, $7.7 thousand of cash was used by operating activities. As previously discussed, prior to the acquisition of the Inga Property on September 24, 2010, the Kelt Assets were limited to non-producing exploration and evaluation assets which did not generate cash flow. The commencement of horizontal drilling operations at the liquids-rich Inga Property yielded a significant increase in production and cash flows during 2011.

Capital expenditures

Kelt's capital expenditures, including acquisitions, for the years ended December 31, 2011 and 2010 are summarized in the following table:

	2011	2010
Capital expenditures:		
Lease acquisition and retention	**962,732**	**-**
Geological and geophysical	**766,871**	**-**
Drilling and completion of wells	**14,613,843**	2,224,000
Facilities, pipeline and well equipment	**4,006,695**	130,000
Acquisitions	**45,697,600**	1,216,992
Total capital expenditures	**66,047,741**	3,570,992

On November 30, 2011, Celtic acquired natural gas assets at Grande Cache, Alberta, for cash consideration of $50.0 million, before closing adjustments. The acquisition had an effective date of July 1, 2011 and the bid price was adjusted for the results of operations between the effective date and closing of the transaction, which resulted in a reduction in the purchase price by approximately $4.3 million. At the time of acquisition, natural gas production from the assets was approximately 15.0 million cubic feet per day or 2,500 BOE per day, of which approximately 50% is operated. As part of the acquisition, Kelt acquired a 30.0% working interest in the Copton gas plant located at 11-25-059-09W6; a 7.0% working interest in the Narraway gas plant located at 10-08-062-10W6; and interests in various compressors and gas gathering pipelines.

On September 24, 2012, Celtic acquired liquids-rich natural gas assets at Inga, which is located in northeast British Columbia, for cash consideration of $1.2 million. The acquisition had an effective date of September 1, 2010; closing adjustments were nominal.

Drilling activity

During the year ended December 31, 2011, Celtic drilled 4 (1.6 net) horizontal wells at Inga, with an overall success rate of 100%. In the previous year ended December 31, 2010, Celtic drilled 1 (0.4 net) horizontal well at Inga, which was also successful.

Contractual obligations

Celtic is committed to future payments under the following agreements:

(CA$ thousands)	2012	2013	2014	2015	2016	Thereafter
Operating lease – office building	601	601	601	601	293	36
Operating lease – vehicles	137	94	28	-	-	-
Firm transportation commitments	1,568	1,712	1,362	707	172	-
Total annual commitments	**2,306**	**2,407**	**1,991**	**1,308**	**465**	**36**

Payments under the office building operating lease primarily relate to rental office space in Calgary, Alberta. The current lease expires on May 31, 2016.

At December 31, 2011, Celtic had bank debt outstanding in the amount of $129.3 million, of which, approximately $64.7 million was allocated to Kelt. Celtic has a $275.0 million term credit facility that is available on a revolving basis until June 26, 2012. On April 26, 2012, Celtic executed an amended and restated credit facility agreement with its lenders (the "New Facility") extending the current revolving period to June 25, 2013, and may be extended an additional 364 days. The New Facility replaces and is similar in nature to the terms to the credit facility outstanding as of March 31, 2012, however commitments under the New Facility total $335.0 million and the current ratio covenant was eliminated.

BUSINESS RISKS

Kelt's exploration and production activities will be concentrated in the Western Canadian Sedimentary Basin, where activity is highly competitive and includes a variety of different sized companies ranging from smaller junior producers, intermediate and senior producers, to the much larger integrated petroleum companies. Kelt is subject to a number of risks which are also common to other organizations involved in the oil and gas industry. Such risks include finding and developing oil and gas reserves at economic costs, estimating amounts of recoverable reserves, production of oil and gas in commercial quantities, marketability of oil and gas produced, fluctuations in commodity prices, financial and liquidity risks and environmental and safety risks.

In order to reduce exploration risk, Kelt expects to employ highly qualified and motivated professional employees who have demonstrated the ability to generate quality proprietary geological and geophysical prospects. To maximize drilling success, Kelt expects to explore in areas that afford multi-zone prospect potential, targeting a range of shallower low to moderate risk prospects as well as deeper high-risk prospects with high-reward opportunities.

Kelt has retained an independent engineering consulting firm that assists the Company in evaluating recoverable amounts of oil and gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulation. Such estimates may vary from actual results.

Kelt is exposed to market risk to the extent that the demand for oil and gas produced by the Company exists within Canada and the United States. External factors beyond the Company's control may affect the marketability of oil and gas produced. These factors include commodity prices and variations in the Canada-United States currency exchange rate, which in turn respond to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals. Kelt may periodically use futures, swaps and/or option contracts to hedge its exposure against the potential adverse impact of commodity price volatility.

Exploration and production for oil and gas is very capital intensive. As a result, Kelt expects to rely on equity and debt markets as a source of new capital. In addition, Kelt expects to utilize bank financing to support on-going capital investment. Cash provided by operating activities will also provide Kelt with capital required to grow its business. Equity and debt capital is subject to market conditions and availability may increase or decrease from time to time. The level of cash provided by operating activities will fluctuate with changing commodity prices.

SCHEDULE "F"
PROPOSED AUDIT COMMITTEE CHARTER OF KELT

This charter governs the operations of the audit committee (the "**Committee**") of Kelt Exploration Ltd. (the "**Corporation**"). The Committee shall report to the Board of Directors (the "**Board**") of the Corporation.

I. PURPOSE

(a) The primary function of the Committee is to assist the Board in fulfilling its responsibilities regarding the integrity of the Corporation's financial statements including the financial reporting process and systems of internal controls, the compliance by the Corporation with legal and regulatory requirements and the qualifications, performance and independence of the Corporation's external auditor by reviewing:

(i) the financial information that will be provided to the shareholders, regulatory authorities and others;

(ii) the systems of internal controls management has established;

(iii) all audit processes;

(iv) all reporting from the external auditors.

(b) Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board. While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. These are the responsibilities of management and the external auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assure compliance with laws and regulations.

II. COMPOSITION AND OPERATIONS

(a) The Committee shall be composed of not fewer than three directors, none of whom shall be officers, employees or consultants to the Corporation or any of its related legal entities. The Committee shall only be comprised of unrelated directors. An unrelated director is a director who is independent of management and is free from any interest or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation as the case may be, other then interests and relationships arising from shareholding.

(b) The Committee shall review and reassess this Charter annually.

(c) All Committee members shall be financially literate (as defined by the Toronto Stock Exchange or other regulatory authority), or shall become financially literate within a reasonable period of time after appointment to the Committee, and at least one member shall have appropriate financial management experience or expertise.

(d) The Corporation's auditors shall be advised of the names of the Committee members and when appropriate will receive notice of and be invited to attend meetings of the Committee and to be heard at those meetings on matters relating to the auditor's duties.

(e) The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.

(f) The Committee shall meet at least four times each year.

(g) The Committee shall have access to the Corporation's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.

(h) The Committee shall provide open avenues of communication among management, employees, external auditors and the Board.

(i) The secretary to the Committee shall be the Corporate Secretary or an appointee of the Corporate Secretary.

(j) Notice of the time and place of every meeting shall be given to each Committee member at least 48 hours prior to the meeting.

(k) A majority of the voting membership of the Committee present in person or by telephone or other electronic telecommunication device shall constitute a quorum.

(l) The President, Chief Executive Officer, Vice President, Finance, and Chief Financial Officer and external auditor would be expected to be available to attend meetings or portions thereof. The external auditors would meet at least twice annually with the Committee. Others may or may not attend the meetings at the sole discretion of the Committee.

(m) Minutes of Committee meetings shall be approved by the Committee and sent to all directors of the Board.

III. DUTIES AND RESPONSIBILITIES

(a) Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

(i) the Corporation's annual and quarterly financial statements;

(ii) the Corporation's press releases and reports as they relate to the finances of the Corporation;

(iii) the Management Discussion and Analysis;

(iv) the financial content of the Annual Report;

(v) the Annual Information Form and any Prospectus or Private Placement Memorandums; and

(vi) any reports required by regulatory or government authorities as they relate to the finances of the Corporation.

The Committee will review and discuss:

(vii) the appropriateness of accounting policies and financial reporting practices to be adopted by the Corporation;

(viii) any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;

(ix) any new or pending developments in accounting and reporting standards that may affect the Corporation;

(x) ascertain compliance with the covenants under applicable loan agreements;

(xi) management's key estimates and judgments that may be material to financial reporting; and

(xii) any other matters required to be reviewed under applicable legal, regulatory or stock exchange requirements.

(b) Risk Management, Internal Control and Information Systems

The Committee will review and obtain reasonable assurance that the risk management, internal control and information systems are operating effectively to produce accurate, appropriate and timely management and financial information. This includes:

(i) review the Corporation's risk management controls and policies;

(ii) obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and the external auditor;

(iii) review management steps to implement and maintain appropriate internal control procedures including a review of policies;

(iv) review adequacy of security of information, information systems and recovery plans;

(v) monitor compliance with statutory and regulatory obligations;

(vi) review the appointment of the Vice President, Finance and Chief Financial Officer; and

(vii) review the adequacy of accounting and finance resources.

(c) External Audit

The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

(i) review and recommend to the Board, for shareholder approval, engagement of the external auditor including, as part of such review and recommendation, an evaluation of the external auditors qualifications, independence and performance;

(ii) review and recommend to the Board the annual external audit plan, including but not limited to the following:

1. engagement letter;

2. objectives and scope of the external audit work;

3. procedures for quarterly review of financial statements;

4. materiality limit;

5. areas of audit risk;

6. staffing;

7. timetable; and

8. proposed fees.

(iii) meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;

(iv) review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

1. any difficulties encountered, or restrictions imposed by management during the annual audit;

2. any significant accounting or financial reporting issue including the resolution of any disagreement between management and the external auditors;

3. the auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;

4. the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weakness; and

5. assess the performance and consider the annual appointment of external auditors for recommendation to the Board;

(v) review and receive assurances on the independence of the external auditor;

(vi) review the non-audit services to be provided by the external auditor's firm and consider the impact on the independence of the external audit; and

(vii) meet periodically with the external auditor without management present.

(d) Other

(i) review material litigation and its impact on financial reporting; and

(ii) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters.

IV. ACCOUNTABILITY

The committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

V. STANDARDS OF LIABILITY

Nothing contained in this Charter is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in these terms of reference are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.

SCHEDULE "G"
REPORT ON INDEPENDENT RESERVES DATA
BY INDEPENDENT QUALIFIED RESERVES EVALUATOR

To the Board of Directors of Celtic Exploration Ltd. (the "**Company"**):

1. We have evaluated the Company's reserves data for the Grande Cache, Karr and Inga areas as at September 30, 2012. The reserves data are estimates of proved reserves and probable reserves and related future net revenue as at September 30, 2012, estimated using forecast prices and costs.

2. The reserves data are the responsibility of the Company's management. Our responsibility is to express an opinion on the reserves data based on our evaluation.

   We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "**COGE Handbook**"), prepared jointly by the Society of Petroleum Evaluation Engineers (Calgary Chapter) and the Canadian Institute of Mining, Metallurgy & Petroleum (Petroleum Society).

3. Those standards require that we plan and perform an evaluation to obtain reasonable assurance as to whether the reserves data are free of material misstatement. An evaluation also includes assessing whether the reserves data are in accordance with principles and definitions presented in the COGE Handbook.

4. The following table sets forth the estimated future net revenue (before deduction of income taxes) attributed to proved plus probable reserves, estimated using forecast prices and costs on a before tax basis and calculated using a discount rate of 10 percent, included in the reserves data of the Company for the Grande Cache, Karr and Inga areas evaluated by us as of September 30, 2012, and identifies the respective portions thereof that we have audited, evaluated and reviewed and reported on to the Company's management and Board of Directors:

Independent Qualified Reserves Evaluator or Auditor	**Description and Preparation Date of Evaluation Report**	**Location of Reserves (Country)**	**Net Present Value of Future Net Revenue Before Income Taxes (10% Discount Rate)**			
			Audited (M$)	**Evaluated (M$)**	**Reviewed (M$)**	**Total (M$)**
Sproule	Evaluation of certain P&NG Reserves of Celtic Exploration Ltd. in the Grande Cache, Karr & Inga areas that are proposed to be sold & conveyed to Kelt Exploration Ltd. As of September 30, 2012 prepared September to October 2012	Canada				
Total			**Nil**	**135,751**	**Nil**	**135,751**

5. In our opinion, the reserves data evaluated by us have, in all material respects, been determined and are presented in accordance with the COGE Handbook, consistently applied. We express no opinion on the reserves data we reviewed but did not evaluate.

6. We have no responsibility to update the report referred to in paragraph 4 for events and circumstances occurring after its preparation date.

7. Because the reserves data are based on judgements regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that reserves are categorized according to the probability of their recovery.

Executed as to our report referred to above:

Sproule Associates Limited
Calgary, Alberta
October 31, 2012

(signed) "*Brent A. Hawkwood, C.E.T.*"
Senior Petroleum Technologist and Partner

(signed) "*Alec Kovaltchouk, P. Geo.*"
Manager, Geoscience and Partner

(signed) "*Cameron P. Six, P. Eng.*"
Vice-President, Engineering, Canada
and Partner

SCHEDULE "H"
REPORT OF MANAGEMENT AND DIRECTORS
ON OIL AND GAS DISCLOSURE

Management of Celtic Exploration Ltd. (the "**Company**") are responsible for the preparation and disclosure of information with respect to the Company's oil and gas activities in accordance with securities regulatory requirements. This information includes reserves data which are estimates of proved reserves and probable reserves and related future net revenue as at September 30, 2012, estimated using forecast prices and costs.

An independent qualified reserves evaluator has evaluated the Company's reserves data. The report of the independent qualified reserves evaluator will be filed with securities regulatory authorities concurrently with this report.

The board of directors of the Company has

(a) reviewed the Company's procedures for providing information to the independent qualified reserves evaluator;

(b) met with the independent qualified reserves evaluator to determine whether any restrictions affected the ability of the independent qualified reserves evaluator to report without reservation; and

(c) reviewed the reserves data with management and the independent qualified reserves evaluator.

The board of directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas activities and has reviewed that information with management. The board of directors has approved

(a) the content and filing with securities regulatory authorities of Form 51-101F1 containing reserves data and other oil and gas information;

(b) the filing of Form 51-101F2 which is the report of the independent qualified reserves evaluator on the reserves data; and

(c) the content and filing of this report.

Because the reserves data are based on judgments regarding future events, actual results will vary and the variations may be material.

(signed) "*David J. Wilson*"
President and Chief Executive Officer

(signed) "*Alan G. Franks*"
Vice President, Operations

(signed) "*Neil G. Sinclair*"
Director

(signed) "*Eldon A. McIntyre*"
Director

Dated this 16th day of November, 2012.

APPENDIX G

KELT OPTION PLAN

KELT EXPLORATION LTD.

INCENTIVE STOCK OPTION PLAN

1. INTERPRETATION

In this Plan (including this clause), unless there is something in the subject or context inconsistent therewith, words importing the singular number includes the plural and vice versa, words importing the masculine gender includes the feminine and neuter genders and the expressions following have the following meanings, respectively:

(a) **"Associate"** has the meaning ascribed thereto in the Securities Act;

(b) **"Black-Out Expiry Date"** means ten (10) business days from the date that any Black-Out Period ends;

(c) **"Black-Out Period"** means a period of time imposed by the Corporation upon certain designated persons during which those persons may not trade in any securities of the Corporation;

(d) **"Board"** means the Board of Directors of the Corporation as constituted from time to time;

(e) **"Change of Control**" means the purchase or acquisition of Common Shares and/or securities convertible into or exchangeable or exercisable for Common Shares as a result of which a person, group of persons or persons acting jointly or in concert, or persons who are Associates of or affiliated with, within the meaning of the Securities Act, any such person, group or persons or any of such persons acting jointly or in concert, beneficially owns or exercises control or direction over Common Shares and/or securities convertible into or exchangeable or exercisable for Common Shares such that, assuming the conversion, exercise or exchange of all such securities, would entitle such person, group of persons or person acting jointly or in concert to cast 50% plus one of the votes attaching to all Common Shares of the Corporation (on a non-diluted basis), excluding, however, a purchase or acquisition of Common Shares in connection with a Reverse Take-Over, and provided that the beneficial ownership by or exercise or control or direction over securities by shareholders of the Corporation as at the date hereof shall not constitute or be counted towards a Change of Control;

(f) **"Committee"** means a committee of Directors appointed by the Board as contemplated by Clause 3 hereof;

(g) **"Common Share"** means a common share in the capital stock of the Corporation and, after any adjustments pursuant to Clause 7 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Clause 7, the holders of Options are then entitled to receive on the exercise thereof;

(h) **"Consultant"** means any person or company, other than an employee, officer or director of the Corporation or of a subsidiary of the Corporation that:

(i) is engaged to provide services to the Corporation or a subsidiary of the Corporation, other than services provided in relation to a distribution of securities of the Corporation;

(ii) provides the services under a written contract with the Corporation or a subsidiary of the Corporation; and

(iii) spends or will spend a significant amount of time and attention on the affairs and business of the Corporation, or a subsidiary of the Corporation;

(i) **"Corporation"** means Kelt Exploration Ltd. and any successor or continuing corporation resulting from any form of corporate reorganization;

(j) **"Disinterested Shareholder Approval"** means majority shareholder approval that does not include the votes attached to Common Shares held directly or indirectly by Insiders who may benefit from the amendments to the terms of any outstanding Options;

(k) **"Early Termination Date"** means, in respect of any Option, 5:00 p.m. (Calgary time) on the date that an Option terminates prior to the Normal Expiry Date;

(l) **"Exchange"** means the Toronto Stock Exchange or, if the Common Shares are not then listed and posted for trading on the Toronto Stock Exchange, on such stock exchange in Canada on which such shares are listed and posted for trading as may be selected for such purpose by the Board.

(m) **"Exercise Price"** means the purchase price of Option Shares under an Option Agreement determined as provided in subclause 6(b) of this Plan;

(n) **"Expiry Date"** means the Normal Expiry Date or the Early Termination Date, as the case may be;

(o) **"Insider"** has the meaning ascribed thereto in the Toronto Stock Exchange Company Manual;

(p) **"Market Price"** at any date and in respect of an Option, means:

(i) where the Common Shares are not listed and posted for trading on a stock exchange, the value conclusively determined by the Board or Committee, as the case may be, on the Option Date; or

(ii) where the Common Shares are listed and posted for trading on a stock exchange, the volume weighted average trading price per Common Share on the principal stock exchange on which they are traded for the three (3) trading days on which the Common Shares traded on the said exchange immediately preceding such date.

(q) **"Notice Date**" has the meaning ascribed thereto under Clause 10;

(r) **"Normal Expiry Date"** means, in respect of any Option, 5:00 p.m. (Calgary time) on the date determined by the Corporation and specified in the particular Option Agreement on

which the Option would normally terminate, which date may not be later than ten years after the Option Date;

(s) "**Offer**" means an offer made generally to the holders of the Common Shares in one or more jurisdictions to acquire, directly or indirectly, Common Shares and which is in the nature of a "takeover bid" as defined in the Securities Act and where the Common Shares are listed and posted for trading on a stock exchange, not exempt from the formal bid requirements of the Securities Act;

(t) **"Option"** means a right to purchase Common Shares pursuant to this Plan and an Option Agreement;

(u) **"Option Agreement"** means an agreement entered into between the Corporation and a Participant pursuant to which an Option is granted to a Participant and which contains such provisions not inconsistent with this Plan as the Board or the Committee may determine;

(v) **"Option Date"** means the date on which an Option is granted by the Corporation to a Participant which for greater certainty is:

(i) where prior notice is required under the policies of the principal stock exchange on which the Common Shares are listed and posted for trading in connection with regulatory approval for the grant of the Option, the date of notice to such stock exchange of such proposed grant; or

(ii) in all other cases, the date on which the grant of the Option is approved by the Board or the Committee, as the case may be;

(w) **"Option Shares"** means the Common Shares which a Participant is entitled to purchase under an Option whether or not the rights to purchase all such Common Shares have vested in and to the Optionee;

(x) **"Optionee"** means a Participant who has entered into an Option Agreement with the Corporation;

(y) **"Participant"** means, on any date, a person who is at least one of the following:

(i) regularly employed by the Corporation or one of its subsidiaries on that date;

(ii) an officer of the Corporation or one of its subsidiaries on that date;

(iii) a director of the Corporation or one of its subsidiaries on that date;

(iv) a Consultant to the Corporation or one of its subsidiaries on that date; or

(v) a corporation, the shares of which are wholly owned by a person described in subclause (i), (ii), (iii) or (iv);

(z) **"Plan"** means the Corporation's "Incentive Stock Option Plan" embodied herein, as from time to time amended;

(aa) **"Put Notice**" has the meaning ascribed thereto under Clause 10;

(bb) **"Put Price**" has the meaning ascribed thereto under Clause 10;

(cc) **"Put Right**" has the meaning ascribed thereto under Clause 10; and

(dd) **"Reverse Take-Over"** means a transaction in the nature of a "reverse take-over" as defined in the policies of any stock exchanges upon which the Common Shares are listed and posted for trading; and

(ee) **"Securities Act"** means the *Securities Act* (Alberta), as amended.

2. PURPOSE OF THE PLAN

The purpose of the Plan is to provide Optionees with an incentive to achieve the longer-term objectives of the Corporation; to give suitable recognition to the ability and industry of such persons who contribute materially to the success of the Corporation; and to attract and retain in the employ of the Corporation or any of its subsidiaries, persons of experience and ability by providing them with the opportunity to acquire an increased proprietary interest in the Corporation.

3. ADMINISTRATION, PARTICIPANTS AND ALLOTMENTS

(a) The Board will administer the Plan. The Board may at any time or from time to time delegate to a Committee the responsibility for administering the Plan or elements thereof. The Board, or the Committee if so empowered, will determine from time to time those Participants to whom Options should be granted, the Normal Expiry Date, the number of Common Shares which should be optioned from time to time to any Participant, the Exercise Price and such other terms and conditions of the Option Agreement, not inconsistent with the Plan, as the Board or the Committee in its discretion may determine. The Board or the Committee may prescribe rules and regulations relating to the Plan and any Options granted hereunder and may approve the form and content and prescribe the use of such forms of applications, directions, powers of attorney, and other documents or instruments, either generally or in specific cases, as may be deemed necessary or advisable, for the grant or issuance of Options under the Plan and for the proper administration and operation of the Plan. The Board or the Committee will review the Plan from time to time with a view to making revisions to it, granting additional Options and, in the case of the Committee, making appropriate recommendations to the Board. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board or by the Committee constitutes an Option hereunder. An Option granted by the Board or the Committee to a Participant pursuant to the Plan is subject to, and is of no force and effect until, the execution and delivery of, an Option Agreement by both the Corporation and such Participant.

(b) The Corporation is responsible for all costs of administration of the Plan.

(c) The implementation of the Plan, the grant or exercise of any Options pursuant to the Plan and, from time to time, the operation and administration of the Plan is subject to receipt by the Corporation of all necessary approvals, advance rulings, exemptions or registrations required or deemed advisable under applicable law or regulatory policy including without limiting the generality of the foregoing, all necessary approvals or registrations required by any and all stock exchanges upon which the Common Shares are listed and posted for trading.

(d) The Board or the Committee, as the case may be, may at any time and subject to regulatory approvals:

(i) discontinue or terminate the Plan; or

(ii) amend or revise the terms and conditions of the Plan; amend or revise the terms and conditions of the Plan and any outstanding Options granted under the Plan,

provided that no such action adversely affects any Options previously granted under the Plan or the rights of Optionees in respect of those Options without the prior written consent or agreement of those Optionees.

4. COMMON SHARES SUBJECT TO PLAN

(a) The maximum number of Common Shares issuable pursuant to Options issued and outstanding under the Plan and the Corporation's Restricted Share Unit Plan shall not exceed ten (10%) percent of the aggregate number of issued and outstanding Common Shares at the time of grant of any Option.

(b) The aggregate number of Common Shares issuable pursuant to Options granted under the Plan and under any other security based compensation arrangement, if any, and:

(i) issued to Insiders, within any one year period, shall not exceed ten (10%) percent of the issued and outstanding Common Shares; and

(ii) issuable to Insiders, shall not exceed ten (10%) percent of the issued and outstanding Common Shares.

For the purposes hereof, the number of issued and outstanding Common Shares is determined as the number of Common Shares that are issued and outstanding immediately prior to a proposed grant of Options.

5. PARTICIPATION VOLUNTARY

Participation in the Plan by a Participant is entirely voluntary and does not affect the Participant's employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. None of the Plan or any Options granted under the Plan of itself gives any Participant the right to continue to be an employee, officer, director or consultant of the Corporation or any subsidiary thereof. None of the terms and conditions governing the Option are affected by any change in the Optionee's employment by or engagement with the Corporation so long as the Optionee continues to be a Participant.

6. CERTAIN TERMS OF OPTION AGREEMENTS

In order to constitute a valid Option granted under this Plan, the Optionee and the Corporation must enter into an Option Agreement in the form acceptable to the Board or the Committee, as the case may be.

An Option Agreement may, in respect of any Option, specify a number or percentage of Option Shares that the Participant may exercise in any specified period, year or number of years. In addition, Option Agreements are deemed to contain the following provisions with respect to the exercise of Options under the Plan:

(a) An Option under the Plan is only exercisable for a minimum of 100 Common Shares at any one time.

(b) The Exercise Price must not be less than the Market Price and upon exercise of the Option must be paid in full in respect of those Option Shares being acquired in Canadian funds by certified cheque or bank draft payable to or to the order of the Corporation at the time of exercise.

(c) Each Option terminates on its Normal Expiry Date but subject always to the provisions of subclause 6(d) of this Plan.

(d) If, after the Option Date and on or before the exercise in full of the Option or the Normal Expiry Date, the Optionee ceases to be a Participant:

(i) by reason of the Optionee's permanent physical or mental disability, or death, then such Optionee's Options may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee whether or not the rights to purchase some or all of those Option Shares have previously vested in and are exercisable by the Optionee as at the date of ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 12 months after the date the Optionee ceases to be a Participant, due to such permanent physical or mental disability, or death. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder cease and expire and are of no further force and effect. For greater certainty but without limiting the generality of the foregoing, if the Optionee is deemed to be an employee of the Corporation pursuant to a medical or disability plan of the Corporation or a subsidiary thereof, the Optionee is deemed to be an employee for the purpose of the Plan and the Option; or

(ii) for any reason other than the Optionee's permanent physical or mental disability, or death, and the Optionee's termination occurs without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that the Optionee ceases to be a Participant. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or

(iii) for any reason other than the Optionee's permanent physical or mental disability, death, or termination without notice or compensation in lieu thereof, and the Optionee is entitled to reasonable notice of termination or compensation in lieu thereof, then:

(A) the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee on or before the date of such ceasing to be a Participant,

provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and:

(1) where the Optionee is given a reasonable period of notice prior to termination, the date the Optionee ceases to be a Participant; or

(2) where the Optionee is paid compensation in lieu of reasonable notice of termination, the date that is 21 days after the Optionee ceases to be a Participant; and

(B) the Optionee is not entitled:

(1) to further time to exercise the Option during such reasonable notice period or during such specific notice period; or

(2) compensation in lieu thereof by way of general damages, or special damages, whether in contract, tort or otherwise.

Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect.

(e) With respect to subclause 6(d)(i), the rights under the Option exercisable after the death or disability of the Optionee, as therein specified, may be exercised by the person or persons to whom the Optionee's rights under the applicable Option Agreement pass by will or applicable law or, if no such person has such right, by the deceased or disabled Optionee's legal representatives, within one year from the date of death or disability.

(f) An Optionee has no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Common Shares in respect of which the Optionee has exercised his Option to purchase thereunder, which the Optionee has actually taken up and paid for, and which have been duly issued to the Optionee and are outstanding as fully paid and non-assessable Common Shares.

(g) If the Expiry Date of an Option is on a date during a Black-Out Period applicable to a Participant holding such Option, the Expiry Date shall be extended to the Black-Out Expiry Date.

7. CHANGES IN STOCK

In the event:

(a) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;

(b) of any issuance, dividend or distribution to all or substantially all the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course;

(c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or

(d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities;

then in any such case:

(e) the Board will proportionately adjust the number of Option Shares available for Options, the number of Option Shares covered by outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the price per Option Share in such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to, or available for, Optionees/Participants; and

(f) the Board, in its discretion, may determine that:

(i) all or any part of the unexercised and unvested outstanding Options granted under the Plan vest and are exercisable on a date specified by the Board and the unexercised and unvested portion of such Options are thereupon deemed to have been vested and are exercisable on and after the date so specified in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or

(ii) such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time,

and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

8. TAKEOVER BID

If an Offer is made which, if successful, would result in a Change of Control, then all unexercised and unvested outstanding Options shall immediately vest and become exercisable by the Participants, notwithstanding any other vesting provisions in the Plan or in an Option Agreement, as to all or any of the Common Shares in respect of which such Options have not previously been exercised, but such shares may only be purchased for tender pursuant to such Offer. If for any reason such shares are not taken up and paid for by the offeror pursuant to the Offer, any such shares so purchased by a Participant shall be deemed to be cancelled and returned to the treasury of the Corporation, shall be added back to the number of Common Shares remaining available under the Plan and, upon presentation to the Corporation of share certificates representing such shares properly endorsed for transfer back to the Corporation, the Corporation shall refund to the Participant all consideration paid for such shares and, in such event, the Participant shall thereafter continue to hold the same number of unexercised and unvested outstanding Options on the same terms and conditions, including the Exercise Price thereof, as were applicable thereto immediately prior to time the subject Offer was made.

9. ARRANGEMENT, AMALGAMATION OR SALE

If the Corporation enters in an agreement providing for an arrangement, merger, amalgamation or other business combination which provides that the Common Shares are transferred in exchange for securities of another corporation, the units of a royalty trust or income trust, the units of a limited partnership or any

other security, or are merged into or amalgamated with any other corporation, or sells all or substantially all of its assets, the Corporation will make provision that, upon the exercise of any outstanding Options after the effective date of such transaction, the Participants shall receive such number of securities of the other, continuing or successor corporation, trust or limited partnership, as the case may be, in such arrangement, merger, amalgamation or other business combination or of the shares or units of the purchasing corporation, trust or limited partnership, as the case may be, in such sale as the Participants would have received as a result of such transaction if the Participants had exercised the Options immediately prior thereto, for the same consideration paid on the exercise of such Options, and had held Common Shares on the effective date of such transaction. Upon such provision being made, the obligations of the Corporation to the Participants pursuant to the Option Agreements and under this Plan shall terminate and be at an end. If such arrangement, merger, amalgamation or other business combination results in a Change of Control, the provisions of Clause 8 shall apply and the context thereof and all references therein to "Offer" are to be read as being applicable to an "arrangement, merger, amalgamation or other business combination" and the reference in the first sentence of Clause 8, to 'tender pursuant to such Offer,' shall be read as meaning voting in favour of the arrangement, merger, amalgamation or other business combination at the shareholders' meeting held in connection therewith and the reference in the second sentence of Clause 8 to, 'shares not being taken up and paid for by the offeror pursuant to the Offer', shall be read as meaning that the arrangement, merger, amalgamation or other business is not completed.

10. PUT RIGHT

An Optionee (or in the event of the death of the Optionee, the Optionee's executors or personal representatives) may exercise the right (the "**Put Right**") from time to time to require the Corporation to purchase all or any of the then vested Options of the Optionee by delivery to the Corporation, at its head office, of a written notice of exercise ("**Put Notice**"), substantially in the form attached as Schedule "A" hereto, specifying the number of Options with respect to which the Put Right is being exercised. The Corporation will purchase from the Optionee all of the Options specified in the Put Notice at a price (the "**Put Price**") equal to the excess of the closing price of the Common Shares on the principal stock exchange on which they are traded on the date of receipt of the Put Notice by the Corporation (or if the Common Shares do not trade on the principal stock exchange on which they are traded, the next date on which the Common Shares trade on the principal stock exchange on which they are traded) (the "**Notice Date**") over the Exercise Price for each Option being purchased under the Put Right provided that the Put Notice is received by the Chief Financial Officer of the Corporation on or before 4:30 p.m. (Calgary time) on the Notice Date, or if the Put Notice is received by the Chief Financial Officer of the Corporation after 4:30 p.m. (Calgary time) on the Notice Date, the Put Price shall be the next date upon which the Common Shares trade on the principal stock exchange on which they are traded, or for such other amount as may be agreed to by the Optionee and the Corporation. Upon the exercise of the Put Right, the Corporation will cause to be delivered to the Optionee a cheque representing the Put Price multiplied by the number of Options specified in the Put Notice within three business days of the Notice Date. Unless the Optionee delivers a certified cheque for the amount of the withholding tax and other statutory deductions as determined by the Corporation in connection with the exercise of the Put Right, the Corporation will deduct this amount from the payment to the Optionee. Upon exercise of the Put Right and its acceptance by the Corporation, the Options are deemed to be terminated and cancelled and shall cease to grant the Optionee any further rights thereunder. Notwithstanding the foregoing, the Corporation may, at its sole discretion, decline to accept and, accordingly, have no obligations with respect to the exercise of a Put Right at any time and from time to time.

11. WITHHOLDINGS AND TAX ELECTION

(a) To the extent required under applicable law or regulation, the Corporation shall be entitled to take all reasonable and necessary steps, including the sale of any Option Shares issued upon the exercise of any Option granted under the Plan (other than a redemption or purchase for cancellation), or obtain all reasonable or necessary indemnities, assurances, payments or undertakings, to the sole satisfaction of the Corporation, to satisfy any tax remittance obligations of the Corporation to any taxing authorities arising in respect of any exercise of any Options or Put Rights granted under the Plan by the Corporation and the President of the Corporation shall be and is hereby appointed as the irrevocable attorney-in-fact for any person granted an Option under this Plan to take all such reasonable and necessary steps or sales of Option Shares including, without limitation, Option Share sales resulting from the exercise of Put Rights. The Corporation does not accept responsibility for the price obtained on the sale of such Option Shares;

(b) Optionees (or their beneficiaries) shall be responsible for all taxes with respect to any Options or Put Rights under the Plan or under any Option Agreement, whether arising as a result of the grant or exercise of Options, Put Rights or otherwise. The Corporation makes no guarantee or representation to any person regarding the tax treatment of Options or Put Rights or payments made under the Plan or any Option Agreement and none of the Corporation, or any of its officers, directors, employees or other representatives shall have any liability to a Participant with respect thereto; and

(c) With respect to all Options and Put Rights, the Corporation agrees to elect under subsection 110(1.1) of the *Income Tax Act* (Canada) so as to permit the Optionee to claim a deduction under paragraph 110(1)(d) of the said Act with respect to the exercise price, or the Put Price, as the case may be.

12. COMMON SHARES FULLY PAID AND NON-ASSESSABLE

All Common Shares issued upon the exercise of any Option are to be issued as fully paid and non-assessable Common Shares.

13. CONDITIONS OF ISSUANCE OF COMMON SHARES

(a) If at any time the Board or Committee (as the case may be) determines, in its discretion that:

(i) the registration or qualification of the Common Shares which are the subject of any Option Agreement, or the consent or approval of, any securities commission or any stock exchange upon which the Common Shares are listed;

(ii) the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;

(iii) evidence (in form and content satisfactory to the Board) of the investment intent of the Optionee; and/or

(iv) an undertaking of the Optionee as to the sale or disposition of such Option Shares that may purchased pursuant to an Option Agreement to the effect that such Option Shares once purchased are not to be traded by the Optionee for a specified period of time,

is necessary or desirable as a condition of the issuance of any Option Shares pursuant to any Option Agreement, then the issuance of any Common Shares is not to be made unless and until such registration, qualification, consent, approval, evidence or undertaking has been effected or obtained free of any condition not acceptable to the Board or Committee.

(b) Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan including, without limiting the generality of the foregoing, any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan, is subject to such regulatory approvals and other restrictions under applicable securities laws and regulatory policies as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.

(c) The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade.

14. ACCOUNTS AND STATEMENTS

The Corporation will maintain records indicating the number of Options granted to each Optionee and the number of Options exercised under the Plan. Upon written request from an Optionee, the Corporation will furnish to that Optionee a statement indicating the number of Options held on his behalf.

15. AMENDMENT AND TERMINATION

(a) The Board may at any time or from time to time, in its sole and absolute discretion and without the approval of the shareholders of the Corporation, amend, suspend, terminate or discontinue the Plan and may amend the terms and conditions of Options granted pursuant to the Plan, subject to any required approval of any regulatory authority or the Exchange, including without limiting the generality of the foregoing, where the amendment:

(i) is for the purpose of curing any ambiguity, error or omission in the Plan to correct or supplement any provision of the Plan that is inconsistent with any other provision of the Plan;

(ii) is necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares of the Corporation are listed;

(iii) is an amendment to the Plan respecting administration and eligibility for participation under the Plan;

(iv) changes the terms and conditions on which Options may be granted pursuant to the Plan including the provisions relating to Exercise Price, vesting provisions and Expiry Date;

(v) is to alter, extend or accelerate the terms and conditions of vesting applicable to any Option;

(vi) is to accelerate the Expiry Date of any Option;

(vii) is to determine the adjustment provisions pursuant to Clause 7 hereof;

(viii) amends the definitions contained in the Plan;

(ix) amends or modifies the mechanics of exercise of Options;

(x) changes the termination provisions of an Option Agreement or the Plan; or

(xi) is an amendment to the Plan of a "housekeeping nature".

(b) Subject to any required approval of any regulatory authority or the Exchange, the Board may amend the Exercise Price, the Expiry Date (which in no event shall exceed 10 years from the date of grant) and the termination provisions of Options granted pursuant to the Plan, without shareholder approval, provided that if the Board proposes to reduce the Exercise Price or extend the Expiry Date of Options granted to Insiders of the Corporation pursuant to the Plan, such amendments will require Disinterested Shareholder Approval.

(c) The approval of the shareholders of the Corporation will be required for amendments to the Plan which:

(i) amend the number of Common Shares issuable pursuant to Options issued and outstanding under the Plan;

(ii) add any form of financial assistance by the Corporation for the exercise of any Option; or

(iii) change the class of Participants which would have the potential of broadening or increasing participation by Insiders of the Corporation.

(d) If the Plan is terminated, the provisions of the Plan and any administrative guidelines and other rules and regulations adopted by the Board and in force on the date of termination will continue in effect as long as any Option or any rights pursuant thereto remain outstanding and, not withstanding the termination of the Plan, the Board shall remain able to make such amendments to the Plan or the Options as they would have been entitled to make if the Plan were still in effect.

16. WAIVER

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee is effective or binding on the Corporation unless the same is expressed in writing and any waiver so expressed does not limit or affect its rights with respect to any other or future breach.

17. NOTICES

The manner of giving notices to the Corporation or to an Optionee is to be specified in the Option Agreement with such Optionee.

18. GENERAL

(a) This Plan and each Option granted under this Plan are to be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to this Plan is to be treated in all respects as an Alberta contract.

(b) Nothing contained herein restricts or limits or is deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.

(c) This Plan and any Option Agreement entered into pursuant hereto enure to the benefit of and are binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not transferable or alienable by the Optionee either by assignment or in any other manner whatsoever and, during his lifetime, is vested only in him, but, subject to the terms hereof and of the Option Agreement, enures to the benefit of and is binding upon the legal personal representatives of the Optionee.

(d) Upon granting options to employees or Consultants the Corporation will represent that the Optionee is a bona fide employee or Consultant as the case may be.

(e) In the event of any conflict between the provisions of this Plan and an Option Agreement, the provisions of this Plan shall govern.

19. EFFECTIVE DATE

This Plan is effective as of this 16th day of November, 2012.

SCHEDULE "A"

KELT EXPLORATION LTD.

INCENTIVE STOCK OPTION PLAN

PUT NOTICE

Kelt Exploration Ltd.
Suite 600, 321 – 6th Avenue S.W.
Calgary, Alberta T2P 3H3

Dear Sirs:

I wish to exercise my Put Right and surrender for cancellation certain of my Options to acquire Common Shares of Kelt Exploration Ltd. ("**Kelt**") in exchange for payment per Option of the Put Price. Details are as follows:

Date of Option Agreement: _____

No. of Options surrendered for cancellation: _____

Exercise Price: $_____

Closing price per Common Share: $_____

All capitalized terms used herein but not otherwise defined shall have the meanings ascribed thereto in the Incentive Stock Option Plan of Kelt dated effective November 16, 2012.

I understand that Kelt will issue a cheque to the name indicated below for the Put Price, less any income tax withholding requirements within three business days of receipt of this letter.

_____
Signature of Optionee

Name: _____
Address: _____
_____
_____

APPENDIX H

KELT RSU PLAN

KELT EXPLORATION LTD.

RESTRICTED SHARE UNIT PLAN

ARTICLE 1
DEFINITIONS AND INTERPRETATION

1.1 Definitions

For purposes of this Plan, the following words and phrases have the meanings indicated:

(a) "**Account**" means an account maintained by the Plan Administrator for each Participant and which will be credited with RSUs in accordance with the terms of the Plan;

(b) "**Award Date**" means the date or dates on which an award of RSUs is made to a Participant in accordance with section 4.2;

(c) "**Board**" means the board of directors of the Corporation as constituted from time to time;

(d) "**Change of Control**" means the purchase or acquisition of Shares and/or securities convertible into or exchangeable or exercisable for Shares as a result of which a person, group of persons or persons acting jointly or in concert, or persons who are associates of or affiliated with, within the meaning of the Securities Act, any such person, group or persons or any of such persons acting jointly or in concert, beneficially owns or exercises control or direction over Shares and/or securities convertible into or exchangeable or exercisable for Shares such that, assuming the conversion, exercise or exchange of all such securities, would entitle such person, group of persons or person acting jointly or in concert to cast 50% plus one of the votes attaching to all Shares of the Corporation (on a non-diluted basis), excluding, however, a purchase or acquisition of Shares in connection with a Reverse Take-Over, and provided that the beneficial ownership by or exercise or control or direction over securities by shareholders of the Corporation as at the date hereof shall not constitute or be counted towards a Change of Control;

(e) "**Committee**" has the meaning ascribed thereto in section 2.4;

(f) "**Corporation**" means Kelt Exploration Ltd., and includes any successor entity thereto;

(g) "**Dividend Equivalent**" means a bookkeeping entry whereby each RSU is credited with the equivalent amount of the dividend paid on a Share in accordance with section 4.3, as applicable;

(h) "**Dividend Market Value**" means the Fair Market Value per Share on the dividend record date;

(i) "**Employee**" means an employee of the Corporation, other than seasonal and contract employees and independent contractors, and who is not a director of the Corporation;

(j) "**Exchange**" means the TSX or any other stock exchange on which Shares are listed and posted for trading, as applicable;

(k) "**Fair Market Value**" with respect to a Share, as at any date, means the volume weighted average of the prices at which the Shares traded on the TSX (or, if the Shares are not then listed and posted for trading on the TSX or are then listed and posted for trading on more than one stock

exchange, on such stock exchange on which the majority of the trading volume and value of the Shares occurs) for the three (3) trading days on which the Shares traded on the said exchange immediately preceding such date. In the event that the Shares are not listed and posted for trading on any stock exchange, the Fair Market Value shall be the fair market value of the Shares as determined by the Board in its sole discretion, acting reasonably and in good faith;

(l) "**Forfeited RSU**" means a RSU that relates to an award of RSUs that does not vest and is forfeited by a Participant pursuant to section 5.4 or 5.5, as applicable;

(m) "**Forfeiture Date**" means the date, as determined by the Board, on which a Participant is terminated as contemplated in section 5.6, regardless of whether any or any adequate or proper advance notice of termination or resignation is provided;

(n) "**Insider**", "**associate**" and "**affiliate**" each have the meaning ascribed thereto in Part VI of the Company Manual of the TSX, as amended from time to time;

(o) "**Options**" means options to purchase Shares granted under the Corporation's Stock Option Plan, as amended from time to time;

(p) "**Participant**" means a Service Provider determined to be eligible to participate in the Plan in accordance with section 3.1 and, where applicable, a former Service Provider deemed eligible to continue to participate in the Plan in accordance with section 5.4 or 5.5;

(q) "**Plan**" means the Restricted Share Unit Plan established herein;

(r) "**Plan Administrator**" means the Corporation acting in its capacity as administrator of the Plan or any third party service provider, if any, retained from time to time by the Corporation to perform certain of the administrative functions of the Plan as delegated by the Board in accordance with section 2.4;

(s) "**Reverse Take-Over**" means a transaction in the nature of a "reverse take-over" as defined in the policies of any stock exchanges upon which the Shares are listed and posted for trading;

(t) "**RSU**" means a unit equivalent in value to a Share credited by means of a bookkeeping entry in the Participants' Accounts;

(u) "**RSU Agreement**" has the meaning set forth in section 3.2;

(v) "**Securities Act**" means the *Securities Act* (Alberta), as amended;

(w) "**Security Based Compensation Arrangements**" has the meaning ascribed thereto in Part VI of the Company Manual of the TSX, as amended from time to time;

(x) "**Service Provider**" means a director, officer, employee (including an Employee) or consultant of the Corporation or its subsidiaries and a person or company engaged by the Corporation or a subsidiary to provide services for an initial, renewable or extended period of twelve months or more;

(y) "**Share**" means a common share of the Corporation; and

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

1.2 Interpretation

Words in the singular include the plural and words in the plural include the singular. Words importing male persons include female persons, corporations or other entities, as applicable. The headings in this document are for convenience and reference only and shall not be deemed to alter or affect any provision hereof. The words "hereto", "herein", "hereby", "hereunder", "hereof" and similar expressions mean or refer to this document as a whole and not to any particular article, section, paragraph or other part hereof.

ARTICLE 2
PURPOSE AND ADMINISTRATION OF THE PLAN

2.1 Purpose

The Plan has been established to retain and motivate eligible Service Providers and to promote a greater alignment of interests between Service Providers and the shareholders of the Corporation.

2.2 Administration of the Plan

The Plan shall be administered by the Board or by a committee of the Board in accordance with section 2.4.

2.3 Authority of the Board

The Board shall have the full power to administer the Plan, including, but not limited to, the authority to:

(a) interpret and construe any provision hereof and decide all questions of fact arising in their interpretation;

(b) adopt, amend, suspend and rescind such rules and regulations for administration of the Plan as the Board may deem necessary in order to comply with the requirements of the Plan, or in order to conform to any law or regulation or to any change in any laws or regulations applicable thereto;

(c) determine the individuals to whom RSUs may be awarded;

(d) award such RSUs on such terms and conditions as it determines including, without limitation: the time or times at which RSUs may be awarded; the time or times when each RSU becomes exercisable and the term of the RSU; whether restrictions or limitations are to be imposed on the Shares issued pursuant to an RSU and the nature of such restrictions or limitations, if any; any acceleration or waiver of termination or forfeiture regarding any RSU, based on such factors as the Board may determine;

(e) take any and all actions permitted by the Plan; and

(f) make any other determinations and take such other action in connection with the administration of the Plan that it deems necessary or advisable.

2.4 Delegation of Authority

To the extent permitted by applicable law, the Board may, from time to time, delegate to a committee (the "**Committee**") of the Board all or any of the powers conferred on the Board under the Plan. In such event, the Committee will exercise the powers delegated to it by the Board in the manner and on the terms

authorized by the Board. Any decision made or action taken by the Committee arising out of or in connection with the administration or interpretation of the Plan in this context is final and conclusive.

The Board or the Committee may delegate or sub-delegate to a Plan Administrator or any director or officer of the Corporation the whole or any part of the administration of the Plan and shall determine the scope of such delegation or sub-delegation in its sole discretion.

2.5 Discretionary Relief

Notwithstanding any other provision hereof, the Board may, in its sole discretion, waive any condition set out herein if it determines that specific individual circumstances warrant such waiver.

2.6 Amendment, Suspension, or Termination of Plan

(a) The Board may, from time to time, amend the terms set out herein or suspend the Plan in whole or in part and may at any time terminate the Plan without prior notice. However, except as expressly set forth herein, no such amendment, suspension, or termination may adversely affect RSUs credited to the Participants' Accounts at the time of such amendment, suspension, or termination without the consent of the affected Participant(s). In addition, the Board may, by resolution, amend the Plan and any RSU, without shareholder approval, provided however, that the Board will not be entitled to amend the Plan without Exchange and shareholder approval: (i) to increase the maximum number of Shares issuable pursuant to the Plan; (ii) to extend the term of an RSU under the Plan held by an Insider; or (iii) in any other circumstances where Exchange and shareholder approval is required by the Exchange.

(b) Without limitation of paragraph 2.6(a), the Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent deemed necessary or desirable, may establish, amend, and rescind any rules and regulations relating to the Plan, and may make such determinations as it deems necessary or desirable for the administration of the Plan.

(c) On termination of the Plan, any outstanding awards of RSUs under the Plan shall immediately vest and the number of Shares corresponding to the RSUs that have been awarded shall be delivered to the Participant in accordance with section 4.7. The Plan will finally cease to operate for all purposes when the last remaining Participant receives delivery of all Shares corresponding to RSUs credited to the Participant's Account.

2.7 Final Determination

Any determination or decision by, or opinion of, the Board, the Committee or a director or officer of the Corporation made or held pursuant to the terms set out herein shall be made or held reasonably and shall be final, conclusive and binding on all parties concerned, including, but not limited to, the Corporation, the Participants and their beneficiaries and legal representatives.

Subject to section 2.5, all rights, entitlements and obligations of Participants under the Plan are set forth in the terms hereof and cannot be modified by any other documents, statements or communications, except by amendment to the terms set out herein referred to in section 2.6.

2.8 Taxes

On the Award Date or upon vesting of an award of RSUs, the Corporation shall have the right to require the Participant to remit to the Corporation an amount sufficient to satisfy any federal, provincial or other law requiring the withholding of tax or other required deductions relating to the delivery of Shares or cash to be paid. Such withholding obligations may also be accomplished, in whole or in part, by the Corporation withholding from the Shares to be delivered or cash to be paid such number of Shares or such amount as is necessary to satisfy the amount of the total withholding obligation, and the Corporation shall be entitled to sell, on behalf of a Participant, such number of Shares as is sufficient to satisfy such withholdings obligations

2.9 Expenses

The Corporation is responsible for all costs of administration of the Plan.

2.10 Account Information

Information pertaining to the RSUs in Participants' Accounts will be made available to the Participants at least annually in such manner as the Plan Administrator may determine and shall include such matters as the Board may determine from time to time or as otherwise may be required by law.

2.11 Indemnification

Each member of the Board or Committee is indemnified and held harmless by the Corporation against any cost or expense (including any sum paid in settlement of a claim with the approval of the Corporation) arising out of any act or omission to act in connection with the terms hereof to the extent permitted by applicable law. This indemnification is in addition to any rights of indemnification a Board or Committee member may have as director or otherwise under the by-laws of the Corporation, any agreement, any vote of shareholders, or disinterested directors, or otherwise.

ARTICLE 3
ELIGIBILITY AND PARTICIPATION IN THE PLAN

3.1 Participation

The Board, in its sole discretion, shall determine, or shall delegate to the Committee the determination of which Service Providers will participate in the Plan.

3.2 RSU Agreement

A Participant shall confirm acknowledgement of an award of RSUs made to such Participant in such form as determined by the Board from time to time (the "**RSU Agreement**"), within such time period and in such manner as specified by the Board or the Plan Administrator. If acknowledgement of an award of RSUs is not confirmed by a Participant within the time specified, the Corporation reserves the right to revoke the crediting of RSUs to the Participant's Account.

3.3 Participant's Agreement to be Bound

Participation in the Plan by any Participant shall be construed as irrevocable acceptance by the Participant of the terms and conditions set out herein and all rules and procedures adopted hereunder and as amended from time to time.

ARTICLE 4
ESTABLISHMENT OF THE PLAN

4.1 The Plan

The Plan is hereby established for Participants.

4.2 Grant of RSUs

Subject to section 3.2, an award of RSUs pursuant to the Plan will be made and the number of such RSUs awarded will be credited to each Participant's Account, effective as of the Award Date. The number of RSUs to be credited to each Participant's Account shall be determined by the Board, or the Committee delegated by the Board to do so, each in its sole discretion.

4.3 Credits for Dividends

A Participant's Account shall be credited with a Dividend Equivalent in the form of additional RSUs as of each dividend payment date, if any, in respect of which dividends are paid on Shares. Such Dividend Equivalent shall be computed by dividing: (a) the amount obtained by multiplying the amount of the dividend declared and paid per Share by the number of RSUs recorded in the Participant's Account on the record date for the payment of such dividend, by (b) the Dividend Market Value, with fractions computed to three decimal places.

4.4 Vesting

(a) Subject to Article 5, an award of RSUs under the Plan shall vest in accordance with the terms specified in the Participant's RSU Agreement. The vesting provisions in any RSU Agreement will be determined either by the Board, or the Committee if delegated by the Board to do so, each in its sole discretion; provided that unless forfeited prior to such date, all awards of RSUs under the Plan shall vest no later than December 15 of the third calendar year following the Award Date of the corresponding RSU, or such later date as may be permitted by applicable income tax laws.

(b) For greater certainty, the vesting of RSUs may be determined from time to time by the Board or the Committee if so delegated by the Board, to include criteria such as, but not limited to:

  (i) time vesting, in which a Share is not delivered to a Participant until the Participant has held the corresponding RSU for a specified period of time; and

  (ii) performance vesting, in which the number of Shares to be delivered to a Participant for each RSU that vests may fluctuate based upon the Corporation's performance and/or the market price of the Shares, in such manner as determined by the Board or, if so delegated, the Committee, in their sole discretion.

4.5 Allotment of Shares for Issuance by the Corporation

The Corporation shall allot for issuance from treasury such number of Shares corresponding to the maximum number of Shares that may be deliverable to Participants upon the vesting of RSUs awarded to Participants under the Plan.

4.6 Limits on Issuances

Subject to adjustments in accordance with section 4.3, the maximum number of Shares available for issuance under the Plan and the Corporation's Stock Option Plan at any time shall not exceed a number of Shares equal to 10.0% of the aggregate number of Shares issued and outstanding from time to time.

In the event there is any change in the Shares through the declaration of stock dividends or subdivisions, consolidations or exchanges of Shares, or otherwise, the number of Shares available for issuance and to be issued upon the vesting of RSUs granted under the Plan shall be adjusted appropriately by the Board, subject to Exchange approval, and such adjustment shall be effective and binding for all purposes of the Plan.

In addition, the number of Shares reserved for issuance and which may be issued pursuant to the Plan and other Security Based Compensation Arrangements established by the Corporation shall be limited as follows:

(a) the number of Shares reserved for issuance to any one individual shall not exceed 5% of the issued and outstanding Shares;

(b) the number of Shares reserved for issuance under all Security Based Compensation Arrangements granted to Insiders shall not exceed 10% of the issued and outstanding Shares; and

(c) the number of Shares that may be issued to Insiders within any one-year period under all Security Based Compensation Arrangements shall not exceed 10% of the issued and outstanding Shares.

For the purposes of this section 4.6, any increase in the issued and outstanding Shares (whether as a result of the issue of Shares pursuant to RSUs or Options or otherwise) will result in an increase in the number of Shares that may be issued pursuant to RSUs at any time and any increase in the number of RSUs granted will, upon issue of Shares pursuant to such RSUs, make new RSUs available under the Plan.

RSUs that are forfeited or otherwise cancelled, terminated or expire shall result in the Shares that were reserved for issuance thereunder being available for a subsequent grant of RSUs pursuant to this Plan to the extent of any Shares issuable thereunder that are not issued under such forfeited or otherwise cancelled, terminated or expired RSUs.

4.7 Delivery of Shares by the Corporation on Vesting

The Corporation shall, as soon as practicable after the relevant vesting date of any award of RSUs under the Plan, issue from treasury to each Participant the number of Shares required to be delivered to a Participant upon the vesting of such Participant's RSUs in the Participant's Account. The Corporation shall register and deliver certificates for such Shares to the Participant by first class insured mail, unless the Corporation shall have received alternative instructions from the Participant (through the Plan Administrator) for the registration and/or delivery of the certificates.

4.8 Surrender Offer

A Participant may make an offer (the "**Surrender Offer**") to the Corporation, at any time, for the disposition and surrender by the Participant to the Corporation (and the termination thereof) of any of the RSU's granted hereunder for an amount (not to exceed the Fair Market Value of the RSU's) specified in the Surrender Offer by the Participant and the Corporation may, but is not obligated to, accept the Surrender Offer, subject to any regulatory approval required. If the Surrender Offer, either as made or as

renegotiated, is accepted, the RSU's in respect of which the Surrender Offer relates shall be surrendered and deemed to be terminated and cancelled and shall cease to grant the Participant any further rights thereunder upon payment of the amount of the agreed Surrender Offer by the Corporation to the Participant.

ARTICLE 5
ACCELERATED VESTING AND FORFEITURE

5.1 Accelerated Vesting

The Board in its sole discretion may, by resolution, permit all unvested awards of RSUs to vest immediately and the Shares corresponding to the RSUs in the Participants' Accounts to be delivered in accordance with section 4.7.

5.2 Delivery on Forfeiture

Unless otherwise determined by the Board or unless otherwise provided in an RSU Agreement pertaining to a particular RSU or any written employment, consulting or other agreement governing a Participant's role as a Service Provider, where a Participant ceases to be a Participant pursuant to sections 5.4 or 5.6, any Shares corresponding to any remaining vested award of RSUs shall be delivered to the former Participant in accordance with section 4.7, as soon as practicable after the Forfeiture Date and the former Participant shall not be entitled to any further distribution of Shares or any payment from the Plan.

5.3 Resignation

Unless otherwise determined by the Board or unless otherwise provided in an RSU Agreement pertaining to a particular RSU or any written employment, consulting or other agreement governing a Participant's role as a Service Provider, if a Participant resigns from employment with the Corporation, as determined by the Board in its sole discretion, before all of the awards respecting RSUs credited to the Participant's Account have vested or are forfeited pursuant to any other provision hereof, such Participant shall cease to be a Participant as of the Forfeiture Date, and the former Participant shall forfeit all unvested awards respecting RSUs in the Participant's Account effective as at the Forfeiture Date.

5.4 Disability and Leaves of Absence

If a Participant becomes eligible for long-term disability benefits under the terms of a long-term disability plan of the Corporation or is eligible for short term disability or is on approved leave, as determined by the Board in its sole discretion, before all of the awards respecting RSUs credited to the Participant's Account have vested or are forfeited pursuant to any other provision hereof, such Participant shall be deemed to continue to be a Participant for purposes of the Plan. For greater certainty, so long as a Participant continues to be deemed a Participant for purposes of this paragraph, the vesting of such Participant's RSUs pursuant to section 4.4, the delivery of certificates for Shares pursuant to section 4.7, and this Article 5 shall continue to apply to such Participant.

5.5 Termination of Employment

Unless otherwise determined by the Board or unless otherwise provided in an RSU Agreement pertaining to a particular RSU or any written employment, consulting or other agreement governing a Participant's role as a Service Provider, if a Participant is terminated from the Corporation for any reason (including involuntary termination without cause), as determined by the Board in its sole discretion, before all of the awards respecting RSUs credited to the Participant's Account have vested or are forfeited pursuant to any

other provision hereof, such Participant shall cease to be a Participant as of the Forfeiture Date, and the former Participant shall forfeit all awards respecting unvested RSUs in his Account effective as at the Forfeiture Date. Notwithstanding the previous sentence, in the event of an involuntary termination without cause, the Board may, in its sole discretion, permit a Participant to continue to participate in the Plan during any statutory or common law severance period or any period of reasonable notice that the Corporation may be required at law or pursuant to any written employment, consulting or other agreement governing a Participant's role as a Service Provider to provide to the Participant. In such circumstances, the Participant shall cease to be a Participant following the expiry of the severance period.

5.6 Death

If a Participant dies before all of the awards respecting RSUs credited to the Participant's Account have vested or are forfeited pursuant to any other provision hereof, all unvested awards respecting RSUs will vest effective on the date of death. Upon receipt of satisfactory evidence of the Participant's death from the authorized legal representative of the deceased Participant, the Shares corresponding to the number of RSUs in such Participant's Account shall be paid out to the legal representative of the deceased former Participant's estate in accordance with section 4.7.

5.7 Termination on Divestiture

(a) In the event that a divestiture of a business unit (including a divestiture by sale, closure or outsourcing) of the Corporation results in the termination of a Participant's term as an officer, director or employee of the Corporation and such Participant becomes a director, officer or employee of the person acquiring or operating such business unit, the Board may:

(i) accelerate the vesting of all or any portion of a Participant's RSUs; or

(ii) determine that such Participant shall continue to be a Participant for the purposes of the Plan, but subject to such terms and conditions (including vesting), if any, established by the Board in its sole discretion.

(b) In the event that a divestiture of a business unit (including a divestiture by sale, closure or outsourcing) of the Corporation results in the termination of employment of a Participant and such Participant is not offered another directorship, office or employment with the Corporation or a subsidiary of the Corporation, or with the entity to whom the divestiture is made (or any affiliate thereof), then the provisions of section 5.5 shall apply.

5.8 Change of Control

(a) Upon the Corporation entering into an agreement relating to, or otherwise becoming aware of, a transaction which, if completed, would result in a Change of Control, the Corporation shall give written notice of the proposed transaction to the Participants not less than ten days prior to the closing of the transaction resulting in the Change of Control.

(b) Subject to the terms of any employment agreement between the Corporation and a Participant, upon the occurrence of a Change of Control, all outstanding RSUs shall vest upon (or immediately prior to) the completion of the transaction resulting in the Change of Control. If, for any reason, the transaction, which would result in the Change of Control, is not completed, the acceleration of the vesting of the RSUs shall be retracted and vesting shall instead revert to the manner provided in the Plan and the RSU Agreement.

ARTICLE 6
GENERAL

6.1 Compliance with Laws

The administration of the Plan, including without limitation all issuance of Shares under the Plan, shall be subject to and made in conformity with all applicable laws and any applicable regulations of a duly constituted authority. Should the Corporation, in its sole discretion, determine that it is not feasible or desirable to deliver Shares pursuant to an award of RSUs due to such laws or regulations, its obligation shall be satisfied by means of an equivalent cash payment (equivalence being determined on a before-tax basis) less any applicable withholding taxes.

6.2 Reorganization of the Corporation

The existence of any RSUs or Shares corresponding to such RSUs shall not affect in any way the right or power of the Corporation or its shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or any amalgamation, combination, merger or consolidation involving the Corporation or to create or issue any bonds, debentures, shares or other securities of the Company or the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Company or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar nature or otherwise.

6.3 General Restrictions and Assignment

Except as required by law, the rights of a Participant hereunder are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged and are not capable of being subject to attachment or legal process for the payment of any debts or obligations of the Participant.

The rights and obligations hereunder may be assigned by the Corporation to a successor in the business of the Corporation.

6.4 Market Fluctuations

No amount will be paid to, or in respect of, a Participant under the Plan to compensate for a downward fluctuation in the price of Shares, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose.

The Corporation makes no representations or warranties to Participants with respect to the Plan or the RSUs whatsoever. Participants are expressly advised that the value of any RSUs and Shares under the Plan will fluctuate as the trading price of Shares fluctuates. If the Board or Committee has attached performance vesting criteria to any RSUs under section 4.4, the number of Shares delivered to a Participant upon the vesting of such RSU may fluctuate based upon the terms of such vesting criteria.

In seeking the benefits of participation in the Plan, a Participant agrees to exclusively accept all risks associated with a decline in the market price of Shares and all other risks associated with the holding of RSUs.

6.5 No Rights to Employment

(a) Nothing in this document or in the opportunity to participate in the Plan shall confer upon any Participant any right to continued employment with the Corporation nor shall interfere in any way with the right of the Corporation to terminate the Participant's employment at any time.

(b) Nothing in this document or in the opportunity to participate in the Plan shall be construed to provide the Participant with any rights whatsoever to participate or to continue participation in the Plan, or to compensation or damages in lieu of participation or the right to participate in the Plan upon the termination of the Participant's employment for any reason whatsoever.

(c) A Participant shall not be entitled to any right to participate or to continue to participate in the Plan or to compensation or damages in lieu of participation or the right to participate in the Plan in consequence of the termination of his employment with the Corporation for any reason (including, without limitation, any breach of contract by the Corporation or in consequence of any other circumstances whatsoever).

6.6 No Shareholder Rights

Under no circumstances shall RSUs be considered an interest in any Shares or other securities of the Corporation nor shall any Participant be considered to be the owner of any Shares by virtue of an award of RSUs until such RSUs have vested and Shares are delivered to the Participant in accordance with the terms of the Plan. RSUs shall not entitle any Participant to exercise voting rights with respect to Shares nor any other rights attaching to the ownership of Shares or other securities of the Corporation.

6.7 Governing Law

The validity, construction and effect of the Plan and any actions taken or relating to the Plan shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein.

6.8 Currency

All amounts paid or values to be determined under the Plan shall be in Canadian dollars.

6.9 Severability

The invalidity or unenforceability of any provision of this document shall not affect the validity or enforceability of any other provision and any invalid or unenforceable provision shall be severed from this document.

6.10 Effective Date

This Plan is effective as of this 16th day of November, 2012.

APPENDIX I

SECTION 191 OF THE *BUSINESS CORPORATIONS ACT* (ALBERTA)

Registered Celtic Securityholders each have the right to dissent in respect of the Arrangement in accordance with Section 191 of the ABCA (as varied by the Interim Order in the case of the Dissent Rights). Such rights of dissent are described in the Information Circular under the heading "*Rights of Dissent*". The full text of Section 191 of the ABCA is set forth below.

191(1) Subject to sections 192 and 242, a holder of shares of any class of a corporation may dissent if the corporation resolves to

(a) amend its articles under section 173 or 174 to add, change or remove any provisions restricting or constraining the issue or transfer of shares of that class,

(b) amend its articles under section 173 to add, change or remove any restrictions on the business or businesses that the corporation may carry on,

(b.1) amend its articles under Section 173 to add or remove an express statement establishing the unlimited liability of shareholders as set out in Section 15.2(1),

(c) amalgamate with another corporation, otherwise than under section 184 or 187,

(d) be continued under the laws of another jurisdiction under section 189, or

(e) sell, lease or exchange all or substantially all its property under section 190.

(2) A holder of shares of any class or series of shares entitled to vote under section 176, other than section 176(1)(a), may dissent if the corporation resolves to amend its articles in a manner described in that section.

(3) In addition to any other right he may have, but subject to subsection (20), a shareholder entitled to dissent under this section and who complies with this section is entitled to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the last business day before the day on which the resolution from which the shareholder dissents was adopted.

(4) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the shareholder or on behalf of any one beneficial owner and registered in the name of the dissenting shareholder.

(5) A dissenting shareholder shall send to the corporation a written objection to a resolution referred to in subsection (1) or (2)

(a) at or before any meeting of shareholders at which the resolution is to be voted on, or

(b) if the corporation did not send notice to the shareholder of the purpose of the meeting or of his right to dissent, within a reasonable time after the shareholder learns that the resolution was adopted and of the shareholder's right to dissent.

(6) An application may be made to the Court after the adoption of a resolution referred to in subsection (1) or (2),

(a) by the corporation, or

(b) by a shareholder if the shareholder has sent an objection to the corporation under subsection (5) to fix the fair value in accordance with subsection (3) of the shares of a shareholder who dissents under this section, or to fix the time at which a shareholder of an unlimited liability corporation who dissents under this section ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(7) If an application is made under subsection (6), the corporation shall, unless the Court otherwise orders, send to each dissenting shareholder a written offer to pay the shareholder an amount considered by the directors to be the fair value of the shares.

(8) Unless the Court otherwise orders, an offer referred to in subsection (7) shall be sent to each dissenting shareholder

(a) at least 10 days before the date on which the application is returnable, if the corporation is the applicant, or

(b) within 10 days after the corporation is served with a copy of the application, if a shareholder is the applicant.

(9) Every offer made under subsection (7) shall

(a) be made on the same terms, and

(b) contain or be accompanied with a statement showing how the fair value was determined.

(10) A dissenting shareholder may make an agreement with the corporation for the purchase of the shareholder's shares by the corporation, in the amount of the corporation's offer under subsection (7) or otherwise, at any time before the Court pronounces an order fixing the fair value of the shares.

(11) A dissenting shareholder

(a) is not required to give security for costs in respect of an application under subsection (6), and

(b) except in special circumstances must not be required to pay the costs of the application or appraisal.

(12) In connection with an application under subsection (6), the Court may give directions for

(a) joining as parties all dissenting shareholders whose shares have not been purchased by the corporation and for the representation of dissenting shareholders who, in the opinion of the Court, are in need of representation,

(b) the trial of issues and interlocutory matters, including pleadings and questioning under Part 5 of the Alberta Rules of Court,

(c) the payment to the shareholder of all or part of the sum offered by the corporation for the shares,

(d) the deposit of the share certificates with the Court or with the corporation or its transfer agent,

(e) the appointment and payment of independent appraisers, and the procedures to be followed by them,

(f) the service of documents, and

(g) the burden of proof on the parties.

(13) On an application under subsection (6), the Court shall make an order

(a) fixing the fair value of the shares in accordance with subsection (3) of all dissenting shareholders who are parties to the application,

(b) giving judgment in that amount against the corporation and in favour of each of those dissenting shareholders,

(c) fixing the time within which the corporation must pay that amount to a shareholder, and

(d) fixing the time at which a dissenting shareholder of an unlimited liability corporation ceases to become liable for any new liability, act or default of the unlimited liability corporation.

(14) On:

(a) the action approved by the resolution from which the shareholder dissents becoming effective,

(b) the making of an agreement under subsection (10) between the corporation and the dissenting shareholder as to the payment to be made by the corporation for the shareholder's shares, whether by the acceptance of the corporation's offer under subsection (7) or otherwise, or

(c) the pronouncement of an order under subsection (13);

whichever first occurs, the shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shareholder's shares in the amount agreed to between the corporation and the shareholder or in the amount of the judgment, as the case may be.

(15) Subsection (14)(a) does not apply to a shareholder referred to in subsection (5)(b).

(16) Until one of the events mentioned in subsection (14) occurs,

(a) the shareholder may withdraw the shareholder's dissent, or

(b) the corporation may rescind the resolution,

and in either event proceedings under this section shall be discontinued.

(17) The Court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder, from the date on which the shareholder ceases to have any rights as a shareholder by reason of subsection (14) until the date of payment.

(18) If subsection (20) applies, the corporation shall, within 10 days after

(a) the pronouncement of an order under subsection (13), or

(b) the making of an agreement between the shareholder and the corporation as to the payment to be made for the shareholder's shares,

notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares.

(19) Notwithstanding that a judgment has been given in favour of a dissenting shareholder under subsection (13)(b), if subsection (20) applies, the dissenting shareholder, by written notice delivered to the corporation within 30 days after receiving the notice under subsection (18), may withdraw the shareholder's notice of objection, in which case the corporation is deemed to consent to the withdrawal and the shareholder is reinstated to the shareholder's full rights as a shareholder, failing which the shareholder retains a status as a

claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders.

(20) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that

(a) the corporation is or would after the payment be unable to pay its liabilities as they become due, or

(b) the realizable value of the corporation's assets would by reason of the payment be less than the aggregate of its liabilities.

If you have any questions about the information contained in this document or require assistance in completing your proxy form, please contact our proxy solicitation agent at:

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