LAWS AND REGULATIONS RELATING TO THE CANADIAN OIL SANDS INDUSTRY

Overview

The oil and gas industry is subject to extensive controls and regulations. In Alberta, provincial legislation and regulations govern land tenure, royalties, production practices and rates, environmental protection, the prevention of waste and other matters. Federal legislation and regulations may also apply. With the possible exception of the LARP, it is not expected that any of these controls and regulations will affect our operations in a manner materially different than they would affect other oil and natural gas producers of similar size. The relevant controls and regulations should be considered carefully by our prospective investors. The regulatory scheme as it relates to the oil sands industry is somewhat different from that related to the oil and gas industry generally. Outlined below are some of the more significant aspects of the legislation and regulations governing the recovery and marketing of bitumen from oil sands. All current legislation is a matter of public record and we are unable to predict what additional legislation or amendments may be enacted.

The Alberta Department of Energy is responsible for administering the legislation that governs the ownership, royalty and administration of Alberta's oil, gas, oil sands, coal, metallic and other mineral resources. The ERCB is an independent quasi-judicial agency of the Government of Alberta that regulates oil and gas activities in the province pursuant to the OSCA. The AEW and the SRD administer complementary environmental policies in the province. In particular, the AEW's central mandate is the protection and management of the environment and water resources, as well as certain other related matters such as waste management and climate change, pursuant to several statutory regimes and instruments, such as the EPEA and the Water Act.

In Alberta, the regulation of the construction, operation, decommissioning and reclamation of oil sands recovery, pipeline, and upgrade projects is generally undertaken jointly by the ERCB and by the AEW pursuant to various statutes, including the Oil Sands Conservation Act, the Water Act, the EPEA and others. ERCB approvals are required prior to the construction and operation of oil sands recovery, pipeline, and upgrader projects, and the legislation allows the ERCB to inspect and investigate operations. Similar powers are exercised by the AEW with regard to aspects of oil sands projects impacting human health and/or the environment. Electrical facilities of oil sands projects, including cogeneration facilities, are regulated by the AUC, and the Alberta electric systems operator also regulates access to the Alberta electricity grid and electricity market. Certain changes to oil sands recovery, pipeline, and upgrader projects require the approval of the ERCB, AEW, or both. Similarly, changes to the electrical facilities of oil sands projects may require regulatory approvals. Inspection and investigations by provincial regulators may result in, among other things, remedial orders.

A project proponent will first submit its development proposal, including an environmental impact assessment to the ERCB and the AEW. The ERCB and the AEW will then jointly develop a processing schedule while reviewing the application for completeness. If the application is deemed incomplete, it will be returned to the applicant for further development. If it is deemed complete, a public notice will be issued jointly by the above agencies while the application will proceed to technical review. At this point the agencies might again ask for further technical information from the proponent. At the same time, the nature and extent of the public response to the public notice, as well as the outcome of any statutorily mandated public consultation processes, will dictate whether or not

public hearings will be necessary. If public hearings are deemed necessary, notice and other pre-meeting matters will have to be addressed prior to the conduct of the actual hearing. If a public hearing is not deemed necessary, or once the public hearing process has been completed, the ERCB and the AEW will then determine whether any unresolved issues remain. If unresolved issues remain, the agencies will likely require a meeting with the proponent. If no unresolved issues remain, the agencies will proceed to final determination. This will then lead to approval by the ERCB and the AEW or to a denial letter. As such, the total length of this process will depend on the complexity of the project, as well as whether the approval process is delayed by the incompleteness of the application, requests for additional technical information, the requirement of a public hearing process and the conduct of such process and/or any unresolved issues that arise or are otherwise identified.

Additionally, the construction, operation, decommissioning and reclamation of oil sands recovery, pipeline, upgrade projects, and associated electrical facilities, may invoke regulation by the Government of Canada under various federal statutes and regulations, which may include the Canadian Environmental Assessment Act, the Canadian Environmental Protection Act, the Fisheries Act and the Navigable Waters Protection Act. Certain federal approvals or authorisations may be needed prior to the construction, operation or modification of facilities. Inspections and investigations by federal regulators may result in, among other things, remedial orders.

Methods of Obtaining Mining Rights and Oil Sands Leases

The Department of Energy administers grants to the private sector of rights to explore for and develop energy and mineral resources in the province. The Crown owns 81% of Alberta's mineral rights (including both oil sands and non-oil sands resources). The remaining 19% are 'freehold' mineral rights owned by the federal government on behalf of the First Nations or in National Parks, and by individuals and companies. Such freehold leases were generally granted to homesteaders in connection with the operations of the Canadian Pacific Railway and the Hudson's Bay Company in the late nineteenth and early twentieth centuries.

In order to acquire oil sands rights, a corporation must be registered to conduct business in the Province of Alberta as required by the Mines and Minerals Act. Crown-owned oil sands rights are disposed by means of Oil Sands Leases issued under the Oil Sands Tenure Regulation, made under the Mines and Minerals Act, which convey the right to "drill for, win, work, recover and remove" oil sands that are owned by the Crown. There are two ways to acquire an Oil Sands Lease. The first is by way of a registered transfer of an existing Oil Sands Lease negotiated between private parties. The second is by way of public sale or direct purchase. The public oil sands offerings schedule is published two years in advance, as an attachment to an information letter produced by the Department of Energy and electronically distributed to a list of registered subscribers. Sales of Oil Sands Leases are initiated by posting requests submitted by companies or individuals. If no rights have been requested, there is no need to hold a sale. Oil Sands Leases designated for public sale are typically published by the Department of Energy eight weeks prior to the date of the sale. Direct purchases are only possible upon application in specific limited circumstances and in respect of specific drill spacing units.

Petroleum and natural gas rights owned by the Province of Alberta can also be acquired through a competitive bid auction held approximately every two weeks. On a yearly basis, the province

holds an average of 24 land auctions and issues approximately 8,000 PNG Licences. As of 31 December 2009, the Department of Energy had issued 95,031 PNG Licences.

It is possible for the Crown to grant different mineral rights over a given parcel of land in separate geological horizons. It is not uncommon to have rights to specific geological horizons granted to different parties on different dates. As a result, the different rights of different parties on the same parcel of land can see conflicts arise as a result of competing interests. Where this occurs, the parties may work together to negotiate a compromise that maximises recovery for both parties. Where such a compromise is unattainable the authority of one of a number of administrative bodies such as the ERCB or the Surface Rights Board will be determinative while the ultimate result will be decided by the nature and particular characteristics of the conflict. The ultimate result of such conflicts cannot therefore be predicted in advance but may include the temporary suspension of the ability of a party to pursue its mineral rights.

Applicable Oil Sands Approval Processes Leading up to Production

Approvals and oil sands permits for the construction and operation of oil sands extraction facilities are provided by various levels and branches of the Canadian government, but primarily the ERCB and the AEW. Depending on the size, location and specific characteristics of an oil sands project, several other provincial and federal approvals, licenses and permits may also be required.

The OSCA specifically prohibits the construction or operation of facilities for the recovery of oil sands or crude bitumen without approval of the ERCB. All proposed activities must be screened by the ERCB, including the development, construction, operation and modification of all significant facilities and pipelines, as well as any associated processing plants. Opposed or "non-routine" applications must undergo a public hearing process before the necessary licence or permit will be granted by the ERCB. This process typically runs in conjunction with, and subject to, any environmental requirements. The approval process can take up to a year to compile, and a similar amount of time to be evaluated. However, in early 2011, the Government of Alberta announced plans to streamline the approval process going forward through the greater concentration of authority in a single regulatory body.

The ERCB (and its predecessors) has issued numerous guidelines regarding oil sands projects and operations, including Directive 023: Guidelines Respecting an Application for a Commercial Crude Bitumen Recovery and Upgrading Project. Directive 23 outlines the information required in an application to the ERCB under the OSCA for approval of a scheme for the recovery of oil sands, crude bitumen or products derived therefrom, in order to meet the needs of both the ERCB and AEW. Directive 23 applies to all commercial oil sands projects, though additional information may be required for larger-scale projects. An application for a commercial project for the recovery and upgrading of crude bitumen must include a brief summary of all aspects of the project, a statement of the general basis and objectives of the application, the types of approvals and permits that are requested, and the relevant legislation under which the application is being made. Technical and directly related economic details of the proposed development must also be included. Assessments of biophysical impact, social impact, and benefit-cost are also required. In total, sufficient information must be provided to permit the overall evaluation of whether the project will result in the economic and efficient use of resources and the protection of the environment.

Following the issuance of an initial ERCB approval, the proponent must obtain additional operating permits, licences, and approvals. The ERCB must issue mine and discard site approvals, as well as (when required) well licences (including for evaluation wells, experimental wells, primary production wells and water supply wells of a depth of more than 150 metres), pipeline permits and licences, and sub-surface waste disposal approvals. A development and reclamation approval must also be acquired from AEW, along with all other necessary permits and licences related to environmental matters.

Applications to AEW are generally filed under the EPEA, the Water Act and/or the Public Lands Act, and the AEW will generally issue its own approval for an oil sands project separate and apart from any ERCB approval. Environmental impact assessment reports are required, and must be prepared as prescribed, under the EPEA for activities such as oil sands projects and, as noted, are also necessary for project approval by the ERCB. Environmental impact assessment reports are undertaken pursuant to terms of reference from AEW for the subject project, and the environmental impact assessment reports must explain the environmental effects of the project and other existing and planned activities in the area related to the project. Typical information required as part of an environmental impact assessment report includes information in respect of public consultation, a project overview, an environmental assessment, environmental monitoring, public health and safety, historical resources and traditional land use and local socio-economic factors. The EPEA requires operators to plan for and employ effective conservation and reclamation measures. The AEW also allocates water licences under the Water Act.

Depending on the size, location and specific characteristics of an oil sands project, several other provincial and federal approvals, licenses and permits may also be required. In the event that oil sands operations include electrical energy generation or energy transmission, an application may be required to be made to the AUC. Notwithstanding that an oil sands project may be wholly within a province's borders, an application may also need to be made under the Canadian Environmental Assessment Act. The most common trigger for a CEAA application arises out of the federal government's constitutional jurisdiction over certain inland waterways and fisheries. In such circumstances, it is possible to have a project undergo a joint provincial/federal environmental assessment in certain circumstances. Under the Fisheries Act, the engagement of work which may result in the disruption or destruction of a fish habitat, or the deposition of a deleterious substance in water frequented by fish, must provide the Minister of Fisheries and Oceans with plans, specifications, studies and details of the proposed procedures. The Surface Rights Act provides that no operator has a right of entry in respect of the surface of any land until the operator obtains the consent of the owner and the occupant of the surface of the land or has become entitled to a right of entry by reason of an order of the Surface Rights Board. Where oil and gas operations are to take place on land to which aboriginal peoples have a claim or other rights of use or access, a license from the Department of Indian Affairs and Northern Development may also be required.

Rights and Obligations of Holders of Mining Rights

Companies obtaining the right to explore for and develop Crown resources are subject to numerous rights and obligations attached to the licenses and leases issued and imposed by various applicable statutory regimes. Tenure holders must meet all regulatory requirements. An Oil Sands Lease is proven to be productive by drilling, producing, mapping, being part of a unit agreement or by

paying offset compensation. An Oil Sands Lease may be continued beyond the end of its initial term by application to the Department of Energy. An owner's Oil Sands Lease tenure will end when the holder can no longer prove that the subject lands are capable of producing oil or gas in paying quantities, if it is lost through rental or royalty payment default or by voluntary surrender.

LAWS AND REGULATIONS RELATING TO THE PRICING AND MARKETING OF CRUDE OIL, BITUMEN AND BITUMEN BLEND

In Canada, producers of crude oil, bitumen and bitumen blend negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of such commodities. The price we receive depends in part on product quality, prices of competing fuels, the distance to market, the value of refined products, the supply/demand balance and other contractual terms.

Subject to certain exemptions, oil and gas exports from Canada must be made pursuant to short-term export orders or long-term licences obtained from the NEB. An export order for light crude oil, defined to include blended oils with a density less than or equal to 875.7 kg/m^3, may be granted for up to one year. An export order for heavy crude oil, defined to include blended oils with a density greater than 875.7 kg/m^3, may be granted for a period not exceeding two years. If a longer term for export approval is required, an export licence must be obtained from the NEB. Licences for the export of light or heavy crude oil may be granted for a period not exceeding 25 years, and require the approval of the governor in council in Alberta.

LAWS AND REGULATIONS RELATING TO TAXATION AND ROYALTIES

Taxes

Canadian taxation of the income of corporations resident in Canada is governed by the ITA as well as any applicable provincial or territorial taxing legislation (which, in the province of Alberta is the Alberta Corporate Tax Act). For most purposes, the computation of a corporation's taxable income under the Alberta Corporate Tax Act mirrors the computation under the federal ITA.

A corporation is subject to taxation in each taxation year on its taxable income for that year, including (if any) net realised taxable capital gains, dividends, accrued interest, the corporation's share of certain partnership income and all amounts accrued in respect of any royalties the corporation holds in respect of any resource properties.

Generally, a corporation's taxable income for Canadian tax purposes is the corporation's income for the year less deductions allowed by the ITA. A corporation engaged in a resource business is generally entitled to deduct expenses incurred for the purpose of earning income from a business or property, including salaries and wages, the purchase of inputs, supplies and services, and other current expenses in computing its income. Interest expense incurred for the purpose of earning income is generally deductible and, for all periods after 2006, Crown royalties are fully deductible. Capital expenditures are generally not deductible except where expressly provided by the ITA. A deduction in respect of capital cost allowance is available to a resource corporation in respect of depreciable property owned by the corporation and used in its business. The rate of capital cost allowance that a corporation may claim varies by asset category and is generally based on the useful life of the asset.

Certain resource expenses incurred by a corporation engaged in resource activities may also be deducted on a current or declining-balance basis, subject to the specific limits and restrictions prescribed by the ITA. These categories of expenses are added to cumulative resource pools classified as "Canadian oil and gas property expense" (deductible at 10%), "Canadian development expense" (deductible at 30%) and "Canadian exploration expense" (deductible at 100%).

Operating losses generally may be carried back up to three years or carried forward up to 20 years to reduce taxable income in those years. Any capital losses realised by a corporation may only be used to reduce capital gains and may not be used to reduce other income. Capital losses may be carried back three years or carried forward indefinitely (subject to certain loss denial rules) to offset capital gains in those years.

The 2011 combined Canadian federal and provincial tax rate applicable to regular business income of corporation carrying on business in Alberta is approximately 26.5% (16.5% federal tax and 10% Alberta provincial tax). This rate is 25% in 2012 and thereafter (15% federal tax and 10% Alberta provincial tax).

The foregoing is a general description of the Canadian income tax regime applicable to a Canadian resource corporation and is not, and is not intended to be, legal, business or tax advice to any particular prospective investor. The rules in the ITA applicable to the resource sector are complex and this summary is not exhaustive of all Canadian tax considerations applicable to a Canadian resource corporation. Accordingly, prospective investors that require further information regarding the tax regime in Canada should consult with a Canadian tax adviser. Please refer to the section entitled "Summary of the Articles and By-Laws of our Company, Certain Alberta Laws and Canadian Federal Laws and Shareholder Protection Matters — Certain Canadian Federal Income Tax Considerations" in Appendix V to this Prospectus for a description of the Canadian federal income tax considerations applicable to holders of Shares.

Royalty Regime

In addition to federal regulation, each Canadian province has legislation and regulations governing land tenure, royalties, production rates, environmental protection, and other matters. The royalty regime is a significant factor in the profitability of crude oil, natural gas liquid and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral freehold owner and the lessee, although production from such lands may also be subject to certain provincial taxes. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production. The rate of royalties payable generally depends in part on prescribed reference prices, well productivity, geographical location, field discovery date, method of recovery, depth of well, and the type or quality of the petroleum product produced. Other royalties and royalty-like interests are, from time-to-time, carved out of the owner's working interest through non-public transactions. These are often referred to as overriding royalties, gross overriding royalties, net profit interests, or net carried interests.

The Government of Alberta implemented a new oil and gas royalty framework, that was effective on 1 January 2009. The new framework established new royalties for conventional oil, natural

gas, and bitumen that are linked to price and production levels and apply to both new and existing conventional oil, natural gas activities and oil sands projects. Under the 1 January 2009 framework, the calculation of conventional oil and natural gas royalties is made in accordance with sliding rate formulas, known as royalty curves, that adjust for market price and production volumes. Under the 1 January 2009 framework, royalty rates for conventional oil range from 0 – 50% and natural gas royalty rates range from 5 – 50%. On 11 March 2010, the Government of Alberta announced that, effective as of 1 January 2011, the maximum royalty rate on conventional oil will be reduced from 50% to 40% and the maximum royalty rate for natural gas will be reduced from 50% to 36%. Royalty curves that were effective as of 1 January 2011 were released by the Government of Alberta on 27 May 2010.

The oil sands royalty payable in Alberta is based on price-sensitive royalty rates. The royalty range applicable to price sensitivities changes depending on whether a project's status is pre-payout or post-payout. "Payout" is generally defined as the point in time when a project has generated enough net revenue to recover its costs and provide a designated return allowance. When a project reaches payout, its cumulative revenue equals or exceeds its cumulative costs. Costs include specified allowed capital and operating costs pursuant to the Oil Sands Allowed Costs (Ministerial) Regulation. The royalty payable for pre-payout projects is the gross revenue royalty based on the gross revenue royalty rate. The gross revenue rate starts at 1% and increases for every dollar that the world oil price, as reflected by the WTI crude oil price in Canadian dollars, is priced above C$55 per barrel, to a maximum of 9% when the WTI crude oil price is C$120 per barrel or higher. The royalty payable for post-payout projects is the greater of the gross revenue royalty based on the gross revenue royalty rate or the net revenue royalty based on the net revenue royalty rate. The net royalty rate starts at 25% and increases for every dollar the WTI crude oil price is above C$55 per barrel to a maximum of 40% when the WTI crude oil price is C$120 per barrel or higher.

As the resource owner, the Government of Alberta is entitled to take its royalty share of bitumen production in kind, as it does currently for conventional oil production. The Government of Alberta is currently considering having a portion of its bitumen royalty in-kind volumes commercially upgraded to higher value products in the province.

LAWS AND REGULATIONS RELATING TO LAND

Land Tenure

The oil sands mineral rights in approximately 97% of Alberta's estimated 140,200 square kilometres (54,132 square miles) of oil sands areas are owned by the provincial Crown and managed by the Department of Energy. The remaining approximately 3% of oil sands mineral rights are held "freehold" by individuals and companies, or as a federal Crown estate, for example as Indian reserves and/or National Parks. Oil produced from oil sands owned by the Province of Alberta is produced pursuant to provincial Oil Sands Leases granted by the provincial Crown. Two types of oil sands agreements are issued under the Oil Sands Tenure Regulation, made under the Mines and Minerals Act. These are (i) Oil Sands Permits, which are issued for a five-year term and can be converted to leases; and (ii) Oil Sands Leases, which are issued for an initial 15-year term. The Oil Sands Tenure Regulation requires that exploration or development activities be undertaken according to prescribed levels of evaluation or production. Oil Sands Permits may generally be converted to leases provided certain minimum levels of exploration have been achieved and all lease rentals have been timely paid.

An Oil Sands Lease may generally be continued after the initial term as to all or any portion the Minister of Energy may determine, provided certain minimum levels of exploration or production have been achieved and all lease rentals have been timely paid. The surface rights required for pipelines, upgraders and cogeneration and other facilities are generally governed by leases, easements, rights-of-way, permits or licences granted by landowners or governmental authorities.

Land Use Regulation

In December 2008, the Government of Alberta released a new land use policy for surface land in Alberta, the ALUF. The ALUF provides an approach for the management of public and private land use and natural resource development in a manner that is consistent with the long-term economic, environmental and social goals of the province. It calls for the development of region-specific land use plans in order to manage the combined impacts of existing and future land use within a specific region and the incorporation of a cumulative effects management approach into such plans. The ALSA came into in force in Alberta on 1 October 2009, providing legislative authority for the Government of Alberta to implement the policies contained in the ALUF. Regional plans established pursuant to the ALSA are deemed to be legislative instruments equivalent to regulations and are binding on the Government of Alberta and provincial regulators, including those governing the oil sands industry. In the event of a conflict or inconsistency between a regional plan and another regulation, regulatory instrument or statutory consent, the regional plan will prevail. Further, the ALSA requires local governments, provincial departments, agencies and administrative bodies or tribunals to review their regulatory instruments and make any appropriate changes to ensure that they comply with an adopted regional plan. The ALSA also contemplates the amendment or extinguishment of previously issued statutory consents such as regulatory permits, licences, approvals and authorisations for the purpose of achieving or maintaining an objective or policy resulting from the implementation of a regional plan. Among the measures to support the goals of the regional plans contained in the ALSA are conservation easements, which can be granted for the protection, conservation and enhancement of land and conservation directives, which are explicit declarations contained in a regional plan to permanently protect, conserve, manage and enhance the environment. The lower Athabasca region is a distinct region under the ALSA and will be subject to the provisions of LARP, once LARP is in force. Please refer to the section entitled "Risk Factors — Risks Relating to Our Business — Our operations and assets could be adversely affected by the LARP" in this Prospectus.

LAWS AND REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Environmental Regulation

The oil and natural gas industry in Canada is currently subject to environmental regulations under a variety of provincial and federal legislation (all of which are subject to governmental review and revision, from time to time). This environmental legislation provides for restrictions and prohibitions on the release or emission of various substances produced in association with certain oil and gas industry operations, such as sulphur dioxide and nitrous oxide. In addition, environmental legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. Compliance can require significant expenditures and a breach of such requirements may result in the suspension or revocation of necessary licences and authorisations, civil liability for pollution damage, and the imposition of material fines and penalties.

In January 2011, the Government of Alberta chose a group of independent experts to assist in the creation of a world class environmental monitoring system in north-eastern Alberta. This group of independent experts formed the Alberta Environmental Monitoring Panel. The AEMP delivered its recommendations to the Government of Alberta on 30 June 2011 in the form of a report entitled "*A World-Class Environmental Monitoring, Evaluation and Reporting System for Alberta*". Generally, the AEMP reached the following three main conclusions, upon which they based their 20 recommendations: (i) Alberta needs a new environmental monitoring, evaluation and reporting system focused on cumulative effects monitoring grounded in rigorous scientific design; (ii) environmental monitoring, evaluation and reporting activities must be organised and integrated across the province and across, air, land, water and biodiversity to enable a more effective use of funds and to ensure a consistent approach; and (iii) the best way to ensure scientific oversight and organisation and integration of activities is to establish a permanent, sustainably-funded, arm's length environmental monitoring commission. On 3 February 2012, the Government of Canada and the Government of Alberta released the Joint Canada-Alberta Implementation Plan for Oil Sands Monitoring (the "**Oil Sands Monitoring Plan**"). The Oil Sands Monitoring Plan commits to a new, integrated, transparent and enhanced environmental monitoring program for the Canadian oil sands, which program is intended to be fully funded by companies operating within the oil sands region. Enhanced monitoring in the Canadian oil sands region will include increased sampling locations, parameters and frequency of new air, surface water and groundwater monitoring stations and sampling of areas such as river ice and snow. Monitoring programs are likely to further expand to include additional monitoring locations, initiation of new air, water and biodiversity studies, improved data management and data sharing to ensure the highest data quality, consistency, and transparency. It is anticipated that the Oil Sands Monitoring Plan will be fully implemented in 2015 and its implementation will be under the joint direction and management of the Government of Canada (Environment Canada) and the Government of Alberta (AEW) to ensure a comprehensive and integrated joint approach to oil sands monitoring.

Compliance with any new programmes, regulations, guidelines or legislation including the Oil Sands Monitoring Plan may create uncertainty for us and could require significant expenditures to comply. We will continue to monitor any further changes in Alberta's environmental policies and legislation to ensure that our reporting, monitoring and evaluation policies and procedures continue to evolve and comply with the changing policies and programmes of the AEW, the Government of Canada and the Government of Alberta.

Environmental legislation in the province of Alberta is, for the most part, set out in the EPEA and the OSCA. The EPEA and the OSCA impose strict environmental standards with respect to releases of effluents and emissions, require stringent compliance, reporting and monitoring obligations, and impose significant penalties for non-compliance. The EPEA is administered and implemented by the AEW and the OSCA is administered and implemented by the ERCB.

Climate Change Regulation*s*

Climate change regulations continue to evolve in Canada. Since 2002, the federal government has introduced a number of plans but has yet to establish broad regulations. Alberta has introduced provincial regulations that has set a price on CO_2. Alberta's regulations have also established reduction targets on the largest facilities in the province. The following is a brief discussion of federal and provincial policy and regulations to-date.

Government of Canada Regulations

Canada was a signatory to the United Nations Framework Convention on Climate Change (the "**Convention**") and ratified the Kyoto Protocol established thereunder to set legally binding targets to reduce nation-wide emissions of carbon dioxide, methane, nitrous oxide and other GHGs. However, the Government of Canada concluded that Canada would not meet its commitment to the Kyoto Protocol and has been developing an alternative strategy for reducing Canada's GHG emissions. On 12 December 2011, the Government of Canada announced that it would not agree to a second commitment period, once the present commitment expires in 2012.

In December 2009, government leaders and representatives from approximately 170 countries met in Copenhagen, Denmark (the "**Copenhagen Conference**") to attempt to negotiate a successor to the Kyoto Protocol. The primary result of the Copenhagen Conference was the Copenhagen Accord, which represents a broad political consensus rather than a binding international treaty like the Kyoto Protocol and has not been endorsed by all participating countries. The Copenhagen Accord reinforces the commitment to reducing GHG emissions contained in the Kyoto Protocol and promises funding to help developing countries mitigate and adapt to climate change. Although Canada has committed under the Copenhagen Accord to reducing its GHG emissions by 17% from 2005 levels by 2020, the Copenhagen Accord does not establish binding GHG emissions reduction targets. The Copenhagen Accord calls for a review of implementation of its stated goals before 2016.

Government of Alberta Regulations

Alberta currently regulates GHG emissions under the Climate Change and Emissions Management Act, the Specified Gas Reporting Regulation, which imposes GHG emissions reporting requirements, and the SGER, which imposes GHG emissions limits. GHG emissions of 50,000 tonnes or more from a facility in any year must be reported to the AEW under the SGER. The SGER applies to facilities in Alberta that have produced 100,000 or more tonnes of GHG emissions in 2003 or any subsequent year and requires reductions in GHG emissions intensity (i.e. the quantity of GHG emissions per unit of production) against baselines set out in the SGER. The SGER distinguishes between "established" facilities that completed their first year of commercial operation before 1 January 2000, or have completed eight years of commercial operation, and "new" facilities that completed their first year of commercial operation on 31 December 2000 or a subsequent year and have completed less than eight years of commercial operation. Generally, the baseline for an established facility reflects the average of emissions intensity in 2003, 2004, and 2005, and for a new facility emissions intensity in the third year of commercial operation. For an established facility, the required reduction in GHG emissions intensity is 12% from its baseline, and such reduction must be maintained over time. For a new facility, the emissions intensity reduction requirement from its baseline is phased in by annual 2% increments beginning in the fourth year of commercial operation until the maximum 12% reduction requirement imposed on established facilities is reached. There are three ways to comply with the reduction requirements: (i) actual physical reductions in GHG emissions intensity; (ii) purchase of Alberta based emission offset credits and/or emission performance credits; or (iii) purchase of fund credits at a price to be established by ministerial order, with the proceeds going to the Government of Alberta's Climate Change and Emissions Management Fund. Compliance reports for facilities subject to the SGER must be submitted to the AEW each year on 31 March. The Government of Alberta previously announced that it may modify the SGER to apply stricter standards

in its 2008 provincial energy strategy. In addition, facilities in Alberta must also report emissions of industrial air pollutants and comply with all other obligations imposed in any applicable permits and environmental regulations.

On 2 December 2010, the Government of Alberta passed the Carbon Capture and Storage Statutes Amendment Act, which deemed the pore space underlying all land in Alberta to be, and to have always been, the property of the Crown and provided for the assumption of long-term liability for carbon sequestration projects by the Crown, subject to the satisfaction of certain conditions. The most recent step by the Government of Alberta was the promulgation of the Carbon Sequestration Tenure Regulation which provides greater details with respect to these new regulatory rules. This regulation clarifies the definition of pore space and creates a post-closure stewardship fund for the costs of ongoing monitoring and remedial work. Alberta is the first province in Canada to pass comprehensive legislation for carbon capture and storage.

The future of GHG Emission regulations

There will most certainly be a financial impact of GHG emission regulation on oil sands industry participants and their projects, including our Company and its projects, however the extent of that impact is not yet known. In particular, there is uncertainty regarding the ultimate GHG emission regulatory regime that will be applicable to our Company due to, among other things, the potential for changes to the United States' regulation of GHG emissions and the potential for the harmonisation of GHG emission regulatory regimes in Canada and the United States.

At present, there is no assurance that any new regulations implemented by the Government of Canada relating to the reduction of GHG emissions will be harmonised with the Government of Alberta's GHG emissions reduction regulations. In such case, the costs of meeting new federal government requirements could be considerably higher than the costs of meeting Alberta's current requirements. Please refer to the sections entitled "Industry Overview — Environmental Considerations and Regulations" and "Risk Factors — Risks Relating to the Alberta Oil Sands Industry — Operations are subject to significant government regulation" in this Prospectus.

Water use

Due to the necessary use of water to create steam in traditional SAGD operations, fresh water consumption in oil sands production is of concern to a number of stakeholders and the Government of Alberta. Water-use licences and approvals are required by the Water Act before diverting or using fresh water. Water is critical in the production of mining and *in situ* oil sands. Mining projects require fresh water to separate the bitumen from the sand, most of which is sourced from the Athabasca River. Although mining projects can recycle water, certain liquid wastes require storage and treatment in tailings ponds.

In situ projects have alternatives to fresh water use such as deep non-potable water aquifers and enhanced recycling. *In situ* projects require water to generate steam that is injected into the ground, and have facilities to treat and recycle the injected water. Water that is not re-used is typically disposed of through deep well injection, thus tailings ponds are not required.

The Water Act governs the process through which authorisation is given to divert or use surface or sub-surface water by way of licence or approval. AEW maintains primary responsibility over the application and approval process. However, when necessary, applications may be referred to other agencies such as the SRD for specific technical advice.

Licences are required for all diversions of surface and non-saline groundwater and require a completed application along with accurate drawings depicting water and wastewater conveyance structures; the location and cross-sections of intake structures, control structures, spillways, dams and reservoirs; and the layout of the water system. Applications in respect of projects of a more complex nature may be required to submit additional details of the proposed construction schedule, construction specifications, operational plans, water requirements and the method of operation. Submitted plans may also require the approval of an engineer registered with the APEGGA.

A licence may be issued where the water source can supply the needs of the applicant and the diversion of water has no adverse effect on the source, surrounding users or the environment. Licences may include conditions that require the licensee to submit water monitoring data and quantities of water diverted. Applicants may also be required to pay a fee for the projected annual diversion. An application in respect of lands not owned by the applicant must contain the landowner's consent. Applicants may also be required to consult with First Nations and place a public notice of the application. However the Director designated under the Water Act (the "**Water Director**") has discretion to waive such notice requirement.

Approvals are required for activities such as construction works or drilling, among others, in, or on any land, water or water body, that may affect the management of Alberta's water resources, including both surface and groundwater. In considering whether or not to issue an approval, the Water Director will consider (i) the potential or cumulative effects of the water use on the aquatic environment; (ii) hydraulic, hydrological and hydrogeological effects; (iii) any possible effects on household users, licensees and traditional agriculture users; (iv) any possible effects on public safety; and (v) any other matters that the Water Director deems relevant.

Approval applications require drawings, technical specifications, construction schedules and other information similar to those required pursuant to a licence application. Approval applications are reviewed under both the Water Act and EPEA by the Water Director. However, where multiple authorisations are required, the AEW can set up a single window approach. As with licences, an approval application in respect of lands not owned by the applicant must contain the landowner's consent. Similarly, approval applicants may also be required to consult with the First Nations where such notice requirement is not waived by the Water Director. Once the approval has been issued, the holder is given a defined time period within which to construct, maintain and/or operate the project. The approval holder may also be required to submit a signed certificate of completion and/or an environmental monitoring report following completion of construction.

General

Our Company believes it is in material compliance with all environmental legislation in the jurisdictions in which it operates at this time. Our Company's practice is to do all that we reasonably can to ensure we remain in material compliance with all applicable environmental legislation. We also believe that it is reasonably likely that the trend toward stricter standards in environmental legislation

and regulation will continue. We are committed to meeting our responsibilities to protect the environment wherever it operates and will take such steps as required to ensure compliance with all applicable laws and regulations.

OTHER RELEVANT LAWS AND REGULATIONS

Employment Laws and Regulations

Employer obligations in Alberta are established, regulated and adjudicated by various workplace statues and regulations. We are subject to the Alberta Employment Standards Code which establishes certain minimum standards applicable to all employees, such as overtime, holidays, parental leaves. Human rights prohibitions such as discrimination based on gender, age or physical disability are regulated by the Human Rights Act. Personal employee information which may be collected, used or disclosed by us is subject to the PIPA. This act requires an employer to assign an individual to establish and administer privacy policies in a company which are compliant with PIPA. We must safeguard personal information. Workplace injuries are subject to the Worker's Compensation Act, which establishes a statutory insurance scheme and mandates all employers to contribute premiums to a government-sponsored fund to compensate workers that are injured due to occupational illness or injury. All employers are subject to the Labour Relations Code which sets out the process by which an employee may join a union and then have the union enter into collective bargaining on behalf of all employees with the company. There is a very low unionisation rate in the Alberta energy sector.

Securities Laws and Regulations

As advised by our Canadian legal advisers, no regulatory approval in Canada is required to permit us to be listed on the Stock Exchange. However, in order to facilitate the Listing, we have applied for, and the ASC has granted our Company, exemptive relief from the requirement to file a prospectus in Alberta to qualify the distribution of the Offer Shares pursuant to the Global Offering (other than Offer Shares sold to investors in Canada) including any Shares issued pursuant to the exercise of the Over-Allotment Option. As part of this exemptive relief, one or more existing Shareholders may lend some of their Shares to the Stabilisation Manager to allow the Stabilisation Manager to satisfy over-allocations in the Global Offering, since such Shares are otherwise presently subject to resale restrictions pursuant to Alberta securities laws. In connection with our exemptive relief application, we have undertaken to the ASC to apply, within one month after completion of the Listing, to become a reporting issuer in Alberta.

Overseas Ownership Restrictions

Under the Mines and Minerals Act only corporations registered under the Companies Act or registered, incorporated or continued under the ABCA are eligible to own Oil Sands Leases or PNG Licenses. Therefore, any ownership by overseas companies or entities of Oil Sands Leases or the PNG Licences must be made indirectly through whole or part ownership of an eligible company. For further details on applicable overseas ownership restrictions, please refer to the section entitled "Risk Factors — Risks Relating to the Alberta Oil Sands Industry — Ownership of Oil Sands Leases and PNG licences are subject to federal, provincial and local laws and regulations and Oil Sands Leases may be unable to be renewed" and "Certain Canadian Overseas Ownership Restrictions" in "Summary of the Articles and By-Laws of our Company, Certain Alberta Laws and Canadian Federal Laws and Shareholder Protection Matters" in Appendix V to this Prospectus for further information.