We are subject to various laws and regulations of the PRC, Kazakhstan and Alberta, Canada, which are material to our operations and are discussed below.

PRC LAWS AND REGULATIONS ON THE OILFIELD SERVICES INDUSTRY

Regulations on Manufacturing, Repairing, Selling and Importing Measuring Instruments and Model Approval

According to The Metrology Law Of The People's Republic Of China (中華人民共和國計量法) adopted by the Standing Committee of National People's Congress on 6 September 1985, and effective as of 1 July 1986 and revised on 27 August 2009, the metrological administrative department of the State Council shall exercise unified supervision over and administration of metrological work throughout the country. The metrological administrative departments of the local people's governments at and above the county level shall exercise supervision over and administration of metrological work within their respective administrative areas. An enterprise which is to engage in manufacturing or repairing measuring instruments must have facilities, personnel and verification appliances appropriate to the measuring instruments it is to manufacture or repair and, after being checked and considered as qualified by the metrological administrative department at or above the county level, obtain a License for Manufacturing Measuring Instruments or a License for Repairing Measuring Instruments. The administrative departments for industry and commerce shall not issue a business license to an enterprise engaged in manufacturing measuring instruments or repairing measuring instruments which has not obtained a License for Manufacturing Measuring Instruments or a License for Repairing Measuring Instruments. When an enterprise manufacturing measuring instruments undertakes to manufacture new types of measuring instruments which it has not previously manufactured, such measuring instruments may be put into production only after the metrological performance of the sample products has been checked and found to be qualified by the metrological administrative department at or above the provincial level. An enterprise without a License for Manufacturing Measuring Instruments or a License for Repairing Measuring Instruments that manufactures or repairs measuring instruments shall be ordered to stop its operations. The unlawful income shall be confiscated and a fine may concurrently be imposed. An enterprise that manufactures or sells a new type of measuring instrument which has not been checked and found to be qualified shall be ordered to stop the manufacture or sale of that new product. The unlawful income shall be confiscated and the enterprise may be punished by a fine. An enterprise that manufactures, repairs or sells unqualified measuring instruments shall have its unlawful income confiscated and a fine may be imposed. Without the approval of the metrological administrative department of the State Council, measuring instruments with non-legal units of measurement which have been abrogated by the State Council, and other measuring instruments which are banned by the State Council, shall not be manufactured, sold or imported. Measuring instruments imported from abroad may be sold only after having been verified and found to be up to standard by the metrological administrative department at or above the provincial level.

According to the Rules For The Implementation Of The Metrology Law Of The People's Republic Of China (中華人民共和國計量法實施細則) adopted by the former State Measurement Bureau on 19 January 1987 and effective on 1 February 1987, the product design of a new measurement instrument, which has never been produced in the country, must be appraised before it can be manufactured. When the product design has been finalised, it must obtain a certificate of model approval. New products whose designs have been finalised in the country but have not been produced must be tested and their prototypes must be made. A certificate of quality shall be issued after the test of the prototype is passed. Those measurement instruments which have not obtained model approval or certificates of quality of their prototypes shall not be allowed to be produced. The models of new measurement instruments shall be approved by the administrative departments for measurement at the provincial level. The models approved by such departments can be used as nationally applicable models after they have been finalised by the measurement administration under the State Council. If any enterprise engages in manufacturing and repairing measurement instruments without a License for Manufacturing Measurement Instruments or a License for Repairing Measurement Instruments, it shall be ordered to stop its production and operation and to seal up for safekeeping the measurement instruments which have been manufactured and those which have been sent for repairing. The total amount of illegal gains shall be confiscated and a fine ranging from 10% to 50% of the illegal gains may be imposed. Those who manufacture and market new measurement products which have not passed model approval or prototype testing shall be ordered to stop manufacturing and marketing

such products and seal them up for safekeeping. Their total amount of illegal gains shall be confiscated and a fine of up to RMB3,000 may be imposed. Those who market and import measurement instruments of non-legal measures which have been declared abolished by the State Council and other measurement instruments which have been prohibited for use by the State Council, shall be ordered to cease these operations. Their measurement instruments and total amount of illegal gains shall be confiscated and a fine ranging from 10% to 50% of their total illegal gains may be imposed. If the measurement instruments have not been examined or those instruments have been rejected in examination, the enterprises or individuals manufacturing or repairing such instruments shall be ordered to withhold the same. The total amount of their illegal gains shall be confiscated; in more serious cases, a fine of up to RMB3,000 may be imposed. Those who sell imported measurement instruments which have not passed the examination by administrative departments for measurement above provincial level, shall be ordered to stop the sales and seal up the instruments for safekeeping. The total amount of their illegal gains shall be confiscated and a fine ranging from 10% to 50% of the total sales earnings may be imposed. Those who have caused losses to the state or consumers by using substandard measurement instruments or tampering with measurement instruments and falsifying data shall be ordered to pay reparations for the losses. Their measurement instruments and total amount of illegal gains shall be confiscated and a fine of up to RMB2,000 may be imposed.

Catalogue of Measurement Instruments

According to The Catalogue of Measurement Instruments (中華人民共和國依法管理的計量器具目錄) adopted by the former State Measurement Bureau and effective on 10 July 1987 and The Catalogue of Measurement Instruments (Model Approval) (中華人民共和國依法管理的計量器具目錄（型式批准部分）) adopted by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China on 8 October 2005 and effective on 1 May 2006 (collectively as "Catalogues"), any enterprise that manufactures an item listed in the above Catalogues shall obtain a Licence for Manufacturing Measuring Instruments. Measuring instruments such as pressure gauge are listed in the above Catalogues and would require such licence, model approval and verification of imported measuring instrument.

Drilling and Logging Safety

Pursuant to the Law of the People's Republic of China on Work Safety (中華人民共和國安全生產法) promulgated by the Standing Committee of the National People's Congress and becoming effective on 1 November 2002 and the Regulations on Work Safety Licences (安全生產許可證條例), promulgated by the State Council and becoming effective on 13 January 2004, the State has adopted a safety licence system in respect of drilling and logging enterprises, and a drilling and logging enterprise which fails to obtain a work safety licence shall not engage in production activities. In order to obtain a work safety licence, drilling and logging enterprises shall satisfy certain safety production requirements. The safety production licence issuance and administration authorities issue safety production licences to enterprises that meet the production safety requirements pursuant to the relevant provisions. Work safety licences are required to be renewed every three years through application to the safety production licence issuance and administration authorities no later than three months before the expiration date. Those enterprises which, in violation of applicable regulations, are engaged in production without work safety licences shall be ordered to suspend production, and be subject to the confiscation of the illicit gains and a fine from RMB100,000 up to RMB500,000. If a criminal offense is committed in connection with a serious accident or any other serious consequences result from such accident, the offender shall also be subject to criminal liabilities.

PRC LAWS AND REGULATIONS ON ENVIRONMENTAL PROTECTION

General Regulations

The PRC government has adopted extensive environmental laws and regulations. There are national and local standards applicable to land rehabilitation, reforestation, emission control, discharge to surface and subsurface water and the generation, handling, storage, transportation, treatment and disposal of waste materials. Pursuant to the PRC Environmental Protection Law (中華人民共和國環境保護法) promulgated by the Standing Committee of the National People's Congress that became effective on 26 December 1989, the State

Environmental Protection Administration is empowered to formulate national environmental quality and discharge standards and monitor the PRC's environmental system at the national level. The environmental protection bureau at the county level and above is responsible for environmental protection within its jurisdiction. Local environmental protection bureaus may set local standards that are stricter than the national standards, in which case enterprises are required to comply with the stricter of the two sets of standards.

Pollutant Discharge

The PRC Environmental Protection Law (中華人民共和國環境保護法) requires any entity operating a facility that produces pollutants or other hazardous materials to adopt environmental protection measures in its operations and to establish an environmental protection responsibility system. Effective measures to control and properly dispose of waste gases, waste water, waste residue, dust or other waste materials must be adopted. Any entity operating a facility that discharges pollutants must submit a pollutant discharge declaration statement to the competent authority pursuant to the applicable regulations. The local environmental protection bureau will determine the amount of discharge allowable under the law and will issue a pollutant discharges licence for that amount of discharge subject to the payment of discharge fees. If an entity discharges more than what is permitted by the pollutant discharge licence, it shall pay a fee for excessive discharge according to the relevant regulations and shall assume responsibility for eliminating and controlling the pollution. If an enterprise has caused severe environmental pollution and has failed to eliminate or control the pollution within a required period of time, a fine may be imposed, or the enterprise may be ordered to suspend or close down its operations.

Environmental Protection and Prevention of Credit Risk

According to the Opinion on the Enforcement of the Environmental Protection Laws and Prevention of Credit Risk (關於落實環保政策法規防範信貸風險的意見) jointly promulgated by the State Environmental Protection Administration of China, the People's Bank of China and the China Banking Regulatory Commission on 12 July 2007, the following irregularities will be addressed as stipulated by the laws: commencement of construction without approval or without appropriate approval, failure to complete the environmental protection facilities at the same time as the production facility and commencement of operations prior to the environmental examination and approval. The above breaches will be reported to the local branch of the People's Bank of China and China Banking Regulatory Commission and financial institutions. Financial institutions shall, based on the applicable regulations on environmental protection and information disclosed by the environmental protection authority, strictly review and supervise the application of loans, loan grants and their use. For applicants who have not passed the environmental assessment examination or environmental examination and approval, there will not be additional credit granted. Environmental departments at all levels shall sanction enterprises if they have conducted any of the following: excessive discharge of pollutants, excessive total discharge level, discharge of pollutants without obtaining the necessary permits, discharges in breach of the levels allowed by the permit, or failure to restore the damaged environment within a prescribed period. These breaches will be reported to the local branch of the People's Bank of China and China Banking Regulatory Commission, banking regulatory department and financial institutions. The financial institutions at all levels, when reviewing enterprises' applications for loans, shall act on the information provided by the environmental protection departments and strengthen the management of loans granted to enterprises which are in violation of the environmental laws.

Environmental Impact Appraisal

Pursuant to the Environmental Impact Appraisal Law of the PRC (中華人民共和國環境影響評價法) promulgated on 28 October 2002 and effective on 1 September 2003, the Administration Rules on Environmental Protection of Construction Project (建設項目環境保護管理條例) promulgated on 29 November 1998, and the Administration Measures for Examination and Approval of Environmental Protection Facilities of Construction Projects (建設專案竣工環境保護驗收管理辦法) promulgated on 27 December 2001, enterprises are required to engage qualified and certified institutes to provide environmental impact evaluations on construction projects and to prepare environmental impact assessments. Construction of any new manufacturing facilities or major expansion or renovation of an existing production facility may only be launched after such an assessment is submitted to and approved by the environmental protection administrative authority.

PRC LAWS AND REGULATIONS ON TAX

The PRC taxes that are levied on our subsidiary in the PRC mainly include enterprise income tax ("EIT") and value added tax ("VAT"). Under PRC law, our PRC subsidiary is also required to withhold taxes on dividends payable to us.

PRC EIT Tax

Prior to 1 January 2008, foreign-invested enterprises shall pay EIT pursuant to the Foreign-Invested Enterprise and Foreign Enterprise Income Tax Law of the PRC (中華人民共和國外商投資企業和外國企業所得稅法) promulgated by the National People's Congress Standing Committee in 1991 (the "Prior EIT Law") and related implementation regulations. Pursuant to the Prior EIT Law, except for the preferential tax rates, a foreign-invested enterprise was subject to EIT at a statutory rate of 33%. In addition, certain foreign-invested enterprises were exempted from EIT for two years starting from the first profit-making year followed by a fifty-percent reduction of the EIT in the next three consecutive years.

On 16 March 2007, the National People's Congress passed the PRC EIT Law, with effect from 1 January 2008. The PRC EIT Law adopted a uniform tax rate of 25% for all enterprises (including foreign-invested enterprises) and provided that the tax exemption, reduction and preferential treatments applicable to foreign-invested enterprises under the Prior EIT Laws will be gradually transitioned to the tax rate under the PRC EIT Law. According to the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (國務院關於實施企業所得稅過渡優惠政策的通知) issued on 26 December 2007 and effective on 1 January 2008, a transition period was given to the enterprises, whether foreign-invested or domestic, that received preferential tax treatments granted by relevant tax authorities prior to the effectiveness of the PRC EIT Law. Enterprises that were subject to a lower enterprise income tax rate before the effectiveness of the PRC EIT Law may continue to enjoy the lower rate and gradually transition to the new tax rate within five years after the effective date of the PRC EIT Law. Enterprises that were granted preferential EIT treatments before the effectiveness of the PRC EIT Law may continue to enjoy the preferential EIT treatments until their expiration.

Under the PRC EIT Law, enterprises are classified as either "resident enterprises" or "non-resident enterprises."

The PRC EIT Law provides that a non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. If we are treated as a non-resident enterprise, dividends derived from our PRC subsidiary are subject to the PRC withholding income tax at the rate of 10% unless a tax treaty benefit in respect of dividends can be claimed.

Pursuant to the PRC EIT Law and its implementation rules, besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% EIT rate for their global income. According to the implementation rules of the PRC EIT Law, "de facto management body" refers to a managing body that exercises, in substance, overall management and control over the manufacture and business, personnel, accounting and assets of an enterprise. If we are considered a PRC "resident enterprise", any dividends we pay to our non-PRC resident enterprise investors will be subject to withholding income tax at the rate of 10% unless a tax treaty benefit in respect of dividends can be claimed. Thus, the amount of dividends we can pay to our Shareholders could be materially reduced. Similarly, any gain realised on the transfer of ordinary shares by our non-PRC resident investors may also be subject to 10% PRC income tax because such gain may be regarded as income derived from sources within the PRC. In addition, although the PRC EIT Law provides that dividend income between "qualified resident enterprises" is exempted income, and the implementation rules refer to "qualified resident enterprises" as enterprises with "direct equity interest," it is not clear whether dividends we receive from our subsidiary are eligible for such exemption if we are deemed to be a PRC "resident enterprise."

Regulations on Tax Collection for Indirect Equity Transfer by Non-PRC Resident Enterprises

On 10 December 2009, the State Administration of Taxation issued the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Tax Resident Enterprises (國家稅務總局關於加強非居民企業股權轉讓所得企業所得稅管理的通知), or SAT Circular 698, specifically addressing various tax issues for equity transfers by non-PRC tax resident enterprises. Circular 698 covers generally the taxation for gains arising from the transfer of the equity of a PRC tax resident enterprise directly or indirectly by a non-PRC tax resident enterprise. However, gains derived from buying and selling of shares of listed Chinese investee companies on public stock exchanges are explicitly excluded from the scope of Circular 698. Among other things, pursuant to Circular 698, where a foreign investor transfers its indirect equity interest in a PRC tax resident enterprise by disposing of its equity interests in an overseas holding company (an "Indirect Transfer"), and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate of less than 12.5% or (ii) does not impose tax on foreign income of its residents, the foreign investor shall report the Indirect Transfer to the competent tax authority of the PRC resident enterprise. If the tax authority, upon examining the nature of the Indirect Transfer, deems that the Indirect Transfer has no reasonable commercial purpose other than to avoid PRC tax, the tax authority may disregard the existence of the overseas holding company that is used for tax planning purposes and re-characterise the nature of such transfer.

PRC VAT Tax

Pursuant to the Interim Regulation on the Value Added Tax of the PRC (中華人民共和國增值稅暫行條例) promulgated by the State Council on 13 December 1993 and amended on 10 November 2008, and its implementation rules, any entity or individual engaged in the sale of goods, the provision of specified services or the importation of goods in China is generally required to pay VAT on the added value derived during the process of manufacture, sale or service provided. Unless stated otherwise, for VAT payers who are selling or importing goods, and providing processing, repairs and replacement services in the PRC, the tax rate shall be 17%.

PRC LAWS AND REGULATION ON FOREIGN CURRENCY EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Currency Exchange

Pursuant to the Foreign Currency Administration Rules of the PRC (中華人民共和國外匯管理條例) promulgated by the State Council on 29 January 1996 and amended on 1 August 2008 and various regulations issued by the SAFE and other PRC regulatory agencies, Renminbi is freely convertible only to the extent of current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions. Capital account items, such as direct equity investment, loans and repatriation of investment, require the prior approval from or registration with the SAFE or its local branch for conversion of Renminbi into a foreign currency, and remittance of the foreign currency outside the PRC.

Dividend Distribution

The principal regulations governing distribution of dividends of foreign holding companies include the Company Law of the PRC (中華人民共和國公司法) promulgated by the National People's Congress Standing Committee in 1993 and amended in 1999, 2004 and 2005, the Foreign Investment Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated by the National People's Congress Standing Committee in 1986 and amended in 2000, and the Administrative Rules under the Foreign Investment Enterprise Law of the PRC (中華人民共和國外資企業法實施細則) promulgated by the State Council in 1990 and amended in 2001.

Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in China, are also required to allocate at least 10% of their respective accumulated profits after tax each year, if any, to fund certain reserve funds unless these accumulated reserves have reached 50% of the registered capital of the enterprises. These reserves are not distributable as cash dividends.

Return Investment via Overseas Special Purpose Companies

On 21 October 2005, the SAFE issued the Notice on Relevant Issues Relating to the Administration of Foreign Exchange of Financing and Return Investment Activities by Domestic Residents Conducted via Offshore Special Purpose Vehicles (國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or SAFE Circular No. 75, which became effective as of 1 November 2005. According to Circular No. 75, (a) a domestic resident, including a domestic resident natural person or a PRC company, must register with the local SAFE branch before it establishes or controls a special purpose vehicle ("SPV") for the purpose of conducting overseas equity financing; (b) when a domestic resident contributes assets or equity interests to an overseas SPV, or engages in overseas financing after contributing assets or equity interests in a domestic enterprise to an overseas SPV, such domestic resident must register its interest in the overseas SPV or any change to its interest in the overseas SPV with the local SAFE branch; and (c) when the overseas SPV undergoes a material change in capital outside the PRC, such as a change in share capital or merger and acquisition, the domestic resident must, within 30 days after the occurrence of such event, register such change with the local SAFE branch. Moreover, Circular No. 75 applies retroactively.

Under the relevant rules, failure to comply with the registration procedures set forth in Circular No. 75 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the increase of its registered capital, the payment of dividends and other distributions to its offshore parent or affiliate and the capital inflow from the offshore entity, and may also subject the relevant domestic resident to penalties under PRC foreign exchange administration regulations.

M&A Regulations and Overseas Listings

On 8 August 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the China Securities Regulatory Commission (the "CSRC") and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者並購境內企業的規定) (the "M&A Rule"), which became effective on 8 September 2006 and was amended on 22 June 2009. This M&A Rule, among other things, includes provisions that purport to require that an SPV formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC domestic companies or individuals obtain the approval of the CSRC prior to the listing and trading of such SPV's securities on an overseas stock exchange. The M&A Rule also requires the PRC domestic companies or individuals to obtain approval from the MOFCOM prior to merging and acquiring the related domestic companies via offshore companies funded or controlled by such PRC domestic companies or individuals.

OTHER RELEVANT PRC LAWS AND REGULATIONS

Intellectual Property Laws and Regulations

China has adopted legislation related to intellectual property rights, including trademarks, patents and copyrights. China is a signatory to all major intellectual property conventions, including the Paris Convention for the Protection of Industrial Property, Madrid Agreement on the International Registration of Marks and Madrid Protocol, Patent Cooperation Treaty, Budapest Treaty on the International Recognition of the Deposit of Microorganisms for the Purposes of Patent Procedure and the Agreement on Trade-Related Aspects of Intellectual Property Rights.

Regulations on Patents

Under the revised Patent Law of the PRC (中華人民共和國專利法) promulgated on 27 December 2008 and effective on 1 October 2009, there are three types of patents, including invention patents, design patents and utility model patents. Invention patents are valid for 20 years, while design patents and utility model patents are valid for ten years, in each case commencing on their respective application dates. Persons or entities who use patents without the consent of the patent owners, make counterfeits of patented products, or engage in activities

that infringe upon patent rights are held liable to the patent owner for compensation and may be subject to fines and even criminal punishment.

The patent prosecution system in China is different in many ways from that in other countries. The patent system in China uses the "first to file" principle, which means when more than one person files a patent application for the same invention, the patent will be granted to the person who files the application first. In addition, China requires absolute novelty for an invention to be patentable. Therefore, in general, a patent will be denied if it is publicly known in or outside of China. Furthermore, patents issued in China are not enforceable in Hong Kong, Taiwan or Macau, each of which has an independent patent system.

Although patent rights are national rights, the Patent Cooperation Treaty to which China is a signatory, allows applicants in one country to seek patent protection for an invention that may simultaneously exist in a number of other member countries by filing a single international patent application. The fact that a patent application is pending is no guarantee that a patent will be granted, and even if granted, the scope of a patent may not be as broad as the subject of the initial application.

Regulations on Trademarks

Both the Trademark Law of the PRC (中華人民共和國商標法) promulgated by the National People's Congress Standing Committee in 1982 and amended in 2001, and the Regulation on Implementation of Trademark Law of the PRC (中華人民共和國商標法實施條例) promulgated by the State Council in 2002, give protection to the holders of registered trademarks. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certificate marks.

The Trademark Office under the State Administration for Industry and Commerce (國家工商行政管理總局商標局) handles trademark registrations and grants a term of ten years to registered trademarks, renewable every ten years; where a registered trademark needs to be used after the expiration of its validity term, a registration renewal application shall be filed within six months prior to the expiration of the term.

Under the Trademark Law, any of the following acts may be regarded as an infringement upon the right to exclusive use of a registered trademark, including (i) using a trademark which is identical with or similar to the registered trademark on the same or similar commodities without authorization; (ii) selling the commodities that infringe upon the right to exclusive use of a registered trademark; (iii) forging or manufacturing the marks of a registered trademark of others without authorization, or selling the marks of a registered trademark forged or manufactured without authorization; and (iv) causing other damage to the right to exclusive use of a registered trademark of another person.

Violation of the Trademark Law of the PRC may result in the imposition of fines, and confiscation and destruction of the infringing commodities.

Trademark license agreements must be filed with the Trademark Office under the State Administration for Industry and Commerce or its regional counterparts. The licensor shall supervise the quality of the commodities on which the trademark is used, and the licensee shall guarantee the quality of such commodities.

Regulations on Domain Names

The Measures for the Administration of Domain Names for the Chinese Internet (中國互聯網路功能變數名稱管理辦法) (the "Domain Name Measures") were promulgated by the Ministry of Information Industry on 5 November 2004 and became effective on 20 December 2004. The Domain Name Measures regulate registrations of domain names with the Internet country code ".cn" and domain names in Chinese.

The Measures on Domain Name Dispute Resolution (中國互聯網資訊中心功能變數名稱爭議解決辦法(2006年修訂)) ("Domain Name Dispute Resolution Measures") were promulgated by the Chinese Internet

Network Infrastructure Center on 14 February 2006 and became effective on 17 March 2006. The Domain Name Dispute Resolution Measures require domain name disputes to be submitted to institutions authorised by the Chinese Internet Network Information Center for resolution.

Labour Protection

The Employment Contract Law of the PRC (中華人民共和國勞動合同法) was promulgated on 29 June 2007 and became effective on 1 January 2008 and the Implementing Regulations of the PRC Employment Contract Law (中華人民共和國勞動合同法實施條例) was promulgated and became effective on 3 September 2008. This law and its implementing regulations govern the establishment of employment relationships between employers and employees, and the conclusion, performance, termination of, and the amendment to, employment contracts. To establish an employment relationship, a written employment contract shall be signed. In the event that no written employment contract was signed at the time of establishment of an employment relationship, a written employment contract shall be signed within one month after the date on which the employer first engages the employee.

Under applicable PRC laws, rules and regulations, including the Social Insurance Law (中華人民共和國社會保險法), promulgated by the Standing Committee of the National People's Congress on 28 October 2010, which took effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費征繳暫行條例) promulgated by the State Council and which became effective on 22 January 1999, the Interim Measures concerning the Maternity Insurance (企業職工生育保險試行辦法) promulgated by the Ministry of Labour on 14 December, 1994 and which became effective on 1 January 1995, the Regulations on Occupational Injury Insurance (工傷保險條例) promulgated by the State Council on 27 April 2003 and which became effective on 1 January 2004 and were amended on 20 December 2010, and the Regulations on the Administration of Housing Accumulation Funds (住房公積金管理條例) promulgated by the State Council and which became effective on 3 April 1999 and were amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer that fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

KAZAKHSTAN REGULATIONS

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, companies, tax, customs, currency, banking and competition are still developing, and uncertainties in the law could have a material adverse effect on the operations of an oilfield services provider like us

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, companies, tax, customs, currency, capital markets, pensions, insurance, banking and competition are still developing. Many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. Furthermore, the judicial system in Kazakhstan may not be fully independent of social, economic and political forces. Court decisions can be difficult to predict and enforce, and an oilfield services company's best efforts to comply with applicable law may not always result in compliance.

Furthermore, as the statutes on subsoil use do not define the course of action available to the government by reference to the magnitude of a breach, a minor breach could conceivably lead to harsh consequences, such as suspension or termination of the subsoil user rights. Due to the relative newness of the subsoil use legislation, there are few precedents that would make the consequences of a breach more predictable.

The Kazakhstan government has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector. However, there can be no assurance that the Kazakhstan government will continue such policy.

Given Kazakhstan's short legislative, judicial and administrative history, it is not possible to predict the effect of current and future legislation on our business. The ongoing rights of the Company under its subsoil use contracts, licences and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain.

The Kazakhstan Law on Licensing dated 11 January 2007, or the RK Licensing Law, provides a list of activities subject to licensing requirements, violation of which may result in civil, administrative or criminal liability. Our subsidiaries in Kazakhstan have obtained licences for exploitation of mining production, which allows them to engage in activities including drilling oil and gas wells, undergrounding and overhauling wells, dismantling equipment, and installing well lifters, after-repair testing of wells, and flushing, cementing, testing, and developing wells. Under Kazakhstan laws, the authorised government authority conducts examination of a licensee's compliance with the qualification requirements through, inter alia, reviewing annual reports for a reporting year, which the licensee is obliged to submit by 1 March following the reporting year.

Under the Kazakhstan Law on Subsoil and Subsoil Use dated 24 June 2010, or the RK Subsoil Law, a subsoil user and its subcontractors must acquire or procure goods, work and services from Kazakhstan producers to the extent that they comply with the requirements in respect of the relevant project's technical regulations of Kazakhstan, and with the standards, price and quality comparable to similar work and services provided by non-residents. The RK Subsoil Law determines Kazakhstan content "in personnel", "in goods", "in work" (i.e. services) as well as which entities are deemed to be a Kazakhstan "producer". The RK Subsoil Law requires subsoil users to give preference to Kazakhstan producers and personnel during the performance of subsoil use operations.

Our Kazakhstan legal counsel is of the opinion that, based on their due diligence on the Kazakhstan subsidiaries of our Company, our Kazakhstan subsidiaries and their operations are not subject to Kazakhstan's Subsoil or Subsoil Use Law No 291-IV; and the proposed Global Offering is not subject to the "priority rights" or approval of the Government of Kazakhstan, i.e. the procedure of mandatory procurement of a waiver of Kazakhstan's priority rights and consent of the competent authority under the Kazakhstan Subsoil Law.

We are not aware of any proposed material any essential changes in the legislation in Kazakhstan regulating the order of a contract's conclusion and the order of registration of the rights to immovable property.

Environmental protection in Kazakhstan is regulated primarily by the Kazakhstan Environmental Code dated 9 January 2007, or the RK Environmental Code. Depending on the nature of the industrial activity of a particular user, the Kazakhstan Ministry of Environmental Protection and Akimats (i.e. local executive authorities) issue permits for environmental emissions or integral environmental permits to certify the entity's right to make environmental emissions, as well as provide for approval of various activities, including construction and operation of industrial facilities and waste disposal facilities. The RK Environmental Code establishes a "pay to pollute" regime administered by the relevant national and local authorities. Payment of emission fees does not relieve a company from its responsibility to take environmental protection measures and undertake restoration and clean-up activities, as well as to pay fines and compensate for damages to the environment. Failure to comply with environmental requirements or cause environmental accidents may result in suspension or termination of a company's operations, and administrative and/or civil liability as well as criminal liability imposed upon individuals responsible for such failure.

Health and safety practices in Kazakhstan are regulated by the Kazakh Labour Code, the Law on Industrial Safety at Hazardous Industrial Facilities dated 3 April 2002, and the Code on Health of Population and Healthcare System dated 18 September 2009.

Various Kazakhstan government bodies have authority in the field of health and safety matters. These governmental bodies include the Ministry of Labour and Social Protection of the Population, the Ministry of Emergency Situations and the Sanitation and Epidemiological Service Committee of the Ministry of Health Protection.

The industrial safety regulations are applicable to Kazakhstan subsidiaries to the extent that they own and use equipment engaged in hazardous work and are therefore subject to various technical requirements, including the obtaining of permits, certificates of conformance and insurance in respect of such hazardous work .

Companies which own or operate hazardous industrial facilities are subject to mandatory inspection of the industrial safety of their facilities, technical equipment, materials and devices and to mandatory insurance of their civil liability. Furthermore, owners or operators of hazardous facilities must:

- submit a mandatory statement with respect to the hazardous facilities;
- exercise industrial control over the hazardous facilities;
- adhere to applicable industrial safety guidelines (within terms set by industrial safety regulations for specific hazardous facilities, and as prescribed by the relevant state authority); and
- train their personnel on industrial safety.

The Kazakhstan laws relating to labour matters include the Labour Code and the Rules on Establishment of Quota, Conditions and Order of Issue of Permits to Employers for Attraction of Foreign Labour Force to the Republic of Kazakhstan. Under these regulations, our company should:

- comply with requirements relating to the employment procedures, changes of the working condition, and termination of employment;
- comply with the safety and labour protection rules;
- ensure the civil liability insurance of the employer;
- provide all applicable guarantees and compensation to employees;
- have job descriptions, a code of conduct and other regulations governing the employment relationship;
- keep records of hours worked, including overtime work, night work, week-end and holiday work, and payments for overtime work, night work, week-end and holiday work;
- sign individual material liability agreements with the employees who use material inventories of the company;
- sign confidentiality undertakings with the employees who use confidential information of the company while performing their employment duties;
- comply with the procedures for keeping employment records and for the handling of personal data of employees;
- comply with the requirements for employment relations with women with minor children, part-time employees, disabled persons and other categories; and
- obtain special work permits for foreign employees.

Affairs of Kazakhstan subsidiaries might be subject to the anti-trust regulations in Kazakhstan. Generally, the Kazakh Law on Competition, dated 25 December 2008, prohibits any actions of a market entity which may restrict competition in Kazakhstan, including anti-competitive agreements or coordinated actions of the market participants, as well as abuse of dominant or monopolistic positions.

Kazakhstan subsidiaries might be subject to further restrictions imposed by the anti-trust legislation of Kazakhstan if they are regarded as holding a dominant or monopolistic position and are included in the relevant Register maintained by the Kazakh Anti-Trust Agency. These restrictions may comprise, inter alia, prohibition of entering into agreements which have the effect of price-fixing or which otherwise have the effect of limiting competition, artificially limiting the supply of goods, maintaining high or low monopolistic prices or refusing to sell goods to third parties without justification.

REGULATIONS

The Law of the Republic of Kazakhstan on Securities Market No. 461-II, dated 2 July 2003 (the "Securities Market Law") provides that any legal entity deemed to be resident in Kazakhstan must obtain the prior approval of the Kazakh financial services regulator (the Agency of the Republic of Kazakhstan on the Regulation and Supervision of the Financial Market and Financial Organisations) with respect to any placement of securities abroad. In such case, the amended law also requires a listing of the securities on the Kazakhstan Stock Exchange and at least 20% of the securities to be offered in Kazakhstan. An entity is deemed to be resident in Kazakhstan, and subject to the requirements described above, if it is organised under the laws of Kazakhstan, if not less than two-third of its assets are located in Kazakhstan or if the principal management is carried out and strategic commercial decisions are made in Kazakhstan.

Relevant provisions of the Securities Market Law are broadly worded and there is no available interpretive guidance. Therefore, there can be no assurance that the Kazakh financial services regulator or a Kazakh court would not consider other factors, in addition to our jurisdiction of incorporation, proportion of assets located in Kazakhstan, place of strategic decisions and effective management, to be relevant in determining whether we are resident in Kazakhstan for the purposes of the Securities Market Law and that they would determine that we comply with the Securities Market Law. The Securities Market Law does not specify any penalties for non-compliance with the above provisions. However, the authorities could seek to invalidate the issuance and/or impose general administrative penalties, which are typically modest fines. They could also seek to require the Company to effectuate a local listing and placement of securities. There can also be no assurance that the relevant authorities would not seek to impose other penalties or requirements to remedy a claimed breach of the Securities Market Law provisions. Any such actions could have a material adverse effect on our business, results of operations and financial condition.

Currency regulation in Kazakhstan is governed primarily by the Kazakhstan Law On Currency Regulation and Currency Control No. 57-III, dated 13 June 2005 and various regulations enacted by the National Bank of Kazakhstan ("NBK"). Notwithstanding the devaluation in February 2009, the national currency, the Tenge, is considered a relatively stable currency. It is fully convertible for current account transactions and, since 1999, it has floated freely. Sustained foreign currency inflows (due primarily to increased oil revenues) and the general weakening of the U.S. dollar have resulted in modest appreciation of the Tenge on the world markets in recent years.

Kazakhstan has accepted the conditions of paragraphs 2, 3 and 4 of Article VIII of the International Monetary Fund Charter and, as a result, has agreed not to introduce or increase any exchange rate restrictions, introduce or modify any practice of multiple exchange rates, enter into any bilateral agreements violating Article VIII or impose any import restrictions. In accordance with Article VIII, the 1996 law on currency regulation, and a more recent law on the same in 2005 (above), were adopted. According to the current law, all current account operations, including transfers of dividends, interest and other investment income, may be made without restriction. Only certain capital account operations between residents and non-residents need to be notified to or registered with the NBK. Capital outflows and inflows are registered and monitored for statistical purposes only, but are not restricted, subject to the above-mentioned registration with or the submission of a notification to the NBK.

Certain currency operations between residents and non-residents such as settlements on export/import, direct investments, participation in charter capital transactions with securities and derivative financial instruments, financial loans, opening of bank accounts, etc. may be required to comply with the NBK registration or notifications requirements. NBK registration is a relatively straightforward procedure and must be carried out by the resident of Kazakhstan and should be conducted after the execution of the relevant transaction but before the parties commence discharging their obligations thereunder (i.e., before the first payment). For registration, the resident of Kazakhstan must deliver to the NBK a copy of the transaction agreement and certain other documents. The NBK must register the transaction within 10 business days after it received the required documents. Notification to the NBK should be made no later than seven days from the first payment made under the applicable transaction in case such transaction is not subject to the provision of reports on a regular basis.

Implementation of Special Currency Regime might adversely affect the Company's business, financial condition, results of operations and prospects.

At the same time, Kazakh currency regulations envisage that a special regime might be introduced in case of a threat to economic security. The following measures that might be undertaken in case of declaration of a "special currency regime" by the President include: (i) placement of an interest-free deposit in the authorised bank or in the NBK in an amount or certain percentage of the currency transaction for a certain period; (ii) obtaining special permission of the NBK for currency operations; (iii) mandatory sale of foreign currency by residents; (iv) restriction on use of foreign accounts; (v) establishment of the terms (period) of repatriation of foreign currency income as well as limits on the volume, amount and payment currency under the currency operations. We note that the list of mentioned measures is not exhaustive, i.e., the Kazakhstan Government shall have the right to introduce other measures as well. The mentioned special measures might be in effect in the case of a special Presidential Decree at the proposal of the NBK and the Kazakhstan Government. According to the law, the special regime might be established for a period of one year and the President has the right to prolong it or terminate it early. To date, such powers have not been exercised.

The principal taxes in Kazakhstan are corporate income tax at a rate of 20% (and 15% for a few types of income subject to withholding corporate income tax), individual income tax of the employee (calculation and transfer of which is assigned to the employer), social tax at a rate of 11% (of expenses incurred by an employer as salary (including bonuses and other forms of remuneration) and social package benefits to employees), social insurance contributions at a rate of 5% (of the expenses of an employer payable to an employee as income for the work performed), value added tax on goods and services at a rate of 12% and value added tax on imports at a rate of 12%.

REGULATIONS OF ALBERTA, CANADA APPLICABLE TO THE CANADIAN SUBSIDIARIES

Any corporation conducting business in the Province of Alberta must be either (a) duly incorporated and validly subsisting as an Alberta corporation under the ABCA, or (b) validly registered as an extra-provincial corporation in accordance with the requirements of the ABCA. To remain valid and subsisting under the ABCA, an Alberta corporation is required to file an annual return in the prescribed form with the Registrar of Corporations of Alberta, Canada on an annual basis.

Corporations conducting business in Canada are required to obtain a unique nine-digit business number from the Canada Revenue Agency. A business number is automatically assigned to a corporation upon the completion of the incorporation process. Depending upon the nature of the business being conducted, a corporation will have a program identifier and reference number allocated to it. The following four program identifiers are applicable to a corporation conducting business in Canada: (i) goods and services tax/harmonized sales tax for companies having revenues in excess of CAD 30,000 per annum; (ii) payroll for companies with employees; (iii) import/export for companies whose business includes the importation or export of goods; and (iv) corporation income tax.

Pursuant to City of Calgary By-Law 32M98—Business Licence Bylaw (the "Bylaw"), a corporation is prohibited from carrying on a business specified within the Bylaw in the City of Calgary unless the corporation has a valid business licence. A business requiring a business licence includes a company engaged in manufacturing.

Pursuant to the Workers Compensation Act (Alberta), all employers and workers in all industries are subject to the provisions of the Act except for employers and workers engaged in industries designated as being exempt industries under the Workers Compensation Regulations (Alberta). The list of exempt industries under the Regulations is lengthy and includes companies expediting goods and materials but not companies engaged in manufacturing activities.