You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, as at and for the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2010 and 2011 included in the Accountants' Report set out in Appendix I to this Prospectus. The Accountants' Report has been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

The following discussion and analysis and other parts of this Prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks, uncertainties and changes in circumstances. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the sections entitled "Forward-Looking Statements" and "Risk Factors" in this Prospectus.

OVERVIEW

We are as confirmed by GLJ(1) the largest holder of non-partnered Oil Sands Leases by area in the Athabasca oil sands region. Since our incorporation on 22 February 2007, we have secured over 464,897 hectares of Oil Sands Leases (equal to approximately 7% of all granted leases in this area). Athabasca is the most prolific oil sands region in the Province of Alberta, Canada. Canada's oil sands represent the largest oil resource found in a stable political environment located in the western hemisphere and the third largest oil resource in terms of oil reserves in the world, with 169 billion bbls of estimated reserves. Moreover, the Canadian oil sands provide the largest supply of oil to the United States.

We are headquartered in Calgary, Alberta. Our principal operations are the exploration, development and production of our diverse portfolio of Oil Sands Leases. Our seven principal operating regions in the Athabasca area are at West Ells, Thickwood, Legend Lake, Harper, Muskwa, Goffer and Portage. In addition, we have non-principal areas with no immediate development plans located at Pelican Lake, East Long Lake, Crow Lake, Saleski and South Thickwood.

Our Oil Sands Leases are grouped into three main asset categories:

- *Clastics* — oil-saturated sands deposited during the Cretaceous period which contain bitumen extracted through thermal production (developed primarily using the SAGD *in situ* method);
- *Carbonates* — oil-saturated carbonate based sedimentary rock deposited during the Devonian period, with potential to be commercially produced with thermal extraction techniques and developing technologies; and

Note:

(1) GLJ's opinion is based on analysis of public data through GeoScout that provides access to a database with all publicly disclosed company, land, well and production data. There is no public data that is available to establish definitively our comparative position amongst both partnered and non-partnered holders of Oil Sands Leases.

- *Conventional Heavy Oil* — oil-saturated sands deposited during the Cretaceous period that can be recovered using CHOPS or other conventional heavy oil recovery technologies.

The initial development of our clastic assets will involve the exploration, appraisal, development and production of our West Ells, Thickwood and Legend Lake sites. On the basis of our management assumptions, we have forecasted that our Base Case Clastic Assets will have a total productive life of over 50 years and a peak production of approximately 200,000 bbl/d for over 18 years. Our management's development plan anticipates execution of these developments in staged and scalable phases in order to carefully manage project timing and funding requirements, as well as to exploit existing established technologies and new technologies as they are developed. Our management has assumed the following summary development timetable for each site:

- *West Ells* — We received regulatory approval from the ERCB on 26 January 2012 for the 10,000 bbl/d West Ells clastics project following the issuance of a final permanent shut-in order by the ERCB in relation to a dispute on 15 December 2011. First steam for the first phase is estimated to take place in the second quarter of 2013. The project has an initial anticipated production rate of 5,000 bbl/d, which will be followed by an expansion of an additional 5,000 bbl/d to reach a planned production capacity of 10,000 bbl/d. Following approval of subsequent regulatory applications, a total planned production capacity of 100,000 bbl/d is anticipated from the area, with first steam of the last expansion expected by 2024. No production is expected in 2012.

- *Thickwood* — We filed a regulatory application with the ERCB for a 10,000 bbl/d commercial facility in the Thickwood project area on 31 October 2011. First steam is planned for the first quarter of 2015. Total planned production capacity for this area is 50,000 bbl/d by 2021. No production is expected in 2012.

- *Legend Lake* — We filed a regulatory application with the ERCB for a 10,000 bbl/d commercial development in the Legend Lake clastics project area on 25 November 2011. First steam is planned for the first quarter of 2016. Total planned production capacity for this area is 50,000 bbl/d by 2022. No production is expected in 2012.

In addition to our Base Case Clastic Assets, we have identified clastic exploration opportunities through our 2010/2011 winter drilling programme in the Harper and Opportunity regions and the Muskwa regions. These areas provide potential for material growth in our clastics contingent resources and with the progression of regulatory applications for these areas, additional reserves over time.

As at 30 September 2011, we had invested C$70.9 million in acquisitions of Oil Sands Leases and a further C$260.9 million in drilling operations, project planning and regulatory application processing. We completed our last significant capital raising in February 2011 and we raised gross proceeds of C$225.9 million in the nine months ended 30 September 2011. As at 30 September 2011, we had C$122.6 million in cash and cash equivalents (term deposits). In order to fund our exploration and development activities, we have raised approximately C$451.0 million in equity proceeds since our inception to 30 September 2011, including funds from prominent Chinese investors such as China Life, BOCGI, Orient and Cross-Strait.

During the three years ended 31 December 2010 and the nine months ended 30 September 2011, our business has progressed through three winter delineation programmes and has progressed to early stage development and production of our diverse portfolio of Oil Sands Leases. We have not generated net profits and have recorded operating cash outflows up until the nine months ended 30 September 2011.

OUR AUDITORS AND ACCOUNTING STANDARDS

The Accountants' Report set forth in Appendix I to this Prospectus has been prepared by our reporting accountants, Deloitte Touche Tohmatsu, Hong Kong. Deloitte & Touche LLP, Chartered Accountants of Canada have been appointed to act as the auditors of our annual and interim financial statements after the Listing Date.

We will continue to perform our audits in accordance with Canadian Auditing Standards and to prepare our financial statements in accordance with IFRS following the Listing Date. The Canadian Auditing and Assurance Standards Board has adopted the International Standards on Auditing issued by the International Auditing and Assurance Standards Board ("**IAASB**") as the Canadian Auditing Standards for audits of financial statements for periods ended on or after 14 December 2010. There are no significant or material differences between the International Standards on Auditing and Canadian Auditing Standards.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Historically, our Company's activities have mainly consisted of the exploration and development of our Oil Sands Leases. We did not engage in any commercial production of bitumen during 2008, 2009 and 2010 or the nine months ended 30 September 2011 and therefore did not record any revenue during those financial periods. All costs directly associated with exploration and evaluation activities are initially capitalised. These costs include unproved property acquisition costs, geological and geophysical costs, exploration and evaluation drilling, expenditures directly attributable to exploration and evaluation activities (including share based payments), borrowing costs and consequential operating costs, and annual rent expense for oil and gas leases. E&E assets are those expenditures for an area where technical feasibility and commercial viability have not yet been determined. While we commenced the initial pre-production and sale of bitumen from our conventional heavy oil assets in September 2010, the determination of commercial production has not yet been made. Please refer to the section entitled "— Certain Statements of Financial Position Items — Exploration and Evaluation Assets" below. In accordance with our Company's accounting policies, the decision to transfer assets from E&E assets to development and producing assets occurs when the technical feasibility and commercial viability of the project is determined. We anticipate that we will make this determination in early 2012 and we will then be in a position to recognise revenue, royalties and operating expenses in our statement of operations and comprehensive income. Therefore, our historical operating results are not indicative of our future operating results.

Our financial position and operating results have primarily been affected by costs associated with our exploration and development activities, including, among other things, the costs of acquiring our Oil Sands Leases, labour costs, construction costs and plant and equipment costs. All qualifying capital expenditures are capitalised until the time when the related projects are deemed to meet our management determination and criteria for commercial production and are deemed to be technically feasible by our management team. Our results of operations will continue to be affected by these and other costs associated with pre-production stages of development given that we intend to develop our business through a number of stages.

We anticipate that the following factors are likely to significantly affect our results of operations, cash flows and financial condition going forward.

Oil Prices

Crude oil prices, in particular both base WTI prices as well as WTI-LLB differentials, are expected to have a significant impact on our future results of operations. We anticipate that our bitumen will be sold as a blend. Bitumen blends are priced using several benchmarks in Alberta at the Hardisty Hub, the most common benchmarks being Lloyd Blend, Bow River and more recently Western Canadian Select. Bitumen blends trade at quality discounts to conventional light oils such as WTI or Edmonton Par. WTI is a light sweet crude oil which is used as a benchmark grade of crude oil for North American price quotations and is referenced at a sales point in Cushing, Oklahoma. Currently, the market for bitumen blend is strong and production from the Athabasca region is primarily sold to refineries in Canada, the Midwest (PADD II) and the Rocky Mountains (PADD IV) in the United States. Our conventional heavy oil is typically priced off West Canadian Select, which is priced at the Hardisty Hub at a monthly floating differential to WTI. WTI prices and WTI-LLB differentials are in turn impacted by factors such as the available supply of crude oil from oil producing nations such as Mexico and Venezuela, heavy oil refining capacity in North America and consequent demand, pipeline and infrastructure to transport heavy oil from Canada to the United States, the condition of the Canadian, United States and global economies, actions taken by the Organisation of Petroleum Exporting Countries, governmental regulation, political stability in oil producing nations and elsewhere and war or the threat of war in oil producing regions.

We expect that the selling prices of our products will be significantly affected by changes in oil prices. Increases in crude oil prices would lead to increases in our selling prices, potentially increasing our revenue and overall profitability. Decreases in crude oil prices would lower our revenue and potentially reduce our profitability. Fluctuations in oil prices could affect our pace of growth. If oil prices fall below commercially acceptable levels, we may choose to delay the exploration, development and commencement of commercial production of some of our projects.

Production Capacity and Costs

We expect that our revenues will be significantly affected by our sales volume, which in turn will be determined by the demand for our products and our ability to meet such demand based on our production capacity and costs of production.

Production capacity

Our ability to achieve our desired production capacity could be affected by, among other things, the following:

- our level of, and ability to access, capital to fund ongoing and future exploration, evaluation and development of our Oil Sands Leases;

- our ability to hire, retain and engage experienced and talented employees, consultants and third party contractors to construct, manage and operate our projects;
- our management's capacity to manage and operate the increasing scale of our operations and projects;
- the SOR levels we achieve in our clastics projects; and
- our ability to complete our projects on schedule.

Costs

We expect that the following factors, among other things, will affect our costs:

- commodity prices, specifically natural gas and diluent prices;
- power prices, specifically the cost of producing cogeneration power for the simultaneous generation of both electricity and heat for our projects and electricity prices for SAGD projects not utilising cogeneration;
- financing costs associated with any future debt facilities or debt or equity issuances;
- our ability to complete our projects on schedule and within our budget;
- the pace of development in the oil sands regions in Canada. If demand for skilled labour and materials necessary to complete and operate the projects increases, our costs could increase or we could experience shortages of labour and materials;
- our ability to operate in accordance with design specifications;
- the SOR levels we achieve in our clastics projects;
- the amount of royalties we receive; and
- tax, specifically the timing and terms of a carbon tax by the Government of Alberta.

For discussion on how commodity prices may affect our results and the related sensitivity analyses, please refer to the section entitled "Business — Production Economics for Clastic Assets".

Exchange Rates

Our results of operations are expected to be affected by the exchange rate between the Canadian and US dollar. The majority of our expenditures and other expenses are in Canadian dollars. Even though we are currently receiving and may in the future receive our revenue in Canadian dollars, such sales of oil commodities reflect prices determined by reference to US benchmark prices and so an appreciation of the Canadian dollar relative to the US dollar will decrease the revenues received from the sale of our products. A depreciation of the Canadian dollar relative to the US dollar would increase our revenues.

For more information on other drivers for our results of operation, please refer to the section entitled "Business — Production Economics for Clastic Assets".

REVENUE AND COST STRUCTURE UPON COMMERCIAL PRODUCTION

Revenue from bitumen sales represents the amounts received and receivable for our product sold. Revenue from bitumen sales reflects the average selling price and sales volume of our bitumen which is produced from our Muskwa site. During the Track Record Period, in accordance with our accounting policy for revenue recognition and capitalisation of costs included in E&E assets, we have capitalised our revenue, less royalties and operating expenses from the sale of bitumen from the Muskwa area as the Muskwa project is currently in pre-production.

The following table sets out the total pre-production volume, revenue and price per barrel of bitumen derived from Muskwa during the Track Record Period:

	Q4 2010	Q1 2011	Q2 2011	Q3 2011
Blended sales volume from Muskwa (includes diluent) (bbls)	9,948.5	11,564.8	31,066.9	47,142.9
Blended sales revenue (C$)[1]	C$470,680	C$631,535	C$2,270,438	C$3,279,382
Price per barrel (C$/bbl)	C$47.31	C$54.61	C$73.08	C$69.56

Note:

(1) Represents bitumen revenue dependent on the cost of diluent and the blending ratio required to create bitumen blend.

As the Muskwa project is currently in pre-production, the above revenue and volume information is not reflective of the anticipated performance of the Muskwa project once it has been determined to meet the appropriate criteria for technical feasibility and commercial viability.

Once the Muskwa project, where all our current production sales to our customer, Legacy, are occurring, has been determined to meet the appropriate criteria for technical feasibility and commercial viability, revenue less royalties and operating expenses will be recognised in the statement of operations and comprehensive loss when our product is delivered and title to the bitumen passes to the customer. We expect this to occur in early 2012.

We consider technical feasibility and commercial viability is achieved when a project has identified proved reserves, is able to economically lift the oil in a consistent and predictable manner with a reasonable operating cost, produce consistent daily volumes and experience consistent well performance. We will determine whether technical feasibility and economic viability is met with respect to our Muskwa project in conjunction with our reporting accountant and with reference to IFRS.

Average Selling Price

Crude oil prices, in particular both base WTI prices as well as WTI-LLB differentials, are expected to have a significant impact on our future results of operations. Our oil produced at Muskwa is sold as a blend. Bitumen blends are priced using several benchmarks in Alberta, the most common benchmarks being LLB, Bow River and more recently WCS.

WTI prices and LLB or WCS differentials are in turn impacted by factors which are beyond our control, such as those highlighted above in the section entitled "— Significant Factors Affecting Our Results of Operations — Oil Prices".

Sales Volume

The average daily pre-production volume at Muskwa increased significantly at the end of 2011 compared to the pre-production volume for the nine months ended 30 September 2011. This growth came from the additional drilling and production facility construction completed at Muskwa during the fourth quarter of 2011.

Royalties

The Province of Alberta requires royalties to be paid on the production of natural resources from lands for which it owns the mineral rights. 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. For pre-payout and post-payout royalty range, please refer to the section entitled "Business — Production Economics for Clastic Assets — Royalties".

Transportation, Diluent and Operating Expenses

Transportation and diluent expenses are incurred in relation to getting the product to market. Blending and other processing is completed in order to have the oil market-ready for delivery to the pipeline. Transportation charges are incurred once the bitumen has been blended and processed to the required standards for pipeline receipt. Operating expenses consist mainly of manpower costs, road and other maintenance, chemicals and other expenses. All these operating related expenses will be recognised in the statement of operations and comprehensive loss when commercial production is achieved, which is expected in early 2012.

The above revenue and cost structure is also applicable to the future commercial production of bitumen from our clastics and carbonates assets.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with IFRS. The preparation of the financial statements requires us to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, expenses, and related disclosure of contingent assets and liabilities. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experience and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from those estimates.

An accounting policy is considered critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time such estimate is made, and if different accounting estimates that reasonably could have been used, or changes in the accounting estimates that are reasonably likely to occur periodically, could materially impact the consolidated financial statements. We believe that the following accounting policies represent critical accounting policies as they involve a higher degree of judgment and complexity in their application and require us to make significant accounting estimates. The following descriptions of critical accounting policies, judgments and estimates should be read in conjunction with our consolidated financial statements and other disclosures included in this Prospectus.

Oil and Gas Reserves

The process of estimating quantities of reserves is inherently uncertain and complex. It requires significant judgments and decisions based on available geological, geophysical, engineering and economic data. These estimates may change substantially as additional data from ongoing development activities and production performance becomes available and as economic conditions impacting oil and gas prices and costs change. Reserve estimates are based on current production estimates, prices and economic conditions.

Reserve estimates are critical to many accounting estimates including:

- determining whether or not an exploratory well has found economically recoverable reserves. Such determinations involve the commitment of additional capital to develop the field based on current production estimates, prices and other economic conditions;
- calculating unit-of-production depletion rates. Proved and probable reserves are used to determine rates that are applied to each unit-of-production in calculating depletion expense; and
- assessing development and production assets for impairment. Estimated future net cash flows used to assess impairment of our development and production assets are determined using proved and probable reserves.

Our Competent Persons' Reports provide reserve estimates for each property at least annually and issue a report thereon. The reserve estimates are reviewed by our engineers and operational management familiar with the property.

Recoverability of Exploration and Evaluation Assets

E&E assets are capitalised by cash generating unit and are assessed for impairment when circumstances suggest that the carrying amount may exceed its recoverable value. This assessment involves judgment as to: (i) the likely future commerciality of the asset and when such commerciality should be determined; (ii) future revenues based on forecasted oil and gas prices; (iii) future development costs and production expenses; (iv) the discount rate to be applied to such revenues and costs for the purpose of deriving a recoverable value; and (v) the potential value to future E&E activities of any geological and geographical data acquired.

As at 31 December 2008, 2009 and 2010 and 30 September 2011, the carrying amount of our E&E assets was C$124.5 million, C$134.6 million, C$197.8 million and C$331.8 million, respectively.

Decommissioning Provision

A provision is required to be recognised for the future retirement obligations associated with property and equipment or E&E assets. The decommissioning provision is based on estimated costs, taking into account the anticipated method and extent of restoration consistent with legal, regulatory and constructive requirements, technological advances and the possible use of the site. Since these estimates are specific to the sites involved, there are many individual assumptions underlying the amount provided, including the cost to plug and abandon depleted wells, removal of tangible equipment and facilities and the restoration of the site. These individual assumptions can be subject to change based on actual experience and a change in one or more of these assumptions could result in a materially different amount.

As at 31 December 2008, 2009 and 2010 and 30 September 2011, the carrying amount of our provision for decommissioning obligations were C$0.4 million, C$0.4 million, C$2.2 million and C$5.5 million respectively.

Share-based Payments

We recognise compensation payments on options, share appreciation rights, warrants and preferred shares granted. Compensation payment is based on the estimated fair value of each option, share appreciation right, warrant and preferred share at its grant date, the estimation of which requires management to make assumptions about the future volatility of our stock price, future interest rates and the timing with respect to exercise of the options. The effects of a change in one or more of these variables could result in a materially different fair value.

During the years ended 31 December 2008, 2009 and 2010 and the nine months ended 30 September 2011, we recognised C$9.4 million, C$1.5 million, C$10.8 million and C$17.8 million, respectively, as share-based payments, of which C$2.2 million, C$0.6 million, C$3.9 million and C$5.8 million, respectively, were recognised directly to profit or loss, C$7.3 million, C$0.9 million, C$4.6 million, and C$5.6 million were capitalised in E&E assets, nil, nil, C$2.3 million and nil, respectively, were recorded as share issue costs and included in equity, and the remaining nil, nil, nil and C$6.4 million, respectively, were recorded as direct cost on issuance of redeemable shares and net against the gross proceeds of the redeemable shares issued.

Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold in the normal course of business, net of sales related tax.

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- we have transferred to the buyer the significant risks and rewards of ownership of the goods;

- we retain neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to us; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from sale of goods is recognised when goods are delivered.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to us and the amount of revenue can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

DESCRIPTION OF SELECTED STATEMENT OF COMPREHENSIVE INCOME LINE ITEMS

Interest Income

Interest income primarily consists of interest income from term deposits held in interest bearing bank accounts.

Other Income

Other income primarily consists of income earned from granting road usage to third parties requiring access through our properties.

General and Administrative Expenses

General and administrative expenses mainly consist of salaries, consulting fees for engineering and geological consulting services, consulting fees for services provided by our co-chairmen, Mr. Michael John Hibberd and Mr. Songning Shen, employee benefits expense, rent, legal and audit fees and other miscellaneous expenses.

Depreciation

Depreciation expenses consist of the depreciation on computer and office equipment. During the Track Record Period, we did not have any depletion of development and production costs, as our assets were in the exploration and evaluation stage of classification.

Share-based Payments

Share-based payments consist of compensation payments on options, share appreciation rights, warrants and preferred shares granted to directors, officers, employees, consultants and advisers.

Compensation is based on the estimated fair value of each option, warrant, share appreciation right and preferred share granted at its respective grant date using the Black-Scholes option pricing model.

Fair Value Loss on Warrants

Fair value loss on Warrants represents mark to market adjustment of the fair value of our Warrants arising from certain amendments we entered into with the holders of certain Purchase Warrants and all Fee Warrants, pursuant to which we could elect to make a cash payment instead of issuing a Common Share upon the exercise by a holder of a Purchase Warrant or a Fee Warrant. Please refer to Note 25(e) and 25(f) of the Accountants' Report set forth in Appendix I to this Prospectus.

Finance Costs

Finance costs primarily consist of interest expense from bank borrowings and accretion of the carrying value of asset decommissioning obligations estimated to be incurred between 2010 and 2059, excluding amounts capitalised in our exploration and evaluation assets for the funds borrowed under our bank borrowings. Asset decommissioning costs and liabilities can include statutory, contractual, constructive or legal obligations associated with site restoration and abandonment of tangible long-lived assets.

In the nine months ended 30 September 2011, we recorded effective interest on redeemable shares of C$22.5 million in relation to an equity financing undertaken by us which was completed early in 2011. In February 2011, our Company entered into the Subscription Agreements with investors in relation to such redemption shares. Pursuant to the terms of the Subscription Agreements, our Company issued at a subscription price of C$9.68 per share, a total of 21,694,215 Common Shares of our Company, of which 14,462,810 were Shares and the remaining 7,231,405 were Class B Shares for total proceeds of C$210 million (all prior to the 20-for-1 share split implemented on 10 February 2012. As at the Latest Practicable Date, the 21,694,215 Common Shares originally issued pursuant to the Subscription Agreements had been split into 433,884,300 Common Shares). Each subscriber also has a share redemption right as per the terms and condition of the subscription agreements ("**Share Redemption Rights**").

According to the Share Redemption Rights, the subscribers may, in specific circumstances and at the option of the subscribers, require our Company to repurchase, for cancellation, all Common Shares issued under the Subscription Agreements at a redemption price equivalent to the subscription price plus a 15% annual rate of return, compounded annually, if our Company does not complete an IPO either (a) on or before 31 December 2012; or (b) in any event, by 31 December 2013.

In addition, China Life, the subscribers of the 7,231,405 Class B Shares (equal to 144,628,100 Class B Shares as at the Latest Practicable Date) with Share Redemption Rights, may require our Company to repurchase, for cancellation, these Class B Shares if the initial offering price per Share at the IPO is not at least 1.3 times the Hong Kong dollar equivalent of the subscription price of the Class B Shares under the Subscription Agreement or at least C$12.58 per Share (prior to the 20-for-1 share split).

If an IPO is not completed on or before the applicable dates, each subscriber may exercise its right to have our Company repurchase the redeemable shares by delivering a redemption notice on or before the 90th day after such date. If a subscriber does not deliver a redemption notice on or before the 90th day after such date, the right of the subscriber to sell the redeemable shares to our Company and to require our Company to purchase the redeemable shares as provided herein shall terminate automatically.

Within 90 days of receipt of a redemption notice, our Company shall repurchase the redeemable shares for cash at an aggregate purchase price equal to the aggregate subscription price plus an amount equal to a 15% annual rate of return on the aggregate subscription price, compounded annually.

As a result, our Company has presented these subscriptions as a financial liability on our statements of financial position. If our Company completes an IPO before 31 December 2013, the redeemable shares will be reclassified from financial liability to equity and form part of the issued capital. If our Company does not complete an IPO before 31 December 2013, and a redemption notice is presented; the redeemable shares will become due on 31 December 2013 along with the 15% annual rate of return on the aggregate subscription price, compounded annually.

Our Company has agreed with China Life that the Class B Shares will be exchanged for Shares on or immediately prior to the completion of the Global Offering.

Income Tax Expense/Credit

We and our subsidiary are subject to Canadian federal and provincial tax which are calculated at 29.5%, 29.0%, 28.0%, 28.0% and 26.5%, respectively, of the estimated assessable profit for the years ended 31 December 2008, 2009, 2010 and the nine months ended 30 September 2010 and 2011, respectively.

SUMMARY OF RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, selected data from our consolidated statements of comprehensive income.

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Interest income from bank deposits	295,382	3,060	257,067	142,218	1,367,251
Other income	—	3,835	7,602	6,162	—
Interest and other income	295,382	6,895	264,669	148,380	1,367,251
General and administrative expenses	(2,611,861)	(2,829,716)	(5,789,076)	(4,108,856)	(9,511,491)
Depreciation	(80,393)	(105,589)	(111,551)	(77,949)	(132,724)
Share-based payments	(2,154,261)	(555,871)	(3,946,638)	(2,513,703)	(5,798,448)
Initial offering expenses	—	—	—	—	(1,694,883)
Fair value loss on warrants	—	—	—	—	(32,088,500)
Finance costs	(83,057)	(140,745)	(93,030)	(36,371)	(18,440,883)
Total expenses	(4,929,572)	(3,631,921)	(9,940,295)	(6,736,879)	(67,666,929)
Loss before tax	(4,634,190)	(3,625,026)	(9,675,626)	(6,588,499)	(66,299,678)
Income tax (expense) credit	(811,473)	777,009	(181,315)	240,993	1,380,674
Loss for the year/ period and comprehensive loss attributable to equity holders of our Company	(5,445,663)	(2,848,017)	(9,856,941)	(6,347,506)	(64,919,004)
Loss per share[(1)]					
Basic[(2)]	(0.01)	(0.00)	(0.01)	(0.00)	(0.04)
Diluted[(2)]	(0.01)	(0.00)	(0.01)	(0.00)	(0.04)

Notes:

(1) During the Track Record period, redeemable shares were not included in the denominator in the calculation of basic and dilutive loss per share because redeemable shares do not meet the definition of ordinary shares or potential ordinary shares under IAS 33.

(2) The weighted average number of common shares for the purpose of calculating basic/diluted loss per share has been adjusted for the effect of the 20-for-1 share split as disclosed in note (c) of section C of Appendix I to this Prospectus.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Nine Months Ended 30 September 2011 Compared to the Nine Months Ended 30 September 2010

Interest income and other income

Interest income and other income increased by C$1.2 million from C$148,380 in the nine months ended 30 September 2010 to C$1.4 million in the nine months ended 30 September 2011, primarily due to increased interest income from bank deposits as a result of a significant increase in our cash balances and cash equivalents from the nine months ended 30 September 2010 to 30 September 2011. The increase in cash balances and cash equivalents was primarily due to equity financings undertaken by us in February 2011. For more information, please refer to the section entitled "Statutory and General Information — A. Further Information About Our Group — 3. Changes in share capital of our Group" in Appendix VI to this Prospectus.

Expenses

Our expenses increased by C$61.0 million, from C$6.7 million in the nine months ended 30 September 2010 to C$67.7 million in the nine months ended 30 September 2011, primarily due to increases in finance costs, general and administrative expenses, share-based payments and fair value loss on Warrants.

General and administrative expenses

Our general and administrative expenses increased by C$5.4 million, from C$4.1 million in the nine months ended 30 September 2010 to C$9.5 million in the nine months ended 30 September 2011, primarily due to increases in salaries, consulting fees and employees benefits as well as other general and administrative expenses. Salaries, consulting and benefits increased by C$3.3 million primarily due to an increase in our headcount from 33 full time employees in the nine months ended 30 September 2010 to 63 full time employees in the nine months ended 30 September 2011. Employee numbers increased across all our areas of operation, particularly in our geology, drilling and operations departments due to increased activity levels associated with our winter drilling programmes. Other general and administrative expenses increased by C$1.6 million in the nine months ended 30 September 2011 compared to the nine months ended 30 September 2010 primarily due to expenses incurred for our Competent Persons' Reports of approximately C$0.9 million and miscellaneous expenses incurred in relation to computer consulting, advertising and promotion and regulatory, environmental studies and assessments. Legal and audit increased by C$0.4 million in the nine months ended 30 September 2011 compared to the nine months ended 30 September 2010 due to an increase in costs incurred for auditor involvement with the development of internal controls, policies and procedures and other audit related charges.

Share-based payments

Our share based payments increased by C$3.3 million, from C$2.5 million in the nine months ended 30 September 2010 to C$5.8 million in the nine months ended 30 September 2011. We record a majority proportion of each share based payment in the year of its grant in accordance with the applicable vesting provisions. With our staff increase as noted above, additional share options were granted in the nine months ended 30 September 2011, resulting in increased share-based payments compared to the nine months ended 30 September 2010.

Fair value loss on Warrants

During 2010 and 2011, we issued a total of 8,666,310 Warrants to Warrant holders. We issued 624,996 Fee Warrants between February and May 2010 and 1,084,711 Fee Warrants between February and May 2011 as compensation for finders' fee services provided to certain Shareholders in respect of certain fund raisings undertaken by our Company. We also issued 6,956,603 Purchase Warrants between February and May 2010 in conjunction with a unit private placement undertaken by our Company.

In 2011, holders of 6,235,995 Purchase Warrants agreed with our Company to amend the Purchase Warrants so that upon the exercise of each Purchase Warrant, the holder is entitled to a cash payment in Canadian dollars equal to the market value of one Common Share in our Company on the exercise date of each such Purchase Warrant subject to the Company, at its sole option and discretion, electing to satisfy the cash payment by the delivery of Common Shares of equivalent value. Such fair market value was to be determined with reference to the closing trading price of the Shares, and if the Shares were not listed and traded, such market value would be reasonably determined by our board of Directors. Accordingly, at the date of amendment, we reclassified 6,235,995 Purchase Warrants at a fair value of C$32.7 million and presented a liability in the statement of financial position. For the nine months ended 30 September 2011, we recognised a fair value adjustment on the Purchase Warrants of C$25.1 million.

In 2011, holders of 624,996 Fee Warrants agreed with our Company to amend the Fee Warrants so that upon the exercise of each Fee Warrant, the holder is entitled to a cash payment in Canadian dollars equal to the value of one Common Share in our Company on the exercise date of each such Fee Warrant subject to our Company, at its sole option and discretion, electing to satisfy the cash payment by the delivery of Common Shares of equivalent value. Such fair market value was to be determined with reference to the closing trading price of the Shares, and if the Shares were not listed and traded, such market value was to be reasonably determined by our board of Directors. Accordingly, we reclassified 624,996 Fee Warrants at a fair value of C$3.7 million and presented a liability in the statement of financial position.

During the nine months ended 30 September 2011, our Company issued 1,084,711 Fee Warrants in connection with the C$210.0 million equity financing in February 2011. These Fee Warrants had the same cash settlement right as those Fee Warrants with the amended terms described above. The 1,084,711 Fee Warrants were recorded at a fair value of C$6.4 million and charged to share issue costs associated with the equity offering.

For the nine month period ended 30 September 2011, we recognised a fair value loss of C$7.0 million on the 1,709,707 Fee Warrants.

As a result of the foregoing, we recorded a fair value loss on Warrants of C$32.1 million for the nine months ended 30 September 2011 and a liability relating to the Warrants of C$74.8 million as at 30 September 2011. For more information, please refer to Note 25(e) and Note 25(f) of the Accountants' Report set forth in Appendix I to this Prospectus.

Finance costs

Our finance costs increased by C$18.4 million, from C$36,371 in the nine months ended 30 September 2010 to C$18.4 million in the nine months ended 30 September 2011, primarily due to a C$22.5 million cost associated with the equity financing undertaken by us which was completed in February 2011 and an increase in accretion of the carrying value of a provision for decommissioning obligations. We had no interest payment on bank loans in the nine months ended 30 September 2011. Due to the Share Redemption Right included in the relevant Subscription Agreements, the proceeds have been classified on our statement of financial position as redeemable shares, a financial liability. If certain pre-determined conditions are not satisfied, the subscribers may require us to repurchase the shares for cash equal to the aggregate subscription price plus an amount equal to a 15% annual rate of return, compounded annually, on the aggregate subscription price. The finance costs as at 30 September 2011 reflected this interest provision on a discounted basis. Of this total interest provision, C$18.3 million has been expensed and C$4.2 million has been capitalised. Accretion of the carrying value of asset decommissioning obligations which is estimated to be incurred between 2010 and 2059 increased from C$11,688 in the nine months ended 30 September 2010 to C$92,110 in the nine months ended 30 September 2011. This related primarily to road construction and pad development for the production of conventional heavy oil at the Muskwa project. We repaid all our outstanding bank borrowings in the first quarter of 2010 and as a result we had no interest payment on bank loans in the nine months ended 30 September 2011 as compared to C$70,721 in the nine months ended 30 September 2010.

Loss before tax

As a result of the foregoing factors, our loss before tax increased by C$59.7 million, from C$6.6 million in the nine months ended 30 September 2010 to C$66.3 million in the nine months ended 30 September 2011.

Income tax credit

We recorded an income tax credit of C$0.2 million in the nine months ended 30 September 2010 and income tax credit of C$1.4 million in the nine months ended 30 September 2011.

Our income credit can be reconciled to the loss before tax recorded in our consolidated statements of comprehensive income as follows:

	Nine months ended 30 September	
	2010	2011
	C$	C$
Domestic income tax rate	28.0%	26.5%
Loss before tax	(6,588,499)	(66,299,678)
Tax at the domestic income tax rate	(1,844,780)	(17,569,415)
Tax effect of expenses that are not deductible in determining taxable profit	703,837	14,340,092
Effect on deferred tax recognised at different tax rate	175,235	(119,581)
Effect of tax loss not recognised	—	601,002
Future tax deductible expenses transferred upon renouncement of flow-through obligations	1,457,281	1,935,565
Flow-through obligations renounced as tax credit	(732,566)	(668,400)
Others	—	100,063
Income tax (credit) for the period	(240,993)	(1,380,674)

Income tax credit increased in the nine months ended 30 September 2011 compared to the same period in 2010 primarily due to an increase in the tax effect of expenses that are not deductible in determining taxable profit due to an increase in share-based payments and finance costs related to the issuance of redeemable shares. The remainder of the increase relates to flow-through obligations renounced as tax credit due to the issuance of flow-through equity instruments.

As at 30 September 2010 and 2011, we had unused tax losses of approximately C$65.8 million and C$107.0 million, respectively, available for offset against future profits. The tax losses will expire at various times within a period of 20 years from the year the losses were incurred. In addition, we had unused tax pools of approximately C$112.6 million and C$206.4 million, respectively, as at 30 September 2010 and 2011, which are also available for offset against future taxable income. These tax pools have no expiry date, but we may only use the stipulated allowable tax deduction per year.

Net loss and comprehensive loss attributable to equity holders of our Company

As a result of the foregoing, our net loss and comprehensive loss attributable to equity holders of our Company increased by C$58.6 million, from C$6.3 million in the nine months ended 30 September 2010 to C$64.9 million in the nine months ended 30 September 2011.

Year Ended 31 December 2010 Compared to Year Ended 31 December 2009

Interest income and other income

Interest income and other income increased by C$0.3 million from C$6,895 in 2009 to C$0.3 million in 2010, primarily due to increased interest income on bank deposits as a result of a significant increase in our bank balances and cash from 2009 to 2010. The increase in bank balances and cash was primarily due to several rounds of equity financings undertaken by us in late 2009 and 2010. For more information, please refer to the section entitled "Statutory and General Information — A. Further Information About Our Group — 3. Changes in share capital of our Group" in Appendix VI to this Prospectus.

Expenses

Our expenses increased by C$6.3 million, from C$3.6 million in 2009 to C$9.9 million in 2010, primarily due to increases in general and administrative expenses and share-based payments.

General and administrative expenses

Our general and administrative expenses increased by C$3.0 million, from C$2.8 million in 2009 to C$5.8 million in 2010, primarily due to increases in salaries, consulting fees and employees benefits, other general and administrative expense, as well as legal and audit fees. Salaries, consulting fees and employees benefits increased by C$1.6 million primarily due to an increase in our headcount to 39 full time employees in 2010 as compared to 18 full time employees in 2009. Employee numbers increased mainly in our geology, drilling and operations departments due to increased winter drilling activity and the commencement of production of conventional heavy oil in the Muskwa area in the second half of 2010. Other general and administrative expenses increased by C$0.6 million in the year ended 31 December 2009 and 31 December 2010, primarily due to a vendor penalty of C$0.5 million that did not occur in prior periods. Furthermore, legal and audit costs increased in 2010 due to costs incurred in relation to our private placement equity financings and the conversion to IFRS and internal control process implementation and reviews.

Share-based payments

Our share based payments increased by C$3.3 million, from C$0.6 million in 2009 to C$3.9 million in 2010. We record a large proportion of each share based payment in the year of its grant in accordance with the applicable vesting provisions. With our staff increase as noted above, the number of share options granted were insignificant in 2009 as compared to the share options granted in 2010.

Finance costs

Our finance costs decreased by C$47,715, from C$140,745 in 2009 to C$93,030 in 2010, primarily due to a decrease in interest on bank loans, partially offset by an increase in accretion of the carrying value of asset decommissioning obligations. The decrease in interest payments on bank loans from approximately C$1.5 million in 2009 to C$70,721 in 2010 was primarily due to the full repayment of the bank loan in early 2010. Accretion of the carrying value of provision for decommissioning obligations which is estimated to be incurred between 2010 and 2059 increased from C$10,778 in 2009 to C$68,346 in 2010. This related primarily to the decommissioning obligations associated with road construction and pad development for the production of conventional heavy oil at the Muskwa project.

Loss before tax

As a result of the foregoing factors, our loss before tax increased by C$6.1 million, from C$3.6 million in 2009 to C$9.7 million in 2010.

Income tax expense/credit

We recorded an income tax credit of C$0.8 million in 2009 and income tax expense of C$0.2 million in 2010.

Our income tax expense or credit can be reconciled to the loss before tax recorded in our consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2009	2010
	C$	C$
Domestic income tax rate	29.0%	28.0%
Loss before tax	(3,625,026)	(9,675,626)
Tax at the domestic income tax rate	(1,051,258)	(2,709,175)
Tax effect of expenses that are not deductible in determining taxable profit	161,203	1,105,059
Effect on deferred tax recognised at different tax rate	143,755	229,342
Future tax deductible expenses transferred upon renouncement of flow-through obligations	61,250	2,703,582
Flow-through obligations renounced as tax credit	(147,000)	(1,145,856)
Others	55,041	(1,637)
Income tax (credit) expense for the year	(777,009)	181,315

The change from tax credit in 2009 to tax expense in 2010 was primarily due to an increase in the tax effect of expenses that are not deductible in determining taxable profit due to an increase in share-based payments. The remainder of the increase relates to flow-through obligations renounced as tax credit due to the increased issuance of flow-through equity instruments in 2010.

As at 31 December 2009 and 2010, we had unused tax losses of approximately C$50.5 million and C$77.3 million, respectively, available for offset against future profits. The tax losses will expire at various times within a period of 20 years from the year in which the losses were incurred. In addition, we had unused resource tax pools of approximately C$99.0 million and C$102.1 million, respectively, as at 31 December 2009 and 2010, which are also available for offset against future taxable income. These resource tax pools have no expiry date, and we may only use the stipulated allowable tax deduction per year.

Net loss and comprehensive loss attributable to equity holders of our Company

As a result of the foregoing, our net loss and comprehensive loss attributable to equity holders of our Company increased by C$7.1 million, from C$2.8 million in 2009 to C$9.9 million in 2010.

Year Ended 31 December 2009 Compared to Year Ended 31 December 2008

Interest income and other income

Interest income and other income decreased by C$0.3 million, from C$0.3 million in 2008 to C$6,895 in 2009, primarily due to decreased interest income on bank deposits as a result of a significant decrease in our bank balances and cash in 2009 compared to that held for the majority of 2008. In 2008, we raised several rounds of equity financings and utilised approximately C$25.2 million from a credit facility to fund the acquisition of Oil Sands Leases and property and equipment and to pay for exploration and evaluation activities. In 2009, due to the global economic downturn, we did not conduct significant financing activities until the later part of the year and repaid approximately C$29.4 million of the credit facility and had curtailed our land acquisition, property and equipment expenditure and exploration and evaluation activities.

Expenses

Our expenses decreased by C$1.3 million, from C$4.9 million in 2008 to C$3.6 million in 2009, primarily due to a decrease in share based payments. This decrease was partially offset by increased general and administrative expenses.

General and administrative expenses

Our general and administrative expenses increased by C$0.2 million, from C$2.6 million in 2008 to C$2.8 million in 2009, primarily due to increases in salaries, consulting fees and employees benefits, partially offset by a decrease in other general and administrative expenses as well as legal and audit fees in 2009. The increase in salaries, consulting fees and employee benefits was primarily due to an increase in employees salaries, as the initial employees hired by us in 2007 and 2008 were employed at rates below market with offsetting stock options granted to them. Other general and administrative expenses decreased in 2009 compared to 2008 primarily due to our reduced office and travel costs as a result of the global economic downturn. In 2008, we incurred substantial legal fees related to a proposed initial public offering on the Toronto Stock Exchange which we elected to defer due to the global economic downturn.

Share-based payments

Our share-based payments decreased by C$1.6 million, from C$2.2 million in 2008 to C$0.6 million in 2009. A large proportion of each share based payment is recorded in the year of its grant in accordance with the applicable vesting provisions. Due to challenging market conditions in 2009, our hiring activities were curtailed and fewer share options were granted during the year as compared to the share options granted in 2008.

Finance costs

Our finance costs increased by C$57,688, from C$83,057 in 2008 to C$0.1 million in 2009, primarily due to an increase in interest on bank loans and a corresponding increase in amounts capitalised in our exploration and evaluation assets for the funds borrowed under our bank borrowings. The increase in interest payments on bank loans from C$0.5 million in 2008 to C$1.5 million in 2009 resulted from a significant increase in our weighted average bank loan balance in 2009 of approximately C$24.4 million as compared to approximately C$8.5 million in 2008. The amount of interest capitalised corresponded with the increase in interest payments.

Loss before tax

As a result of the foregoing factors, our loss before tax decreased by C$1.0 million, from C$4.6 million in 2008 to C$3.6 million in 2009.

Income tax expense/credit

We recorded an income tax expense of C$0.8 million in 2008 and income tax credit of C$0.8 million in 2009.

Our tax expense or credit can be reconciled to the loss before tax recorded in our consolidated statements of comprehensive income as follows:

	Year ended 31 December	
	2008	2009
	C$	C$
Domestic income tax rate	29.5%	29.0%
Loss before tax	(4,634,190)	(3,625,026)
Tax at the domestic income tax rate	(1,367,086)	(1,051,258)
Tax effect of expenses that are not deductible in determining taxable profit	635,507	161,203
Effect on deferred tax recognised at different tax rate	142,945	143,755
Future tax deductible expenses transferred upon renouncement of flow-through obligations	2,726,703	61,250
Flow-through obligations renounced as tax credit	(1,326,596)	(147,000)
Others	—	55,041
Income tax expense (credit) for the year	811,473	(777,009)

The change from tax expense in 2008 to tax credit in 2009 was primarily due to the tax effect of expenses that are not deductible in determining taxable profit in 2008, which decreased in 2009 due to a decrease in share-based payments and lower flow-through obligations renounced as tax credit in 2009 due to the decreased issuance of flow-through equity instruments.

As at 31 December 2008 and 2009, we had unused tax losses of approximately C$31.2 million and C$50.5 million, respectively, available for offset against future profits. The tax losses will expire at various times within a period of 20 years from the year the losses were incurred. In addition, we had unused resource tax pools of approximately C$96.7 million and C$99.0 million, respectively, as at 31 December 2008 and 2009, which are also available for offset against future taxable income. These resource tax pools have no expiry date, and we may only use the stipulated allowable tax deduction per year.

Net loss and comprehensive loss attributable to equity holders of our Company

As a result of the foregoing, our net loss and comprehensive loss attributable to equity holders of our Company decreased by C$2.6 million, from C$5.4 million in 2008 to C$2.8 million in 2009.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have financed our capital expenditures and working capital requirements through a series of equity financings, the issuance of financial instruments, and through bank borrowings. As at the Latest Practicable Date, other than the loan we drew down in respect of the Orient Credit Facility as discussed in the section entitled "— Indebtedness — Bank Loans and Other Loans" below, we did not have any outstanding bank or other borrowings.

We intend to finance our future capital expenditures and meet our working capital requirements through our cash and cash equivalents, net proceeds from the Global Offering, cash generated from operating activities, further issuances on the debt and equity capital markets and through credit facilities where available. We currently do not have any plan for further issuances of equity in the foreseeable future.

Warrants

Historically, our Company issued Warrants from time to time as a part of certain equity financings. During 2010 and 2011, we issued a total of 8,666,310 Warrants to warrantholders. We issued 624,996 Fee Warrants, exercisable at C$6.00 between February and May 2010 and 1,084,711 Fee Warrants exercisable at C$9.68 in February 2011 as compensation for the solicitation of investors in respect of certain fund raisings that we undertook. We also issued 6,956,603 Purchase Warrants exercisable at C$8.00 between February and May 2010 in conjunction with a unit private placement that we undertook. As of 30 September 2011, all Warrants were outstanding.

In 2011, we reached an agreement with holders of 6,235,995 Purchase Warrants and 624,996 Fee Warrants to modify the terms of such Warrants so that upon the exercise of each Purchase Warrant or Fee Warrant, as the case may be, the holder would be entitled to receive a cash payment in Canadian dollars equal to the market value of one Common Share in our Company on the exercise date of each such Purchase Warrant or Fee Warrant. Please refer to the section entitled "— Period to Period

Comparison of Results of Operations — Nine Months Ended 30 September 2011 Compared to Nine Months Ended 30 September 2010 — Expenses — Fair value loss on Warrants" above. Purchase Warrants and Fee Warrants with the cash-settlement alternative are classified as derivative financial instruments in the statement of financial position and recorded at fair value at the end of each reporting period.

We reached an agreement with all warrant holders on 28 October 2011 and executed agreements for the repurchase and cancellation of all Warrants. We agreed to repurchase and cancel the Warrant for an aggregate sum of approximately C$68.9 million, which was paid in full to the warrantholders on 4 January 2012 in cash, upon which the Warrants were cancelled and extinguished in full. We funded such payment using our internal cash resources. The agreed amount for terminating the Warrants was arrived at after arm's length negotiations between the parties and was agreed by an independent committee of our Board.

For those warrants classified as our own equity instruments, the repurchase and cancellation of the Warrants will be accounted for as a repurchase of our own equity instruments. Where we repurchase our own equity instruments, these equity instruments are deducted from equity in our consolidated statement of financial position. No gain or loss is recognised in the profit or loss in respect of the repurchase or cancellation of the equity instruments. The repurchase of our own equity instruments represents a transfer between owners and any consideration paid is recognised in equity on the statement of financial position.

For those Warrants classified as derivative financial instruments, the repurchase and cancellation of those Warrants will be accounted for as derecognition of derivative financial instruments. The derivative financial instruments will be carried at fair value at the date of Warrant termination with the change in fair value recognised immediately in profit or loss. Since the Warrants holders are shareholders of our Company, the difference between the fair value of the Warrants and the repurchase consideration is adjusted to equity.

For more information, please refer to the sections entitled "Corporate Structure and History — Cancellation of the Warrants" in this Prospectus and "Statutory and General Information — B. Further Information About Our Business — 1. Summary of Material Contracts" in Appendix VI to this Prospectus.

CASH FLOW

The following table sets forth selected cash flow data from our consolidated cash flow statements for the periods indicated:

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Net cash used in operating activities	(2,636,317)	(2,598,410)	(5,961,534)	(4,331,049)	(10,311,902)
Net cash used in investing activities	(73,261,743)	(8,361,315)	(43,493,460)	(30,608,660)	(122,854,124)
Net cash generated from financing activities	49,160,711	10,994,482	90,419,612	84,913,660	214,209,116
Net (decrease) increase in cash and cash equivalents	(26,737,349)	34,757	40,964,618	49,973,951	81,043,090
Cash and cash equivalents at beginning of year/period	27,278,361	541,012	575,769	575,769	41,540,387
Cash and cash equivalents at end of year/period	541,012	575,769	41,540,387	50,549,720	122,583,477

Cash Flow Used in Operating Activities

Our net cash used in operating activities was C$10.3 million in the nine months ended 30 September 2011. Cash used in operations prior to changes in working capital was C$9.5 million. Changes in working capital contributed a net cash outflow of C$0.8 million, comprising an increase in trade and other receivables of C$0.9 million and an increase in prepaid expenses and deposits of C$0.4 million, partially offset by an increase in trade and other payables of C$0.5 million. The increase in trade and other receivables reflected our winter drilling activities and pre-production development of conventional heavy oil in the Muskwa area.

We had net cash used in operating activities of C$6.0 million in 2010. Cash used in operations prior to changes in working capital was C$5.8 million. Changes in working capital contributed a net cash outflow of C$0.2 million, comprising (i) an increase in trade and other receivables of C$0.4 million; and (ii) an increase of prepaid expenses and deposits of C$0.3 million, partially offset by an increase in trade and other payables of C$0.5 million. The increase in trade and other receivables and prepaid expenses and deposits reflected our general increased business activity and expanded operations in 2010, including the commencement of winter delineation and drilling programmes and production of heavy oil in the Muskwa area.

We had net cash used in operating activities of C$2.6 million in 2009. Cash used in operations prior to changes in working capital was C$2.8 million. Changes in working capital contributed a net cash inflow of C$0.2 million, represented by an increase in trade and other payables of C$0.2 million. In 2009, due to the global economic downturn, we closely managed our financial resources and fully utilised available credit terms from our vendors for trade and other payables in order to optimise our cash flow.

We had net cash used in operating activities of C$2.6 million in 2008. Cash used in operations prior to changes in working capital was C$2.6 million. Changes in working capital contributed a net cash outflow of C$24,456, comprising (i) an increase in trade and other receivables of C$17,980; and (ii) a decrease in trade and other payables of C$38,476, partially offset by a decrease in prepaid expenses and deposits of C$32,000. The decrease in trade and other payables reflected improved financial management in our second year of operation, and the increase in trade and other receivables reflected the increased business activities in our second year of operation.

Cash Flow Used in Investing Activities

Net cash used in investing activities in the nine months ended 30 September 2011 amounted to C$122.9 million. This net cash outflow primarily reflected expenditures incurred for exploration and evaluation activities amounting to C$123.9 million which included delineation and development drilling, seismic costs and the installation of production facilities at our Muskwa heavy oil property and partially offset by interest earned of C$1.4 million.

Net cash used in investing activities in 2010 amounted to C$43.5 million. This net cash outflow primarily reflected payments for E&E assets amounting to C$43.2 million which were primarily expenditures incurred to drill and evaluate exploratory wells on our lands.

Net cash used in investing activities in 2009 amounted to C$8.4 million. This net cash outflow primarily reflected payments for exploration and evaluation assets amounting to approximately C$7.2 million and interest paid and capitalised into E&E assets of C$1.1 million. The significant decrease in investing activities, in particular a reduction in payments for E&E assets reflected a significant decrease in activities related to our winter drilling programme resulting from the global economic downturn in 2009.

Net cash used in investing activities in 2008 amounted to C$73.3 million. This net cash outflow primarily reflected payments for E&E assets amounting to C$76.6 million. The net cash outflow was partially offset by proceeds from the disposal of E&E assets of C$3.9 million, which was amounts received from an arm's length third party company (Petro Energy Corp) in respect of the Thickwood Farmout.

Cash Flow From Financing Activities

Net cash generated from financing activities in the nine months ended 30 September 2011 amounted to C$214.2 million. This cash inflow was primarily due to proceeds from the issue of redeemable shares amounting to C$210.0 million and the issue of Common Shares, and Preferred Shares amounting to C$14.6 million. These were partially offset by issue cost of redeemable shares of C$11.4 million we incurred, of which C$10.3 million was paid in the nine months of 2011.

Net cash generated from financing activities in 2010 amounted to C$90.4 million. This cash inflow was primarily due to proceeds of equity issuances throughout the year, including proceeds from the issue of Common Shares, common flow-through shares, Preferred Shares and Warrants amounting to C$98.9 million. These were partially offset by payments for share issue costs amounting to C$3.9 million and the full repayment of bank borrowings amounting to C$5.3 million.

Net cash generated from financing activities in 2009 amounted to C$11.0 million. This cash inflow was primarily due to proceeds from equity issuances throughout the year and proceeds from bank borrowings. Equity issuance proceeds primarily included proceeds from the issue of Common Shares, common flow-through shares, Preferred Shares and Warrants amounting to C$31.0 million. Net proceeds from bank borrowings included a C$9.5 million drawdown on our C$35.0 million syndicated revolving credit facility in 2008, partially offset by a C$29.4 million repayment of bank borrowings under the same facility during the year.

Net cash generated from financing activities in 2008 amounted to C$49.2 million. This cash inflow was primarily due to proceeds of equity issuances throughout the year and proceeds from bank borrowings. Equity issuance proceeds primarily included proceeds from the issue of Common Shares, common flow-through shares, Preferred Shares and Warrants amounting to C$22.1 million. Proceeds from bank borrowings included a C$25.2 million drawdown on our C$35.0 million syndicated revolving credit facility.

CERTAIN STATEMENTS OF FINANCIAL POSITION ITEMS

Exploration and Evaluation Assets

	Exploration and evaluation expenditures	Land and leaseholds	Total
	C$	C$	C$
As at 31 December 2008	66,826,383	57,649,008	124,475,391
As at 31 December 2009	73,455,835	61,166,990	134,622,825
As at 31 December 2010	129,617,305	68,219,040	197,836,345
As at 30 September 2011	260,857,055	70,904,756	331,761,811

All costs directly associated with exploration and evaluation and land and leaseholds are initially capitalised.

Exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined. These costs include geological and geophysical costs, exploration and evaluation drilling, capitalised general and administrative costs, pre-production revenues, net of operating cost, capitalised stock based payments costs and asset retirement costs.

Land and leaseholds costs include the costs of acquiring the oil sands and petroleum and natural gas rights from the Province of Alberta. The Oil Sands Leases have an initial term of 15 years from the date of acquisition. These lease terms are extended for the life of the resource once a minimum level of activity has occurred on the lease. Also included under land and leaseholds are the annual lease rental payments made to the Province of Alberta.

The decision to transfer assets from exploration and evaluation to development and producing assets occurs when the technical feasibility and commercial viability of the project is determined, based on economically recoverable reserves being assigned to the project. As at the Latest Practicable Date, we had not made the determination to transfer assets from exploration and evaluation to development and producing assets and as a result, no depletion expense has been recorded during the Track Record Period.

Our E&E assets increased as at 30 September 2011 compared to 31 December 2010 by C$134.0 million as a result of the completion of our winter drilling season and the development of our conventional heavy oil property in the Muskwa area. Our E&E assets increased as at 31 December 2010 compared to 31 December 2009 by C$63.2 million as a result of an increase in our operational activities in 2010 including a winter drilling programme of over 100 wells and road construction and pad development for the production of conventional heavy oil at the Muskwa project. Our E&E assets increased as at 31 December 2009 compared to 31 December 2008 by only C$10.1 million which reflected the economic downturn and a general decline in our operational activities in 2009.

Our land and leaseholds increased as at 30 September 2011 compared to 31 December 2010, 2009 and 2008 primarily due to the acquisition of additional Oil Sands Leases from the Province of Alberta. During the nine months ended 30 September 2011, we acquired approximately 27,136 hectares of Oil Sands Leases, whilst for the years ended 31 December 2008, 2009 and 2010, we acquired approximately 361,305 hectares, nil hectares and 34,442 hectares, respectively.

Trade and Other Receivables

Our trade and other receivables primarily consist of trade receivables for bitumen produced and sold, fuel charged back to vendors and goods and services tax receivable due from the CRA and to a receivable for C$1.3 million related to a farm out arrangement with an arm's length third party company (Petro Energy Corp) in respect of the Thickwood Farmout. We retained a 50% share of assets, liabilities, income and expenses arising from the operations of these assets in the specific oil sands zones. There has been no activity on this jointly controlled asset since inception and no activity is planned in the near term. We ultimately did not receive this final payment of C$1.3 million and so we determined to retain our interest in the two sections of land that this receivable related to and removed the receivable from our consolidated statement of financial position during the year ended 31 December 2009.

We recorded trade receivables of C$0.3 million and C$1.3 million as at 31 December 2010 and 30 September 2011, respectively, relating to the sale of our pre-production bitumen from the Muskwa project late in 2010. Our trade receivables increased significantly as at 30 September 2011 compared to 31 December 2010 primarily due to increased sales volumes of pre-production bitumen originating at our Muskwa heavy oil project.

Our trade and other receivables composition during the Track Record Period is as follows:

	As at 31 December			As at 30 September 2011
	2008	2009	2010	
	C$	C$	C$	C$
Trade receivables	—	—	313,684	1,253,791
GST receivable	164,495	67,878	785,537	642,238
Farm out receivable	1,300,000	—	—	—
Other receivables	302,666	12,687	174,337	144,908
	1,767,161	80,565	1,273,558	2,040,937

We allow an average credit period of 30 days to our trade customers. We are generally paid for our bitumen produced in the month following delivery. An aging of our trade receivables during the Track Record Period is as follows:

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	C$	C$	C$	C$
0 - 30 days	—	—	—	618,706
31 - 60 days	—	—	201,829	635,085
61 - 90 days	—	—	111,855	—
	—	—	313,684	1,253,791

As at 31 December 2008, 2009, 2010 and 30 September 2011, included in our trade receivables are debtors with aggregate carrying amounts of nil, nil, C$0.3 million and C$0.6 million, respectively, which are past due as at the reporting date for which we have not provide for impairment loss. We do not hold any collateral over these balances, but our management believes that all amounts remain collectible. As at 31 December 2010 and 30 September 2011, the average age of these trade receivables were 56 days and 31 days, respectively.

With respect to our trade receivables of C$1.3 million outstanding as at 30 September 2011, we had subsequently received all such amounts as at the Latest Practicable Date.

Trade and Other Payables

Trade payables mainly represent payables to subcontractors of exploration and evaluation services. Other payables mainly represent accruals for operations, expenditures on E&E assets, expenses incurred with respect to the Global Offering and other financing costs. The average credit period is 90 days. We have financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms. An aging of our trade payables during the Track Record Period is as follows:

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	C$	C$	C$	C$
Trade payables				
0 - 30 days	1,356,454	552,778	6,101,044	81,030
31 - 60 days	—	160,904	1,368,367	29,317
61 - 90 days	—	—	—	66,427
90 - 180 days	—	36,750	253,983	12,720
	1,356,454	750,432	7,723,394	189,494
Other payables and accruals	568,995	541,994	9,798,404	18,505,944
	1,925,449	1,292,426	17,521,798	18,695,438

Our trade payables decreased as at 30 September 2011 compared to 31 December 2010 by C$7.5 million as a result of the settlement of previously outstanding trade payables. Our trade payables increased as at 31 December 2010 compared to 31 December 2009 by C$7.0 million as a result of an increase in our operational activity in 2010 including a winter drilling programme of over 100 wells and road construction and pad development for the production of conventional heavy oil at the Muskwa project. Our trade payables decreased as at 31 December 2009 compared to 31 December 2008 by C$0.6 million which reflected the economic downturn and a general decline in our operational activities in 2009.

Our other payables and accruals increased as at 30 September 2011 compared to 31 December 2010 by C$8.7 million as a result of an increase in accruals for continued development and expansion activity in the Muskwa area, including expenditures on seismic, drilling and delineation activities as well as completion of our first carbonate pilot programme. Our other payables increased as at 31 December 2010 compared to 31 December 2009 as a result of an increase in accrual for continued development and expansion activity of C$9.3 million relating to the initial production and completion of our first production pads in the Muskwa area. Our other payables decreased as at 31 December 2009 compared to 31 December 2008 primarily due to our management's efforts to maintain a level of conservative expenditure in light of the unfavourable prevailing economic conditions in 2009.

We had trade payables of C$12,720 aged over 90 days as at 30 September 2011 due to late receipt and processing of vendor invoices. Accordingly, these balances appear to be overdue. Such late receipt of invoices from our vendors is not unusual in the industry. We did not experience any material dispute with any of our suppliers nor any financial difficulty in settling trade and other payables during the Track Record Period.

With respect to our trade payables of C$189,494 outstanding as at 30 September 2011, we had subsequently repaid all of such amounts as at the Latest Practicable Date.

CAPITAL EXPENDITURES AND COMMITMENTS, NET CURRENT LIABILITIES AND CONTINGENT LIABILITIES

Capital Expenditure

During the Track Record Period, our principal capital expenditure comprised both exploration activities and development activities. Our exploration activities included exploration of land and acquisition of Oil Sands Leases in identified areas, drilling delineation programmes, geological studies and our carbonate pilot programmes. Our development activities included the clastics development in West Ells, Thickwood and Legend Lake, reservoir testing, geological studies and work on conventional heavy oil assets at the Muskwa project including the drilling of production wells, production pad construction, road construction to provide access to the production pad, testing for future pad locations and seismic work.

A typical oil sands project requires several years and stages of exploration and development before commercial production. The process of exploring and developing discovered resources requires considerable capital. However, a SAGD project is considerably less capital intensive than an oil sands mining project. The initial exploration phase includes the acquisition of Oil Sands Leases in identified areas, which can vary considerably in cost.

As of 30 September 2011, we had spent an aggregate of approximately C$70.9 million on the acquisition of Oil Sands Leases. Of this amount, approximately C$25.0 million relates to Oil Sands Leases and permits that form our two initial projects: the Muskwa conventional heavy oil project and the West Ells SAGD project.

Subsequent to acquiring Oil Sands Leases, we incur capital on acquiring 2D seismic data over the acreage and on the drilling of initial exploration/appraisal wells. This initial phase is often followed by 3D seismic data acquisition and infill drilling into promising hydrocarbon deposits. The average cost of our delineation wells varies significantly depending on factors such as location, depth and the complexity of the formation. Overall, our clastics coreholes have an average cost of approximately C$0.4 million to C$0.5 million per well. The amount of seismic data and the number of delineation wells required varies from project to project. However, these costs represent a small portion of the total capital cost of a commercial oil sands project.

Following the successful delineation of a bitumen resource, we conduct an initial engineering assessment of the site, which is required in order to complete the regulatory applications and environmental impact assessments submitted to the ERCB and AEW in order to commence a project. We usually undertake detailed engineering work during the period that ERCB and the AEW conduct their review and approval process. The detailed engineering work is intended to outline specific development plans for the bitumen resource.

When plans have been finalised and ERCB and Alberta environmental approvals have been received, the construction process begins with site preparation and road construction. We also procure and fabricate major equipment at this stage. The process continues with facility construction and the drilling of well pairs. Construction takes approximately 18 months to complete and is the most capital intensive part of our project development process. Once operating at design, a SAGD Project, will require additional well pairs be drilled in order to offset production declines over the project's producing life.

The following table sets forth our capital expenditure for the periods indicated:

	Year ended 31 December			Nine months ended 30 September 2011
	2008	2009	2010	
	C$	C$	C$	C$
Exploration activities				
Exploration Land (land and leasehold payments)	24,071,510	2,217,982	7,052,050	3,251,715
Drilling delineation programme	47,963,390	630,392	21,648,004	64,861,180
Geological Study (including seismic)	556,298	319,468	2,771,931	4,562,439
Carbonate pilot programmes	—	—	620,739	3,239,449
Other (Engineering studies and environmental studies)	2,055,347	1,871,411	1,098,009	6,116,753
Directly Attributable Capitalised Expenses	1,925,393	2,191,204	4,704,970	5,492,340
Total	76,571,938	7,230,457	37,895,703	87,523,876

	Year ended 31 December			Nine months ended
	2008	2009	2010	30 September 2011
	C$	C$	C$	C$
Development activities				
West Ells	—	—	—	11,109,796
Muskwa Production pads	—	—	2,487,334	19,092,207
Other Muskwa (including road, capitalised costs, seismic)	—	—	2,805,390	6,213,440
	—	—	5,292,724	36,415,443
Total	76,571,938	7,230,457	43,188,427	123,939,319

Our exploration activities decreased significantly in 2009 compared to 2008 due to the general economic downturn and credit tightening in 2009 which led to a slowdown in our exploration activities. As the economy and market conditions improved in 2010, we were able to raise capital in the equity market and our exploration activities picked up significantly compared to 2009. During the nine months ended 30 September 2011, our exploration activities increased because we completed our largest capital programme to date. This capital programme included 99 delineation wells, seismic programs in exploration lands and completion of our first carbonate pilot program.

Our development activities commenced in the second half of 2010 and primarily involved the initial production pad at our Muskwa project. Our development activities in the nine months ended 30 September 2011 primarily related to the completion of our second and third production pads at Muskwa. Other development activities related to Muskwa seismic, production tests and exploratory step out wells.

The development of our West Ells project involved activities of engineering, seismic and procurement of long lead equipment in the nine months ended 30 September 2011.

We intend to develop our projects in multiple phases with staggered start dates, which we expect will allow us to maximise the efficiency of our available capital. Our intention is that cash flows from the development of more mature projects will help to finance the capital requirements of subsequent project development work, thereby reducing our need for additional external financing. For more information, please refer to the section entitled “Business — Capital Expenditure” in this Prospectus for details of our anticipated capital requirements and cash flows from our various projects.

The following table sets forth information regarding our planned expenditure for the three months ended 31 December 2011, the year ending 31 December 2012, the three months ending 31 March 2013, the nine months ending 30 September 2013 and the year ending 31 December 2013:

	Three months ended 31 December 2011	Year ending 31 December 2012	Three months ending 31 March 2013	Nine months ending 30 September 2013	Year ending 31 December 2013
			C$ in millions		
West Ells	29.4	272.2	76.2	82.9	159.1
Thickwood	2.1	13.0	2.3	132.5	134.8
Muskwa	15.9	17.1	0.1	0.1	0.2
Delineation Drilling	2.7	23.8	48.3	5.0	53.3
Other Projects	7.5	25.0	21.7	3.1	24.8
Total	57.6	351.1	148.6	223.6	372.2

We are unable to verifiably forecast our capital expenditure for the periods post 31 December 2013. For an indication of what our capital expenditure requirements after this date may be, potential investors can refer to the capital expenditure projections prepared by the Competent Persons on pages IV-194 to IV-196 (West Ells), pages IV-199 to IV-203 (Legend Lake), pages IV-270 to IV-274 (Thickwood), pages IV-351 to IV-354 (Godin, Harper, Muskwa and Portage) of our Competent Persons' Reports in Appendix IV to this Prospectus.

We expect the development of our West Ells project will involve drilling, casing and equipping of wells, construction of pads for the wells and piping to and from the central processing facility which carries steam into the wells and fluids out of the wells, as well as construction of the central processing facility and associated infrastructure. We have projected that we would spend approximately C$29.4 million in the fourth quarter of 2011 and a further C$272.2 million in the year ending 31 December 2012 in relation to our West Ells project. We further project to spend C$76.2 million and C$82.9 million, respectively, in the three months ending 31 March 2013 and nine months ending 30 September 2013 in relation to our West Ells project, for a total of C$159.1 million for the year ending 31 December 2013.

We expect the development of our Thickwood project will involve drilling, casing and equipping of wells, construction of pads for the wells and piping to and from the central processing facility which carries steam into the wells and fluids out of the wells, as well as construction of the central processing and associated infrastructure. We have projected that we would spend approximately C$2.1 million in the fourth quarter of 2011 and a further C$13.0 million in the year ending 31 December 2012 in relation to our Thickwood project. We further project to spend C$2.3 million and C$132.5 million, respectively, in the three months ending 31 March 2013 and nine months ending 30 September 2013 in relation to our Thickwood project, for a total of C$134.8 million for the year ending 31 December 2013.

We expect the development of our Muskwa project will involve drilling and casing of wells, constructing facility infrastructure such as tanks and piping and equipping the wells, as well as additional perforations in the wells. We have projected that we would spend approximately C$15.9 million in the fourth quarter of 2011 and a further C$17.1 million in the year ending 31 December 2012. We further project to spend C$0.1 million and C$0.1 million, respectively, in the three months ending 31 March 2013 and the nine months ending 30 September 2013 in relation to our Muskwa project, for a total of C$0.2 million for the year ending 31 December 2013.

The delineation drilling expenditure was forecasted to be approximately C$2.7 million in the fourth quarter of 2011 and a further C$23.8 million in the year ending 31 December 2012. We further project to spend C$48.3 million and C$5.0 million, respectively, in the three months ending 31 March 2013 and nine months ending 30 September 2013 for delineation drilling activities, for a total of C$53.3 million for the year ending 31 December 2013.

For our other projects, we have projected that we would spend approximately C$7.5 million in the fourth quarter of 2011 and a further C$25.0 million in the year ending 31 December 2012. We further project to spend C$21.7 million and C$3.1 million, respectively, in the three months ending 31 March 2013 and nine months ending 30 September 2013, for a total of C$24.8 million for the year ending 31 December 2013. We anticipate that the capital expenditure will primarily be used for our Legend Lake application and our Harper Pilot.

We intend to fund the development of our projects primarily through internal resources of cash and bank balances as well as the net proceeds from the Global Offering.

The following table sets forth the proportion of the net proceeds from the Global Offering to be applied to each of our projects to fund their respective expected capital expenditures:

	Net proceeds from the Global Offering	
	%	**C$ in millions[1]**
West Ells	64	366.3
Delineation Drilling	12	68.7
Muskwa	5	28.6
Thickwood	3	17.2
Other Projects	9	51.5
	93	532.3

Note:

(1) The amount of expenditure to be funded by the net proceeds from the Global Offering is calculated based on net proceeds of C$572.3 million (HK$4,287.2 million), assuming an Offer Price of HK$4.97 per Share, being the mid-point of the estimated Offer Price range.

For further information on use of the net proceeds from the Global Offering, please refer to the section entitled "Future Plans and Use of Proceeds".

Capital Commitments and Operating Leasing Commitments

Capital commitments

The following table sets forth our contractual obligations as at the dates indicated:

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	C$	C$	C$	C$
Contracted but not provided for				
Flow-through shares and special warrant obligations	245,000	2,000,598	622,296	—
E&E expenditure	—	—	12,983,369	41,470,000
	245,000	2,000,598	13,605,665	41,470,000

Our commitments in E&E expenditures relate to the services of various drilling rigs and other equipment and services of our ongoing drilling programmes.

Operating leasing commitments

The following table sets forth our minimum lease payments under operating leases in respect of offices premises as at the dates indicated:

	Year ended 31 December			Nine months ended 30 September	
	2008	2009	2010	2010	2011
	C$	C$	C$	C$ (unaudited)	C$
Minimum lease payments under operating leases during the Relevant Periods in respect of office premises	310,448	534,038	548,995	329,530	621,489

We have an annual obligation of C$1.6 million for Oil Sands Lease rentals and C$10,752 for petroleum and natural gas lease rentals. Each Oil Sands Lease has an initial 15 year term from the date of acquisition. Each petroleum and natural gas lease has an initial four year term from the date of acquisition.

We had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	As at 31 December			As at 30 September
	2008	2009	2010	2011
	C$	C$	C$	C$
Within one year	1,923,620	1,896,362	1,951,006	3,304,232
In the second to fifth year (inclusive)	6,402,308	5,933,848	6,112,984	14,372,269
Over five years	12,456,962	11,056,080	10,728,898	15,919,641
	20,782,890	18,886,290	18,792,888	33,596,142

Net Current (Liabilities) Assets

The following table sets forth our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 September	As at 30 November
	2008	2009	2010	2011	2011
	C$	C$	C$	C$	C$ (unaudited)
Current assets					
Trade and other receivables	1,767,161	80,565	1,273,558	2,040,937	2,328,463
Prepaid expenses and deposits	376,207	234,152	1,910,487	760,547	962,538
Cash and cash equivalents	541,012	575,769	41,540,387	122,583,477	100,706,780
	2,684,380	890,486	44,724,432	125,384,961	103,997,781
Current liabilities					
Trade and other payables	1,925,449	1,292,426	17,521,798	18,695,438	26,970,440
Bank borrowings	25,200,000	5,328,200	—	—	—
Provision for decommissioning obligations	—	—	116,734	116,734	116,734
Provision for flow-through share obligations	147,000	250,075	19,914	—	—
Warrants	—	—	—	74,791,237	71,051,392
	27,272,449	6,870,701	17,658,446	93,603,409	98,138,566
Net current (liabilities) assets	(24,588,069)	(5,980,215)	27,065,986	31,781,552	5,859,215

We recorded net current liabilities as at 31 December 2008 and 2009 primarily due to bank borrowings of approximately C$25.2 million and C$5.3 million, respectively, which we used to finance our exploration and development activities. As general global economic conditions improved and the availability of liquidity in the capital markets increased in early 2010, we were able to pay down our bank borrowings and raise an aggregate of approximately C$130.7 million in equity financing during 2009 and 2010. This resulted in net current assets of C$27.1 million to further advance the development of our oil sands projects, specifically in the Muskwa area. For the nine months ended 30 September 2011, we raised a gross amount of C$225.9 million in equity financing, which resulted in a net current asset position with available working capital of approximately C$31.8 million to allow us to focus on sustainable development and production in our core oil sands areas. We recorded net current assets of C$5.9 million as at 30 November 2011 primarily due to the amount we raised in equity financing earlier in the year.

Contingent Liabilities

As at the Latest Practicable Date, we had no material contingent liabilities.

Off-balance Sheet Transactions

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet transactions.

INDEBTEDNESS

Bank Loans and Other Loans

The table below sets forth our bank borrowings as at the dates indicated.

	As at 31 December			As at 30 September	As at 30 November
	2008	2009	2010	2011	2011
	C$	C$	C$	C$	C$ (unaudited)
Secured and repayable within one year	25,200,000	5,328,200	—	—	—

In 2008, we negotiated a syndicated revolving credit facility with a commitment amount of C$35.0 million from four Canadian banks. The credit agreement had a maturity date of 8 July 2009, and was subject to extension upon request by us and approval by the syndicate of lenders. The credit agreement was subsequently amended to allow for an extension to 9 March 2010 (as approved by the syndicate). During the first quarter of 2010, we repaid all outstanding amounts and elected not to renew the credit facility. As at 30 September 2011, we did not have any outstanding bank borrowings.

On 18 October 2011, our Company entered into the Orient Credit Facility in the principal amount of C$100 million, for general corporate purposes. The Orient Credit Facility is unsecured and may be subordinated if another lender requires it to be subordinated, with no penalty chargeable upon early repayment or cancellation of the Orient Credit Facility. The Orient Credit Facility is interest-free until 31 May 2012, and commencing on 1 June 2012 an annual interest rate charged at 5% per annum on the outstanding principal will be payable on a semi-annual basis to Orient International Resources Group Limited. The annual interest rate was determined upon commercial negotiations between Orient International Resources Group Limited and our Company. Our Company understands that current market rates for oil sands companies in the developmental stages are approximately 400 basis points plus bankers acceptance (1.2% as of 25 October 2011) equating to an interest rate of 5.25%. As at the Latest Practicable Date, we had drawn down C$30 million of the Orient Credit Facility.

As at 30 November 2011, we did not have any outstanding bank or other borrowings.

We are currently in discussions with the Bank of China in relation to a possible credit facility in the amount of US$200 million pursuant to a non-binding letter of intent dated 3 February 2012. Entry into any binding credit facility arrangement will be subject to further negotiations between the parties regarding the terms and conditions of the credit facility and the Bank of China's approval. The letter of intent is valid for one year and will expire in February 2013. As at the Latest Practicable Date, we had not entered into any binding credit facility agreement with the Bank of China.

Other Outstanding Indebtedness

We had redeemable shares, being 14,462,810 Shares and 7,231,405 Class B Shares, (all prior to the 20-for-1 share split implemented on 10 February 2012) amounting to C$221.0 million as at 30 November 2011 as a result of our equity financing activities in February 2011, which are classified as non-current financial liability. We also had a liability of C$71.1 million, being 7,945,702 Warrants, as at 30 November 2011 in respect of the estimated fair value of Warrants. For more information, please refer to the section entitled "— Description of Selected Statement of Comprehensive Income Line Items — Finance costs" above. Save for the redeemable shares, we did not have other outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities. We confirm that there has not been any material change in our indebtedness and contingent liabilities since 30 November 2011 until the date of this Prospectus.

ADVISORY AGREEMENT WITH ORIENT FINANCIAL

We entered into an advisory agreement on 20 January 2010 and a series of subsequent amendment agreements between December 2010 and October 2011 with Orient Financial Holdings Limited, a company with substantial Asian and international capital markets connections and resources. At the time of the entry into the Advisory Agreement, our Company was still in its early phases of development and was in need of additional investment to help fund our further growth and development. However, the economic environment in the aftermath of the global financial crisis and the economic situation in North America in particular, made it difficult for an early phase company such as our Company to seek the necessary funding from the North American market and investors. As a result, we determined that Asia presented the greatest potential to us for obtaining further investment. We anticipated that Orient Financial, wholly owned by Mr. Hok Ming Tseung, who also directly and indirectly holds 82% of Orient, with its substantial Asian and international capital markets connections and resources, would be an important strategic partner for us in positioning ourselves for capital raisings in Asia and potentially an IPO on an Asian stock exchange. We anticipated that Orient would assist us in establishing connections and providing introductions to Asian market participants, such as PRC oil companies and oil related equipment companies. These were crucial for us to create an identity and establish relationships in the Asian market, which we otherwise would not have been able to establish.

During the last two years, Orient has supported us by inviting us for visits to Hong Kong and the PRC in order to be introduced to Asian market participants, such as PRC oil companies and oil related equipment companies as well as introducing investment banks, legal counsel, public relations firms and other professionals in Hong Kong and the PRC to us. Furthermore, Orient has provided us with assistance with our feasibility studies, research and discussions into adopting the strategy of an IPO on the Hong Kong Stock Exchange and contributed strategically through the advice provided by Mr. Hok Ming Tseung as a director of our Company since March 2010; assisting in the selection and renovation of our Hong Kong office and handling other logistical matters. We embarked on the process of an IPO, and in particular a Listing on the Hong Kong Stock Exchange, due largely to the advice and support of Orient.

In consideration for the services rendered under the Advisory Agreement, we are required to pay to Orient Financial an amount in cash equal to 0.75% of the number of issued and outstanding Shares at the time of the pricing of the Global Offering (which is expected to be on or about 24 February 2012) multiplied by the Offer Price per Share. However, we may at our sole option and discretion elect to satisfy up to 95% of the Advisory Fee through the issuance of Shares at the Offer Price and 5% through a cash payment. Any cash payment of the Advisory Fee is expected to be made immediately prior to the Listing.

We did not complete our Listing process during the Track Record Period and accordingly, no share based payment in connection with the Advisory Agreement was recognised during the Track Record Period. As a result of the completion of the Listing, we expect to pay Orient Financial the Advisory Fee. We decided to satisfy 95% of the Advisory Fee through the issuance of Shares and 5% through cash payment pursuant to advice from our Canadian legal advisers in respect of Canadian tax matters, which would be equal to 13,566,395 Shares based on the number of Shares issued and outstanding at the time of the pricing of the Global Offering. A cash payment in the amount of approximately HK$3.5 million (assuming an Offer Price of HK$4.97 per Share, being the mid-point of the estimated Offer Price range) will be made to Orient Financial immediately before the Listing to satisfy the remaining 5% of the Advisory Fee. The Advisory Agreement terminates upon the Listing.

MARKET RISKS

We are exposed to various types of market risks as described below.

Market Risk

Market risk is the risk that changes in market prices, such as currency risk, commodity price risk and interest rate risk will affect our net loss. The objective of market risk management is to manage and control market risk exposures within acceptable limits. There have been no changes over the Track Record Period to our objectives, policies or processes to manage market risks.

Although we do not sell or transact in foreign currency, the US dollar influences the price of petroleum sold in Canada. Furthermore, exchange rate fluctuations can affect the fair value of future cash flows. We had no forward exchange rate contracts in place as at or during the Track Record Period.

Commodity Price Risk

Commodity price risk is the risk that the value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for petroleum are impacted by world economic events that dictate the levels of supply and demand. We are a development stage entity and have limited current production. We have not attempted to mitigate commodity price risk through the use of various financial derivative and physical delivery sales contracts.

Interest Rate Risk Management

We are exposed to fair value interest rate risk in relation to the redeemable shares. We currently do not enter into any hedging instrument for fair value interest rate risk.

We are exposed to cash flow interest rate risk in relation to our cash and cash equivalents and variable bank borrowings. Our cash flow interest rate risk is mainly concentrated on the fluctuation of Canadian Prime Rate arising from our borrowings and the Canadian deposits rate from our bank balances and term deposits.

Sensitivity analysis

As the impact on our profit or loss of interest rate is insignificant, no sensitivity analysis was considered necessary.

Credit Risk

Credit risk is the risk of financial loss to us if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from our cash, deposits and receivables from joint venture partners and GST receivables. However, as at 31 December 2010, our receivables consisted of 61.7% from GST receivables, 24.6% from trade receivables and 13.7% from other receivables. As at 30 September 2011, our receivables consisted of 61.4% from oil sale receivables, 31.5% from GST receivables and 7.1% from other receivables.

We are exposed to credit risk on amounts held in individual banking institutions for balances that are above nominal guaranteed amounts. We regularly monitor published and available credit information of all these banking institutions.

We are exposed to credit risk from our receivables from purchasers of our bitumen and deposits. As at 30 September 2011, the allowance for impairment of accounts receivable was nil and we did not provide for any doubtful accounts nor were we required to write off any receivables, as no receivables were considered past due or impaired. We consider any amounts in excess of 30 days past due.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations as they become due. Our approach to managing liquidity is to plan that we will have sufficient liquidity to meet our liabilities when due, using either equity or bank debt proceeds. We expect to settle all accounts payable and accrued liabilities within 90 days.

We utilise authorisations for expenditures to manage planned capital expenditures and actual expenditures are regularly monitored and modified as considered necessary.

WORKING CAPITAL STATEMENT

Based on past performance and current expectations, the Directors are of the opinion that cash on hand, expected cash flow to be generated from operations and the estimated net proceeds from the Global Offering will be adequate to support currently planned business operations, commitments and other contractual obligations for at least the next 12 months from the date of this Prospectus and we have sufficient working capital for 125% of our present requirements; that is for at least the next 12 months from the date of this Prospectus.

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there have been no circumstances that would give rise to the disclosure requirement under Rules 13.13 to Rule 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange.

LOSS ESTIMATE

Our Directors estimate that, on the bases set out in Appendix III to this Prospectus and, in the absence of unforeseen circumstances, our net loss and comprehensive loss attributable to equity holders of our Company for the year ended 31 December 2011, will amount to no more than C$68.7 million.

Estimated loss attributable to the owners of our Company for the year ended 31 December 2011[(1)]	Not more than C$68.7 million
Unaudited estimated loss per Share on a pro forma basis[(2)]	Not more than C$0.025

Movements in the selling price, average unit cost of production and sales volume of products will not have an impact on operating loss from continuing operations for the year ended 31 December 2011. As we have not commenced commercial production of oil, in accordance with our accounting policy for revenue recognition and costs associated with exploration and evaluation activities, we have capitalised our net operating loss from the sale of bitumen from the Muskwa area, which includes revenue less royalties and operating expenses. Please refer to the sections entitled "— Significant Factors Affecting Our Results of Operations" and "— Revenue and Cost Structure Upon Commercial Production" above for more information.

Notes:

(1) The bases on which the above loss estimate for the year ended 31 December 2011 has been prepared are summarised in the section entitled "Loss Estimate" in Appendix III to this Prospectus.

(2) The calculation of the unaudited pro forma estimated loss per Share is based on the estimated loss attributable to equity holders of the Company for the year ended 31 December 2011 and 2,787,364,489 Shares represented (i) 1,850,498,594 Shares, being the weighted average number of shares outstanding for the year ended 31 December 2011 (including common shares and redeemable shares issued and outstanding and assuming the 20-for-1 share split was completed), and (ii) 923,299,500 Shares to be issued pursuant to the Global Offering and 13,566,395 Shares to be issued pursuant to the Orient Financial Arrangement as if the issue of these Shares had taken place on 1 January 2011. No account has been taken of the Excluded Shares.

(3) The unaudited pro forma estimated loss per Share is converted from Canadian dollar to Hong Kong dollar at an exchange rate of C$0.1335 to HK$1.00, prevailing on 30 September 2011. No representation is made that the Canadian dollar amounts have been, could have been or may be converted to Hong Kong dollar, or vice versa, at the rate or at any other rates or at all.

(4) For the purposes of arriving at the loss estimate, we have estimated a fair value loss on the Warrants of C$21.0 million for the year ended 31 December 2011.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on our net tangible assets as at 30 September 2011 as if the Global Offering had taken place on 30 September 2011.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of our Company as at 30 September 2011 or as at any subsequent dates, including following the Global Offering.

	Audited consolidated net tangible liabilities of our Group attributable to equity holders of the Company as at September 30, 2011	Effect of redeemable shares	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of our Group	Unaudited pro forma adjusted net tangible assets per Share	
	(note 1)	(note 2)	(note 3)	(note 4)	(note 5)	(note 6)
	C$	C$	C$	C$	C$	HK$
Based on an Offer Price of HK$4.86 (C$0.65) per Offer Share (note 7)	(103,456,896)	214,743,202	561,274,904	672,561,210	0.24	1.77
Based on an Offer Price of HK$5.08 (C$0.68) per Offer Share (note 7)	(103,456,896)	214,743,202	587,443,104	698,729,410	0.25	1.84

Notes:

(1) The audited consolidated net tangible liabilities of our Group attributable to equity holders of the Company as at 30 September 2011 is extracted from the Accountants' Report set out in Appendix I to this Prospectus, which is based on the audited consolidated net assets of our Group attributable to equity holders of the Company as at 30 September 2011 of C$147,258,644 less intangible assets included in exploration and evaluation assets of our Group as at 30 September 2011 of C$250,715,540.

(2) The adjustment represents the reclassification of the redeemable shares from liabilities to equity in our Group's consolidated statement of financial position upon the mandatory forfeiture of the share redemption rights underlying the redeemable shares upon the completion of a qualifying initial public offering as stipulated in the redeemable shares subscription agreements as if the Global Offering had taken place on 30 September 2011. The carrying amount of the redeemable shares will be different upon the completion of the Global Offering and the Listing.

(3) The estimated net proceeds from the Global Offering are based on the indicative Offer Prices of HK$4.86 (equivalent to C$0.65) and HK$5.08 (equivalent to C$0.68) per Offer Share, respectively, after deducting the underwriting fees and other related expenses and assuming 5% of the Advisory Fee to Orient Financial to be settled in cash and 95% in newly issued shares of the Company (the "**Orient Financial Arrangement**") and assuming no exercise of the Over-Allotment Option. The estimated net proceeds from the Global Offering is converted from Hong Kong dollars into Canadian dollar at the rate of C$0.1335 to HK$1.00, prevailing on 30 September 2011. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Canadian dollar, or vice versa, at that rate or at any other rates or at all.

(4) No adjustment has been made to the unaudited pro forma adjusted net tangible assets of our Group to reflect any trading result or other transactions of our Group entered into subsequent to 30 September 2011.

(5) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis 2,840,921,435 Shares expected to be issued and outstanding immediately after the Global Offering. 2,840,921,435 Shares represented (i) 1,470,171,240 common shares and 433,884,300 redeemable shares issued and outstanding as of 30 September 2011 assuming the 20-for-1 share split were completed, and (ii) 923,299,500 common shares to be issued under the Global Offering and 13,566,395 Orient Shares. No account has been taken of the Excluded Shares.

(6) Unaudited pro forma adjusted net tangible assets is converted from Canadian dollar into Hong Kong dollar at the rate of C$0.1335 to HK$1.00 prevailing on 30 September 2011. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Canadian dollar, or vice versa, at that rate or at any other rates or at all.

(7) The above adjustments have not taken into account the effect of the repurchase of 8,666,310 warrants by way of cash consideration of C$68,862,674 completed on 4 January 2012. The effect of the repurchase of the warrants is to increase unaudited pro forma adjusted net tangible assets of our Group to C$678,489,773 (based on an Offer Price of HK$4.86 (C$0.65) per Offer Share) or C$704,657,973, (based on an Offer Price of HK$5.08 (C$0.68) per Offer Share) after adjusting the effect of the warrant liability of C$74,791,237 as of 30 September 2011 and the payment of cash consideration of C$68,862,674. There is no impact on the number of shares. The unaudited pro forma net tangible assets per Share will be C$0.24 or HK$1.79 based on an Offer Price of HK$4.86 (C$0.65) per Offer Share or C$0.25 or HK$1.86 based on an Offer Price of HK$5.08 (C$0.68) per Offer Share.

DIVIDEND POLICY

Our Board may declare dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the ABCA. In addition, our Directors may from time to time pay such interim dividends as appear to our Board to be justified by our profits, or special dividends of such amounts and on such dates as they think fit. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board.

Our Company did not declare or pay any dividends during the Track Record Period, nor do we have any present intentions of paying any dividends in the near term.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 September 2011.