PRESENTATION TO THE CALGARY SOCIETY OF PETROLEUM ENGINEERS

STATE OWNED ENTERPRISES (SOEs) IN THE CANADIAN ENERGY INDUSTRY

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PRESENTED BY:
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MANAGING DIRECTOR, ACQUISITIONS & DIVESTITURES
AltaCorp Capital Inc. (“AltaCorp”) appreciates the opportunity to present to the Calgary Society of Petroleum Engineers about State Owned Enterprises (SOEs) in the Canadian energy industry

This presentation will discuss the following:

I. AltaCorp Capital Overview
II. State Owned Enterprises (SOEs) in the Canadian Energy Industry
III. Near / Medium / Longer Term Considerations
IV. Australia’s Foreign Investment Policy
V. Discussion and Summary
AltaCorp has formed a strategic alliance with ATB Financial to provide corporate and institutional clients the full spectrum of advisory, equity capital markets and financial services.

ATB is Alberta’s single largest and oldest full-service financial institution with assets over $26.5 billion and 5,000 Associates across the province.

ATB has a 65 year history providing Personal, Business and Agricultural Financial Services, Investor Services and Corporate Financial Services to more than 670,000 Albertans.

ATB owns 19.9% of AltaCorp; the remaining 80.1% is owned by AltaCorp employees.

AltaCorp provides full service financial and advisory services to corporations in any stage of the life cycle focused on the key drivers of the Western Canadian economy and overlapping subsectors of Energy, Agri-Industry and Energy Infrastructure & Industrials.

AltaCorp has over 50 employees between Calgary (head office) and Toronto.
State Owned Enterprises (SOEs) in the Canadian Energy Industry

George Gosbee
Chairman & Chief Executive Officer

Paul Sarachman, CFA, FCSI
President & Managing Director
Capital Markets

over 50 professionals across offices in Calgary and Toronto
State Owned Enterprises (SOEs) in the Canadian Energy Industry
State Owned Enterprise takeovers will be reviewed at $330mm or greater
- Private sector foreign bidders will be reviewed at $1,000mm or greater
- SOEs are barred from further takeovers in Canada’s oilsands (Other than exceptional circumstances)
- “Property on which only exploration activities are conducted is not treated as the acquisition of an interest in a “business”, and is not subject to either notification or review\(^1\)
- “Net benefits to assessed on:
  - Where to export
  - Where to process
  - Participation of Canadians in its operations in Canada and elsewhere
  - Impact of the investment on the productivity and industrial efficiency in Canada
  - Support of on-going innovation and R&D in Canada
  - Appropriate level of capex to maintain the Canadian business in a globally competitive position\(^1\)

\(^1\) Source: http://www.ic.gc.ca/eic/site/ica-lic.nsf/eng/lk00064.html#state-owned
China’s overseas direct investment has grown dramatically since 2005, now totalling over $600Bn

2012 estimated at > $120Bn
Of China’s overseas direct investment nearly ½ is in energy

In this backdrop recent activity in Canada was inevitable

Proportionally, energy investment in Canada and Australia are of similar size
- OECD energy forecast demand is relatively flat
- Non-OECD grows by > 100%
- In particular, North American demand is totally flat

Source: ExxonMobil, 2012 The Outlook for Energy: A view to 2040
State Owned Enterprises (SOEs) in the Canadian Energy Industry

Global Energy Demand by Energy Type

- Large projected growth in natural gas, investment is being positioned now

Source: ExxonMobil, 2012 The Outlook for Energy: A view to 2040
Growing population and prosperity is part of the forecast

Expected ongoing gains in energy efficiency temper future energy requirements
STATE OWNED ENTERPRISES (SOEs) IN THE CANADIAN ENERGY INDUSTRY

INDUSTRIAL FUEL GROWTH

This is the market!

- Oil +25% driven by chemical feedstock
- Gas +50% primarily on industrial demand

75% NON OECD SHARE OF GLOBAL INDUSTRIAL DEMAND IN 2040

By 2040, Non OECD countries will account for almost 75 percent of global industrial demand, up from 65 percent today. In these countries, growth is met mostly by electricity, oil and natural gas; coal will decline. Global industrial demand for electricity will rise by almost 80 percent through 2040. Strong growth also is seen in oil (up about 25 percent, driven by the need for chemical feedstock) and natural gas, whose industrial demand grows by about 50 percent through 2040.

Source: ExxonMobil, 2012 The Outlook for Energy: A view to 2040
Global Oil Production by Discovery Date

- Modest growth in the oil discovery, new production rates suggest that there will be few major surprises in oil resource discovery
- Production growth should be a function of extraction cost vs. oil price (i.e. oilsands)
Export of oil to the U.S. demonstrates the dependence of Canadian energy producers on the U.S. markets: consumption and pricing disparities.
This is a tectonic shift away from Canada’s history of the U.S. as sole customer.
Alberta’s royalty take is a proxy for royalty take in the western Canadian oil & gas producing provinces.

The trend on natural gas revenues has continued downwards and oilsands royalties will be impacted by heavy oil differentials.
# State Owned Enterprises (SOEs) in the Canadian Energy Industry

A Sampling of Sovereign Wealth Funds

<table>
<thead>
<tr>
<th>Sovereign Wealth Fund</th>
<th>Country</th>
<th>Source of Capital</th>
<th>Year Established</th>
<th>Total Assets ($Million) 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abu Dhabi Investment Authority</td>
<td>United Arab Emirates</td>
<td>Hydrocarbon</td>
<td>1976</td>
<td>625,000</td>
</tr>
<tr>
<td>Government Pension Fund – Global</td>
<td>Norway</td>
<td>Hydrocarbon</td>
<td>2006</td>
<td>530,598</td>
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<tr>
<td>SAFE Investment Company</td>
<td>China</td>
<td>Non-Commodity</td>
<td>1997</td>
<td>347,100</td>
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<td>China Investment Corporation</td>
<td>China</td>
<td>Non-Commodity</td>
<td>2007</td>
<td>332,394</td>
</tr>
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<td>Government of Singapore Investment Corporation (GIC)</td>
<td>Singapore</td>
<td>Non-Commodity</td>
<td>1981</td>
<td>315,000</td>
</tr>
<tr>
<td>Hong Kong Monetary Authority</td>
<td>Hong Kong</td>
<td>Non-Commodity</td>
<td>1993</td>
<td>293,201</td>
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<tr>
<td>Kuwait Investment Authority</td>
<td>Kuwait</td>
<td>Hydrocarbon</td>
<td>1982</td>
<td>202,800</td>
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<td>Temasek Holdings</td>
<td>Singapore</td>
<td>Non-Commodity</td>
<td>1974</td>
<td>140,943</td>
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<tr>
<td>National Social Security Fund – China</td>
<td>China</td>
<td>Non-Commodity</td>
<td>2000</td>
<td>120,928</td>
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<tr>
<td>Dubai World</td>
<td>United Arab Emirates</td>
<td>Hydrocarbon</td>
<td>2003</td>
<td>100,000</td>
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<td>National Wealth Fund</td>
<td>Russia</td>
<td>Hydrocarbon</td>
<td>2008</td>
<td>88,440</td>
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<td>Qatar Investment Authority</td>
<td>Qatar</td>
<td>Hydrocarbon</td>
<td>2005</td>
<td>80,000</td>
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<td>Future Fund</td>
<td>Australia</td>
<td>Non-Commodity</td>
<td>2006</td>
<td>71,012</td>
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<td>Libyan Investment Authority</td>
<td>Libya</td>
<td>Hydrocarbon</td>
<td>2006</td>
<td>70,000</td>
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<td>Revenue Regulation Fund</td>
<td>Algeria</td>
<td>Hydrocarbon</td>
<td>2000</td>
<td>61,251</td>
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<td>Brunei Investment Agency</td>
<td>Brunei</td>
<td>Hydrocarbon</td>
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<td>Alaska Permanent Fund Corporation</td>
<td>U.S.</td>
<td>Hydrocarbon</td>
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<td>South Korea</td>
<td>Non-Commodity</td>
<td>2005</td>
<td>37,000</td>
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<td>Malaysia</td>
<td>Non-Commodity</td>
<td>1993</td>
<td>36,674</td>
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<tr>
<td>Kazakhstan National Fund</td>
<td>Kazakhstan</td>
<td>Hydrocarbon</td>
<td>2000</td>
<td>30,000</td>
</tr>
</tbody>
</table>

*Source: University of Calgary, School of Public Policy, Sovereign Wealth and Pension Funds Controlling Canadian Businesses: Tax-Policy Implications*

Considerable foreign equity available with lots of competing investment options

Frequently the SWFs coordinate strategies with the SOEs
Access to capital has been a problem for the last 2 years

**Common Share Financings 2005 to YTD**

- **Small Juniors**: 8%
- **Large Juniors**: 22%
- **Internationals**: 28%
- **Intermediate**: 42%

**Value Raised (C$ billions)**

- 2005: $9.0 billion
- 2006: $5.0 billion
- 2007: $7.0 billion
- 2008: $8.0 billion
- 2009: $6.0 billion
- 2010: $5.0 billion
- 2011: $4.0 billion
- 2012: $2.0 billion
- 2013 YTD: $1.0 billion

**# of Offerings**

- 2005: 180
- 2006: 140
- 2007: 120
- 2008: 100
- 2009: 90
- 2010: 90
- 2011: 70
- 2012: 50
- 2013 YTD: 30

**Historical Financings**

- **2011**: Total $6.2Bn
- **2012**: Total $6.4Bn
- **2013 YTD**: Total $0.3Bn

**Notes**:

- **Intermediate** = greater than $1,000 million in EV, **Large Juniors** = $250 million to $1,000 million, **Small Juniors** = $30 million to $250 million
- (1) Ignores flow-through financings

**Common Share Financings Jan.1, 2011 to YTD**

- **Small Juniors**: 1%
- **Large Juniors**: 40%
- **Intermediate**: 52%
- **Internationals**: 7%

**Value Raised (C$ billions)**

- 2011: $0.3 billion
- 2012: $1.0 billion
- 2013 YTD: $0.3 billion

**# of Offerings**

- 2011: 6
- 2012: 30
- 2013 YTD: 6
**NEAR / MEDIUM / LONGER TERM CONSIDERATIONS**

- Total institutional cashed freed up from Celtic, Nexen and Progress deals amounted to ~$15.2Bn
- Allow institutions to deploy capital in other corporations – increasing development in the sector

($ in millions)

<table>
<thead>
<tr>
<th>Celtic</th>
<th>Nexen</th>
<th>Progress</th>
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<tbody>
<tr>
<td><strong>Top 25 Institutional Holders</strong></td>
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</tr>
<tr>
<td>BMO Asset Management, Inc.</td>
<td>Capital Research &amp; Management Co.</td>
<td>Canada Pension Plan</td>
</tr>
<tr>
<td>ProShare Advisors LLC</td>
<td>Jarislowsky Fraser Ltd.</td>
<td>Caisse de Depot et Placement du Quebec</td>
</tr>
<tr>
<td>Pyramis Global Advisors (Canada) ULC</td>
<td>T. Rowe Price Associates, Inc.</td>
<td>Vanguard Energy Fund</td>
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<tr>
<td>GCIC Ltd.</td>
<td>Platinum Asset Management Ltd.</td>
<td>Dynamic Value Fund of Canada</td>
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<tr>
<td>Wellington Management Co. LLP</td>
<td>First Eagle Investment Management LLC</td>
<td>RBC Canadian Dividend Fund</td>
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<tr>
<td>Invesco Advisers, Inc.</td>
<td>Orbis Investment Management Ltd.</td>
<td>Trимark Income Growth Fund</td>
</tr>
<tr>
<td>BlackRock Investments Canada, Inc.</td>
<td>AllianceBernstein LP</td>
<td>Trимark Canadian Fund</td>
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<tr>
<td>CI Investments, Inc. (United States)</td>
<td>pl</td>
<td>Dynamic Value Balanced Fund</td>
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<tr>
<td>AGF Investments, Inc.</td>
<td>Pyramis Global Advisors LLC</td>
<td>Fidelity True North Fund</td>
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<tr>
<td>Pyramis Global Advisors LLC</td>
<td>Tradewinds Global Investors LLC</td>
<td>Schroder ISF - Global Energy Fund</td>
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<td>RBC Global Asset Management, Inc.</td>
<td>BlackRock Asset Management Canada Ltd.</td>
<td>RBC Monthly Income Fund</td>
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<td>MFS Investment Management, Inc.</td>
<td>Newton Investment Management Ltd.</td>
<td>Leith Wheeler Canadian Equity Fund</td>
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<td>Columbia Wanger Asset Management LLC</td>
<td>RBC Global Asset Management, Inc.</td>
<td>Dynamic Canadian Value Class</td>
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<tr>
<td>BC Investment Management Corp.</td>
<td>Greystone Managed Investments, Inc.</td>
<td>Trимark Diversified Income Class</td>
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<td>Front Street Capital, Inc.</td>
<td>Pyramis Global Advisors LLC</td>
<td>John Hancock Global Opportunities Fund</td>
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<td>Bissett Investment Management Ltd.</td>
<td>Connor, Clark &amp; Lunn Investment</td>
<td>British Columbia Inv Management Corp.</td>
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<tr>
<td><strong>$23.0</strong></td>
<td><strong>$213.9</strong></td>
<td><strong>$35.1</strong></td>
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<tr>
<td><strong>$22.8</strong></td>
<td><strong>$213.9</strong></td>
<td><strong>$35.1</strong></td>
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<td><strong>Norges Bank Investment Management</strong></td>
<td><strong>CIBC World Markets, Inc.</strong></td>
<td><strong>Trимark Canadian Endeavour Fund</strong></td>
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<td>BlackRock Asset Management Canada Ltd.</td>
<td><strong>BMO Capital Markets (Canada)</strong></td>
<td><strong>Investors Mutual of Canada</strong></td>
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<td>CIBC Global Asset Management, Inc.</td>
<td><strong>Invesco Trimap investment</strong></td>
<td><strong>Trимark Canadian Class</strong></td>
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<td>Picton Mahoney Asset Management</td>
<td><strong>Burgundy Asset Management Ltd.</strong></td>
<td><strong>TD Canadian Value Fund</strong></td>
</tr>
<tr>
<td>Other Institutional Holders</td>
<td><strong>Scheer, Rowlett &amp; Associates Investment</strong></td>
<td><strong>Mackenzie Universal Canadian Resource</strong></td>
</tr>
<tr>
<td><strong>$18.0</strong></td>
<td><strong>$143.2</strong></td>
<td><strong>Trимark Resources Fund</strong></td>
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<td><strong>$17.3</strong></td>
<td><strong>$143.2</strong></td>
<td><strong>Manulife Global Opportunities Class</strong></td>
</tr>
<tr>
<td><strong>$14.9</strong></td>
<td><strong>$143.2</strong></td>
<td><strong>Fidelity Canadian Opportunities Fund</strong></td>
</tr>
<tr>
<td><strong>$153.0</strong></td>
<td><strong>$143.2</strong></td>
<td><strong>Other Institutional Holders</strong></td>
</tr>
<tr>
<td><strong>Institutional Investment in Celtic</strong></td>
<td><strong>Institutional Investment in Nexen</strong></td>
<td><strong>Institutional Investment in Progress</strong></td>
</tr>
</tbody>
</table>

**$15.2Bn capital freed up from Celtic, Nexen and Progress deals**

Note: Holdings held near announcement date and multiplied by the takeout price

Source: FactSet
Canadian pension funds have considerable assets and likely need to redeploy cash from the Nexen, Progress and Celtic M&A deals.
Canadian pension funds have become very short on equities and long on bonds in Canada

“Other Assets” include: miscellaneous pooled investments, mortgages, real estate, accruals and receivables

Source: University of Calgary, School of Public Policy, Sovereign Wealth and Pension Funds Controlling Canadian Businesses: Tax-Policy Implications
The SOEs may have the desire to vertically integrate oilfield services as per their pattern of investment elsewhere in the world.

The guidelines from Investment Canada will necessitate that SOEs invest in JVs and risk share more than they have to-date.
The approach:

• “...foreign investment...has helped build Australia’s economy…”

• “Foreign investment brings many benefits. It supports existing jobs and creates new jobs... innovation... new technologies... new skills... access to overseas markets... promotes competition…”

• “Rigid laws that prohibit a class of investments too often also stop valuable investments”

• “The national interest test also recognises the importance of Australia’s market-based system... decisions are driven by market forces rather than external strategic or non-commercial considerations”

Certain details:

- Threshold for foreign investment is A$248mm, except for New Zealand and US investment where the threshold is A$1,078mm
- The Treasurer has 30 days to consider application, may extend the period by up to 90 days with an interim order
- National interest considerations:
  - Strategic and security interests
  - Competition: “gaining control over market pricing”, or “where concentration could lead to distortions to competitive market outcomes”
  - Transparency: “investors that operate on a transparency and commercial basis are less likely to raise national interest concerns”
  - The investment is to be commercial not political or strategic contrary to national interests
  - Certain stipulations made on real estate and agriculture

It appears that the government has provided all the clarity that they intend to provide.

Australia’s model balances foreign investment with national interest.

Canada has considerable resources, the key national interest is diversification of markets.

Global non-OECD appetite is growing, these will be the key markets.

SOEs will be compelled to take on more of the “up front” risk as they participate in JVs.

Incremental capital for Canadian equities from recent deals may re-kindle equity markets.
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