Let's keep talking. About everything that happened in the past year. Let's look at how the Taiga Project is progressing – what we delivered and what you can still expect. Let's talk about how the plans have evolved and how they'll continue evolving in the years to come. Here is our progress to date.

the taiga project

osum

It's been a good year.

When we began talking with community leaders and residents about the Taiga Project over 18 months ago, we were determined to start by listening. We knew we had work to do. We had to prove that we could be good neighbours, that we'd be in it for the long haul, and that we wouldn't compromise on our values.

Values that do not cost you something, it has been said, are not worth very much. At Osum, we value open and transparent communication, and it is a value that we insist on living up to, even if it has risks, and even if it costs us.

It is my hope that, in the last year, we have been able to demonstrate this. I am proud to say that we are able to report positively on the things we promised you we would a year ago. For example, last year we committed to zero fresh water use for steam generation for the Taiga Project. In April, our company completed a test which confirmed an adequate supply of undrinkable saline water. We now have a solid plan to ensure we keep this commitment.

Also, we indicated last year that we would investigate cogeneration as a way to increase the energy efficiency of the Taiga Project. Our team has carefully studied this option, and we can now report that cogeneration is included in the facilities design.

We heard your concerns about noise, lighting, vegetation, air monitoring, highway quality and the increased demands on people, resources and services. Our Environmental Impact Assessment has been thorough and we can now provide you with information on the specific impacts of the Taiga Project and our plan to keep those impacts to a minimum.

But there is still time to voice your concerns. And we are still listening.

Finally, we hope we are on the path to demonstrating our commitment to being an active member of the community through support, sponsorship and engagement. Our sponsorship of the Cold Lake ICE Jr. B Provincials this past April, our current three year partnership with the Cold Lake High School Science Team and our Diamond Sponsorship of the upcoming Lakeland 2010 Alberta Winter Games represent our major commitments to the area, although sometimes the little ones make just as much difference.

In the following pages, we'll share what we've learned and how the plan for the Taiga Project has evolved over the last year, and as always, if you have any questions that are not answered to your satisfaction, please do not hesitate to contact us directly via the method of communication you prefer. Contact information is listed on the back of this document, or you can look us up online at www.osumcorp.com.

Yours truly,

Richard Todd
Chairman and CEO
Osum Oil Sands Corp.

It’s been a safe, healthy year.

HEALTH AND SAFETY

Corporate health and safety programs can be set out on a continuum. At the weakest end of the continuum, business executives implement such programs to ensure that they are in compliance with regulations. Typically, they put the minimum requirements in place in order to keep the company out of legal trouble. Under this compliant, defensive style of management, worksite safety is seen as the ‘cost of doing business’, driven by preventative checklists, and focused on making sure investors get maximum returns on their investment.

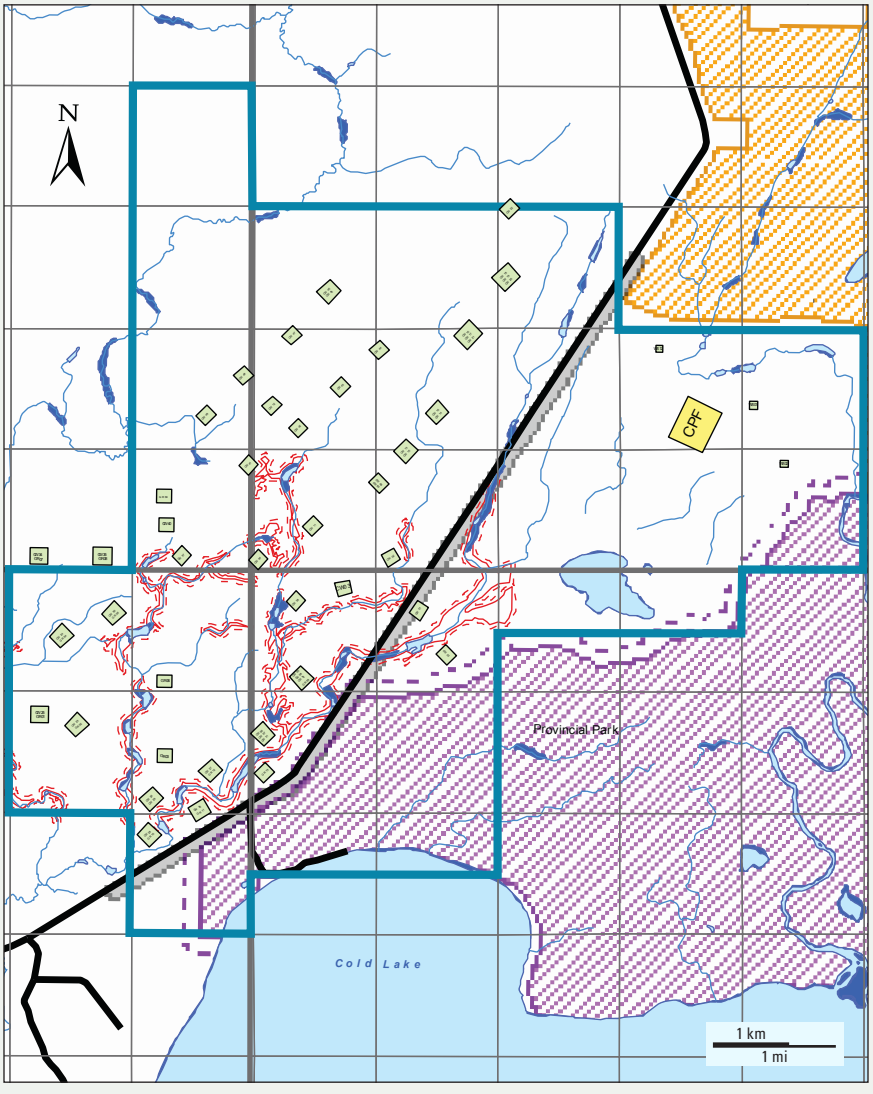
The ‘compliance’ approach is a shortsighted view, and it often ends up costing companies more money in the long run.

At the other end of the continuum, safety is not a checklist, it is a fundamental code of behaviour.

At Osum, we lead with the heart when it comes to health and safety. At the core of our vision are the undeniable truths that our worksites are run by people, those people have families, and that everything we do must therefore be guided by concern for their safety.

Consequently, Osum’s health and safety philosophy is called Zero Harm. We believe that accidents are preventable, and that by ensuring the Zero Harm vision is integrated throughout our corporate culture, we can help make sure our workers get home safely to their families at the end of the day.

To that end, we are happy to report that we welcomed Hal Middlemiss, CRSP, to our professional management team as Health and Safety Manager in June of this past year. When it comes to the Taiga Project, Hal will be spearheading Osum’s safety initiatives and ensuring that each and every Osum employee understands it is their job to be a leader when it comes to the safety of the people on our worksites.



OSUM TAIGA PROJECT
PAD LOCATIONS

TAIGA Boundary
Plant Facilities
Well Pads
Rivers and Creeks
Water Body
MATRIX Water Body
Riparian Area
Riparian Area 45m Buffer
Major Road 100m Buffer
Prov. Park 200m Buffer
Provincial Parks

It's been a year spent listening to stakeholders, taking measure of the tough issues, and figuring out how to minimize impacts.

FACILITIES DESIGN & ENGINEERING

A number of facility design measures have been proposed to reduce impact to the surrounding areas. For example, by 'doubling up' and in some cases 'tripling up' on production well pads, we have been able to reduce the total number of proposed pads for the project from 63 to 40, minimizing pipeline corridors and infrastructure. In addition, we have attempted to follow existing cleared Rights of Way (ROWs) as much as possible. Pipelines and roads have been minimized as a consequence of these two design practices, resulting in a significant net reduction to surface disturbance (estimated around 25%).

Osum's team has endeavored to achieve balance in the proposed layout, positioning well pads for optimized oil recovery while maintaining acceptable proximity to water bodies and wet lands.

A progressive reclamation plan will also be included in the Taiga Project application to reduce the footprint of the project at any one time. This means that not all the construction will happen at once. By the time the last succession of well pads are being constructed, many of the first wells drilled for the project will already have been abandoned and the surface reclamation process will be underway.

COGENERATION & ENERGY EFFICIENCY

Osum is happy to report that it is seeking approval from the regulator to include cogeneration facilities in the Taiga Project development. Cogeneration increases the energy efficiency of oil sands operations. The process generates electricity using clean burning natural gas. Any electricity that is not used for the project can be distributed to the electrical grid and used by Albertans. In effect, a cogen with integrated Heat Recovery Steam Generation (HRSG), efficiently uses the same energy twice – once to produce electricity and once to produce steam.

Criticism of the oilsands development is often based on the concern that heavier crudes result in greater greenhouse gas emissions than the lighter crudes, which, in the past, satisfied most of the world's demand for oil. But what oilsands critics may not realize, is that when all the energy provided by cogeneration is fully accounted for, relative emissions from in situ oilsands production are often comparable to, and in some cases lower than, emissions caused by lighter crudes imported to North America from countries like Saudi Arabia and Russia.[1]

[1]Jacobs Consultancy 2009

WATER

Osum has always committed to zero fresh water use to generate steam for the Taiga Project, but in April we conducted tests on our leases that confirmed the viability of our plan to keep that commitment. An adequate supply of non-potable water from the McMurray formation (approximately 600 metres below ground) has been confirmed.

In fact, the bulk of the water used to generate steam for the SAGD process will be recycled and reused several times over. (Models and comparisons of existing facilities predict recycling efficiencies of 90% or greater). 'Makeup water', reflecting the 10% of the water that cannot be recycled, will be drawn from the McMurray as noted above.

As required in accordance with provincial regulation, surface and groundwater quality will be monitored and reported throughout the life of the project.

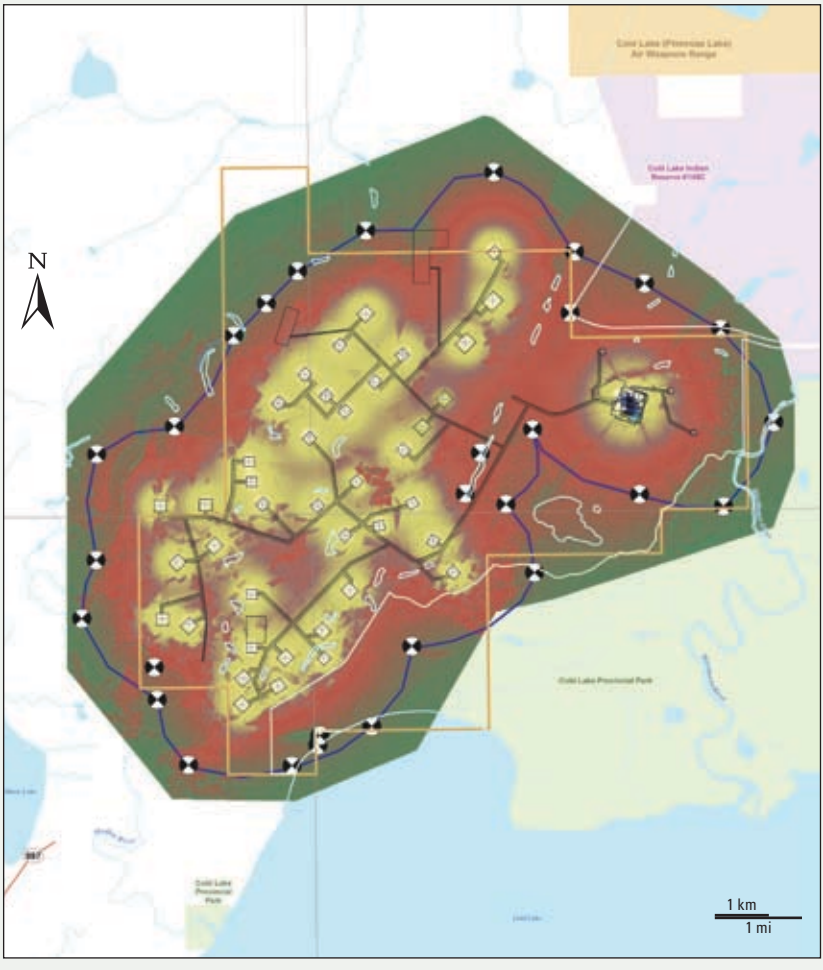
NOISE

Noise attenuation measures are being incorporated into the facilities design for the Taiga Project. But it is still important to know how much noise will be created by operations and how it will affect the surrounding area.

As part of our Environmental Impact Assessment, an independent third party noise expert was commissioned to conduct an analysis of the noise impacts created by the Taiga Project. To ensure that results would not be exaggerated in a way that would suggest less noise impacts than would be experienced in reality; conservative assumptions were used to provide the basis of the study. For example, the model assumes:

- No trees or vegetation to buffer noise;
- Weather conditions that are most conducive to noise carrying over distances;
- All phases of the Taiga Project operating simultaneously, rather than the phased approach that will be taken in real life.

With these assumptions, the finding of the model is that there will be no audible effects at a kilometer's distance from operations, and for the most part minimal effects at closer ranges. The figure diagram outlines the exact impacts in decibels as predicted by the model.



OSUM TAIGA PROJECT
OPERATIONS SCENARIO NOISE LEVELS

An independent third party noise expert was commissioned to conduct an analysis of the noise impacts of the Taiga Project. The above scenario, modeled on conservative assumptions, shows no audible effects at a kilometer's distance from operations.

TRAFFIC

Stakeholders have voiced a concern over the impacts of increased highway traffic in terms of both traffic safety and of the physical integrity of the roads. On-site waste disposal will help minimize highway use. Wherever possible, waste products will be safely returned to the ground by means of a deep salt cavern well on Taiga leases. This will reduce highway traffic considerably.

As well, speed limits will be posted and enforced by a private security detail. Impaired driving will result in immediate termination and banishment from project sites. During project construction, Osum will also utilize vans and crew trucks to minimize the number of vehicles on the highway.

VISUAL IMPACTS

Concerns have been voiced over the visual impacts of the project. Some of these cannot be avoided – for example, a steam plume rising from the Central Processing Facility will be a reality for the Taiga Project, particularly under certain weather conditions. But that doesn't mean there aren't areas we are addressing.

For example, operations will be lit using practices that minimize night glow. It is expected that the lighting will not impede the night sky at a distance of 1–2 kilometers from the plant site. Osum will also reduce the amount of lighting in facility areas when these areas are not in use. There will be no direct line of sight to the facilities from the area lakeshore.

AIR QUALITY & ODOUR

With respect to residents' concerns about odour, we can report that a vapour recovery unit which will capture virtually all-fugitive emissions has been incorporated into the proposed facilities design. As a consequence, no noticeable off-site odour is anticipated from the processing facilities.

Osum has also committed to participate in and adhere to the recommendations of the LICA air shed throughout the life of the project.

GARBAGE AND WASTE

The Taiga Project has been designed to manage waste safely and efficiently. For example, our salt cavern and deep disposal treatment of production byproducts will minimize surface waste facilities.

Osum has also committed to properly dispose of and/or recycle waste products that cannot be disposed of on site.

In our operations to date, we have endeavored to make sure that we do not waste resources. Our recent seismic program is an example. We used low impact seismic techniques to minimize the number of trees that were cut down in the process. Trees that were cut down were then donated to the Provincial Park, and Osum provided a bucking crew to cut it up so that it could be used as firewood.

It's been a year focused on people.

HUMAN RESOURCES

This past February, Heather Screaton, CHRP, a veteran of the Human Resources profession joined Osum to serve in the capacity of Director of Human Resources. As the Taiga Project gears up to begin construction once approvals have been successfully obtained, Heather will be leading the search for a number of key individuals who will play significant roles in getting the project up and running. Most of these roles are dependent on the success of the project moving forward, and will not be posted for a minimum of 18 months, however efforts to make connections in the community and open the doorway for communication with potential candidates are beginning now.

At Osum, we look for three principal qualities in the people we hire. First, and most important, we seek individuals who display a high degree of integrity. For us, integrity means focusing on the things we can influence in order to reach our goals rather than the things that are beyond our control, and removing blame from our conversations. It means that the ultimate responsibility for living up to our commitments rests with us.

Second, we seek people who have a positive outlook on life. Optimism is a cornerstone of Osum's brand, and the result is a workplace where people are inspiring and fun to work with, see the best in themselves and those around them, and find opportunities and solutions even when they are not immediately apparent.

And finally, we look for people who are competent. Our workplace philosophy is that when we hire someone to do a job, we ensure appropriate training and systems are in place to support them and then get out of the way and let them do what we hired them to do.

SOCIO-ECONOMIC IMPACTS

A thorough socio-economic impacts assessment is being conducted by a third party. Using financial assumptions stipulated by the Government of Alberta, this assessment will forecast:

- The number of direct jobs the Taiga Project will create;
- The number of indirect jobs created;
- Bitumen royalties payable to the Government of Alberta;
- Taxes payable to the municipality, the province and Canada;
- Total economic contribution to the region, the province and Canada.

Upon the filing of Osum's commercial application for the project, these numbers will be available for all interested stakeholders to review in depth. Economic impacts are an important part of oil sands development, and we believe taking measure of these impacts will help us to deliver a balanced approach.

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