

POLLUTION HAZARD POLICY

INSURING AGREEMENTS:

1. The Insurers agree, subject to the limitations, terms, definitions and conditions of this Policy, to indemnify the Insured for:
 - (a) those sums which the Insured shall be legally or contractually liable to pay as damages on account of Bodily Injury resulting directly from the Pollution Hazard arising out of the Insured's operations as stated in Item 9 of the Schedule;
 - (b) those sums which the Insured shall be legally or contractually liable to pay as damages on account of Property Damage resulting directly from a Pollution Hazard arising out of the Insured's operations as stated in Item 9 of the Schedule.
 - (c) those sums which the Insured shall be legally liable to pay for the cost of removing, nullifying, cleaning up, evaluating, monitoring, containing or controlling any solid, liquid, gaseous or thermal irritant, pollutant or contaminant which contaminates or pollutes the property of third parties (including the soil and water under the property of third parties) and both
 - (i) directly emanates from the Insured's operations and
 - (ii) results directly from a Pollution Hazardprovided always that Insurers shall have no obligation in respect of those costs incurred by the Insured or for which the Insured is obligated to pay (by law or otherwise) (1) to abate or investigate any threat of seepage, pollution or contamination of the property of third parties or (2) in respect of the Insured's owned, leased or rented property (including the soil minerals and water under the Insured's owned, leased or rented property);
 - (d) costs and expenses incurred in the defence of any Claim or Claims, and the costs and expenses of litigation awarded to any claimant against the Insured by way of interest on judgements, investigation, adjustment, appraisal, appeal and legal costs and expenses (excluding, however, all fees, salaries, or retainers for salaried employees and retained counsel and all office expenses of the Insured);

Provided always that the Insured establishes that all of the following conditions have been met:

- (i) the Pollution Hazard was sudden and was unintended and unexpected by the Insured.
- (ii) the Pollution Hazard first commenced at a specific time and date during the Policy period;
- (iii) the Pollution Hazard became known to the Insured within seventy-two (72) hours of its commencement;
- (iv) the Pollution Hazard is reported in accordance with the notice requirement of the Policy to Insurers within thirty (30) days after having become known to the Insured.

Notwithstanding that a Pollution Hazard is reported to Insurers in accordance with conditions (ii)-(iv) above, no Claim arising out of the reported Pollution Hazard will be covered unless that Claim is reported under the terms and conditions of the Policy within thirty-six (36) months of the date of the Pollution Hazard. All Claims reported within thirty-six (36) months from the date of the Pollution Hazard will be deemed as having been reported on the date on which the report was received by the Insurers or the expiry date of this Policy, whichever is earlier.

All Pollution Hazards 1) reported to Insurers during the Policy period (and up to 33 consecutive days thereafter) in accordance with conditions (i) - (iv) above and 2) arising out of the same general conditions emanating from one location shall be considered a single Pollution Hazard.

EXCLUSIONS

This Policy does not apply:

1. to liability directly or indirectly caused by or arising from (i) the handling, processing, treatment, storage, disposal or dumping of any waste materials or waste substances, or (ii) the transportation of any waste materials or waste substances, unless caused by a collision or overturning of a road vehicle or railroad vehicle other than on property owned, leased or rented by the Insured or property in the Insured's care, custody or control;
2. to employer's liability including such liability as respects occupational disease or to any liability under workers compensation, unemployment compensation or disability benefit laws or statutes;
3. to fines, penalties, punitive damage, exemplary damages, or any additional damages resulting from the multiplication of compensatory damages;
4. except in respect of a Pollution Hazard taking place in the United States of America, its territories or possessions, or Canada, to any liability of the Insured directly or indirectly occasioned by, happening through or in consequence of war, invasion, acts of foreign enemies, hostilities (whether war be declared or not), civil war, rebellion, revolution, insurrection, military or usurped power or confiscation or nationalisation or requisition or destruction of or damage to property by or under the order of any government or public or local authority;
5. to any liability arising out of any Nuclear Incident in accordance with the exclusions attached to this Policy;
6. to liability directly or indirectly resulting from subsidence caused by sub-surface operations;
7. to liability for loss of or damage to any hole or well or in-hole equipment;
8. to liability caused by or arising out of delay and/or loss of use and/or production and/or loss of reservoir or reservoir pressure; or
9. for liability for damage to oil, gas or other mineral substances which have not been reduced to physical possession above the surface of the earth or water bottom;
10. to liability for loss of or damage to property belonging to the Insured or in the Insured's care, custody or control.

CONDITIONS

This Policy is subject to the following conditions:

1. Appeals

In the event the Insured elects not to appeal a judgement in excess of his retention, Insurers may elect to make such appeal at their own cost and expense and shall be liable for the taxable costs and disbursements or any additional interest incidental to such appeal; but in no event shall the liability of Insurers exceed the relevant Limits of Liability set out in Item 2(a) of the Schedule plus the cost and expense of such Appeal and only that additional interest on Insurers' portion of the judgement.

2. Application of Recoveries

All recoveries or payments recovered or received subsequent to a loss settlement under this Policy, after deduction of all recovery expenses, shall be applied as if recovered or received prior to such settlement and all necessary adjustments shall then be made between the Insured and Insurers.

3. Service of Suit

As stated in Item 7 of the schedule and clause attached.

4. Assignment

Assignment of interest under this Policy shall not bind Insurers unless and until their consent is endorsed hereon.

5. Attachment of Liability

Liability to pay under this Policy shall not attach unless and until the Insured has paid any sum set forth in paragraphs (u) (d) in an amount which exceeds the Insured's retention as set out in Item 3 of the Schedule.

6. Cancellation Clause

This Policy may be cancelled by the Insured or by the Insurers or their representatives by sending by registered mail, notice to the other party stating when, not less than sixty days thereafter, cancellation shall be effective. The mailing of notice as aforesaid by Insurers or their representatives to the Insured at the address shown in Item 1 of the Schedule shall be sufficient proof of notice and the coverage under this Policy with respect to the Insured shall end on the effective date and hour of cancellation stated in the notice. Delivery of such written notice either by the Insured or by the Insurers or their representatives shall be equivalent to sending by registered mail.

If this Policy shall be cancelled by the Insured the Insurers shall retain the customary short rate proportion of the premium for the period this Policy has been in force. If this Policy shall be cancelled by the Insurers they shall retain the pro-rata proportion of the premium for the period this Policy has been in force. Notice of cancellation by the Insurers shall be effective whether or not the Insurers have returned or tendered the return of any premium with such notice.

7. Defence

Insurers shall not be called upon to assume the handling or control of the defence or settlement of any Claim made against the Insured but Insurers shall have the right, but not the duty, to participate with the Insured in the defence and control of any Claim which may be indemnifiable in whole or in part by the Policy.

8. Insolvency

The insolvency, bankruptcy, receivership or any refusal or inability to pay of the Insured and/or any Insurer shall not operate to increase Insurers' liability under this Policy.

In no event shall the Insurers of this Policy assume the responsibilities and/or obligations of the Insured and/or any other Insurer.

9. Inspection and Investigation

Insurers shall be permitted but not obliged to inspect the Insured's property and operations at any time.

Neither Insurers right to make inspections nor the making thereof nor any report thereon shall constitute an undertaking on behalf of or for the benefit of the Insured or others, to determine or warrant that such property or operations are adequate or safe.

Insurers shall be permitted to investigate any Pollution Hazard reported to Insurers or Claim made against

the Insured. The Insured must advise the Insurers or (Response) prior to incurring any sum set forth in paragraph 1(c). Insurers may examine and audit the Insured's books and records at any time as far as they relate to the subject matter of this Policy.

10. Joint Venture Clause

It is understood and agreed by the Insured and Insurers that, as regards any liability of the Insured which is insured under this Policy and arises in any manner whatsoever out of the operations or existence of any joint venture or partnership (hereinafter called 'Joint Venture') in which the Insured has an interest, the Limits of Liability stated in Item 2 of the Schedule shall be reduced to the amounts which are produced by multiplying such Limits of Liability by the percentage interest of the Insured in said Joint Venture. Where the percentage interest of the Insured in said Joint Venture is not set forth in writing, the percentage to be applied shall be that which would be imposed by law at the inception of the Joint Venture. Such percentage shall not be increased by the insolvency of others interested in the said Joint Venture.

11. Loss Payable

Any amount for which Insurers are liable under this Policy shall be due and payable to the Insured set out in Item 1 of this Schedule. Such amount shall be paid within ninety days after it is agreed by Insurers.

12. No Claims Bonus

If no Pollution Hazard is reported to Insurers under the terms of this Policy, Insurers agree to return a No Claims Bonus of ten per cent of the gross premium to the Insured. Such payment by Insurers shall not be made until the expiry of the Policy and the thirty-three (33) day Pollution Hazard reporting period in the Insuring Agreement.

In the event a Pollution Hazard is reported but no Claim is reported under the terms and conditions of the Policy, Insurers agree to return a No Claims Bonus of ten per cent of the gross premium to the Insured, but such payment by the Insurers shall not be made until the expiry of the thirty-six (36) month Claim reporting period in the Insuring Agreement.

Payment of a No Claims Bonus by Insurers to the Insured will release the Insurers hereunder from any further liability under this Policy for indemnity and the Insured shall execute a written release of any and all obligations of the Insurers.

13. Notice to Insurers

The Insured shall give immediate notice to Insurers of any Claim received by it which notice shall state the date of receipt by the Insured. All such notices, and all reports of Pollution Hazards made to Insurers, shall be by Registered Mail to Insurers' representatives stated in Item 8 of the Schedule. A Pollution Hazard is deemed to be reported and a Claim is deemed to be reported as of the date of receipt of such report or notice by said representative.

14. Other Insurance

In the event there is other insurance which inures to the benefit of the Insured covering any, loss, liability, cost or expense set forth in paragraph 1(a)-(d), this Policy shall not respond until such other insurance is exhausted and then only subject to the provisions of the Joint Venture Clause contained in this Policy.

Nothing contained in this Policy shall be construed to make this Policy subject to the terms, conditions and limitations of any other insurance.

15. Premium

The premiums and losses under this Policy are payable in the currency stated in Item 5 of the Schedule. Payment of premium shall be made as stated in Item 6 of the Schedule.

16. Prevention of Claims

As soon as the Insured becomes aware of a Pollution Hazard or receives a Claim, the Insured shall promptly, and at its own expense, take all reasonable steps to prevent liability for any sum set forth in paragraphs 1(a)-(d) resulting from the Pollution Hazard, but such expenses shall not be recoverable under this Policy.

17. Privilege of Insured

Privilege is granted to the Insured to release any individual or firm under contract or otherwise, from liability or loss or damage occurring after the granting of said release and arising out of the operations of the Insured as set out in Item 9 of the Schedule.

When the privilege above is exercised by the Insured, the Insurers hereunder hereby waive their rights of subrogation against such individual, firm or corporation, their subsidiaries, factors, or assigns, but only with respect to loss or damage to which the above release of liability applies.

18. Subrogation

Where an amount is paid under this Policy, the Insured's rights of recovery against any other person or entity in respect of such amount shall be exclusively subrogated to Insurers. At Insurers' request the Insured will assist and co-operate in the exercise of Insurers' rights for subrogation. Expenses necessary to the recovery of such amounts shall be apportioned between the interest (including the Insured) concerned, in the ratio of their respective recoveries as finally settled.

DEFINITIONS

1. Bodily Injury

The words "Bodily Injury", wherever used in this Policy, means all physical injury to any person including death, sickness, disease or disability, and all mental injury, anguish or shock to that person resulting from such physical injury and all mental injury, anguish or shock suffered by any relative or spouse of that person resulting from such physical injury.

2. Claims

The word 'Claim(s)', wherever used in this Policy, shall mean that part of any written demand received by the Insured for sums set forth in paragraph 1(a)-(d).

3. Insured

- (a) **The** following are included in the definition of the 'Insured' under this Policy: (a) the Named Insured, as set forth in Item 1 of the Schedule,
- (b) the Named Insured's subsidiaries, owned, controlled, affiliated or associated companies which have been accepted by Insurers at the inception date of this Policy,
- (c) any person or entity to whom the Insured is obligated by virtue of a contract to provide insurance such as is afforded by this Policy, unless such contract is outside the normal course of the Insured's operations. Said person or entity shall be covered only to the extent of such obligation of the Insured and then only in respect of operations by or on behalf of the Insured or of facilities of the Insured or of facilities used by the Insured,
- (d) additional Insured's, other than as provided for in (b) above, but only those entities accepted by Insurers at the inception date of this Policy,
- (e) any officer, director, stockholder, partner, or employee of the Named Insured but only while acting in his capacity as such,
- (f) with respect to Joint Ventures and/or Partnerships (i) any joint ventures or partnerships where the Insured is contractually required to provide insurance for the entire (100% interest) joint venture operation or partnership and which has been accepted by Insurers, and (ii) any joint venture or partnership where the Insured's interest in such joint venture or partnership is less than 100% but subject always to the terms and conditions of the Joint Venture Clause contained in this Policy,
- (g) any person or entity that would be covered under definition of Insured (a)-(f) above and for which coverage is requested after the inception date of the Policy, will automatically be covered hereon subject to advice and full information of such additional person or entity being received, by Insurers, within forty-five (45) days from the date such coverage is requested. Insurers reserve the right to charge additional premium and/or impose specific terms, conditions and exclusions upon any person or entity covered under this paragraph (g).

4. Pollution Hazard

The words "Pollution Hazard(s)", wherever used in this Policy, means the emission, discharge, dispersal, release or escape of any solid, liquid, gaseous or thermal contaminant, irritant or pollutant.

5. Property Damage

The words "Property Damage", wherever used in this Policy mean physical injury to or destruction of tangible third party property, including the loss of use of the property so injured or destroyed and specifically does not include the cost of removing, nullifying, cleaning up, evaluation, monitoring, containing or controlling any solid, liquid, gaseous or thermal contaminant, irritant or pollutant.

This Policy and the Schedule shall be read together as one contract and any word or expression to which a specific meaning has been attached in any part of this Policy or of the Schedule shall bear such specific meaning wherever. it may appear.

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