



SHAWCOR LTD.

ANNUAL INFORMATION FORM

For The Year Ended December 31, 2011

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Item 1 NOTICE REGARDING FORWARD-LOOKING INFORMATION

This annual information form (“AIF”) includes certain statements that reflect management’s expectations and objectives for ShawCor Ltd.’s future performance, opportunities and growth, which statements constitute forward-looking information under applicable securities laws. Such statements, other than statements of historical fact, are predictive in nature or depend on future events or conditions. Forward-looking information involves estimates, assumptions, judgments and uncertainties. These statements may be identified by the use of forward-looking terminology such as “may”, “will”, “should”, “anticipate”, “expect”, “believe”, “predict”, “estimate”, “continue”, “intend”, “plan” and variations of these words or other similar expressions. Specifically, this AIF includes forward-looking information in the “Trends” section hereof and elsewhere including in respect of, among other things, the impact of existing order backlogs on the Company’s revenues, the impact of global economic activity on the demand for the Company’s products as well as the prices of commodities used by the Company, the impact of changing energy demand, supply and prices, the impact and likelihood of changes in competitive conditions in the markets in which the Company participates, the impact of changing laws for environmental compliance on the Company’s capital and operating costs and the adequacy of the Company’s existing accruals in respect thereof, the Company’s relationships with its employees, the continued establishment of international operations, the effect of continued development in emerging economies, as well as the Company’s plans as they relate to research and development activities and the maintenance of its current dividend policies.

Forward-looking information involves known and unknown risks and uncertainties that could cause actual results to differ materially from those predicted by the forward-looking information. We caution readers not to place undue reliance on forward looking information as a number of factors could cause actual events, results and prospects to differ materially from those expressed in or implied by the forward looking information. Significant risks facing the Company include, but are not limited to: changes in global economic activity and changes in energy supply and demand which impact on the level of drilling activity and pipeline construction; exposure to product and other liability claims; shortages of or significant increases in the prices of raw materials used by the Company; compliance with environmental, trade and other laws; political, economic and other risks arising from the Company’s international operations; fluctuations in foreign exchange rates, as well as other risks and uncertainties, as more fully described herein under the heading “Risk Factors”.

These statements of forward-looking information are based on assumptions, estimates and analysis made by management in light of its experience and perception of trends, current conditions and expected developments as well as other factors believed to be reasonable and relevant in the circumstances. These assumptions include assumptions in respect of the potential for improvement in demand for the Company’s products and services as a result of continued global economic recovery, the potential for increased investment in global energy infrastructure as a result of stabilization of capital markets, the Company’s ability to execute projects under contract, the continued supply of and stable pricing for commodities used by the Company, and the availability of personnel resources sufficient for the Company to operate its businesses. The Company believes that the expectations reflected in the forward-looking information are based on reasonable assumptions in light of currently available information. However, should one or

more risks materialize or should any assumptions prove incorrect, then actual results could vary materially from those expressed or implied in the forward-looking information included in this AIF and the Company can give no assurance that such expectations will be achieved.

When considering the forward looking information in making decisions with respect to the Company, readers should carefully consider the foregoing factors and other uncertainties and potential events. ShawCor Ltd. does not assume the obligation to revise or update forward looking information after the date of this AIF, or to revise it to reflect the occurrence of future unanticipated events, except as may be required under applicable securities laws.

CURRENCY

All references in this document to “\$” are to Canadian dollars unless noted otherwise.

Item 2 CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

ShawCor Ltd. (“ShawCor” or the “Company”) was originally incorporated under the laws of Canada in 1968 as Shaw Pipe Industries Ltd. and was continued under the *Canada Business Corporations Act* in 1980 at which time it adopted the name Shaw Industries Ltd. Two subsidiaries, Shaw Pipe Protection Limited, which was originally incorporated in 1954, and ShawFlex Inc., which was originally incorporated in 1960, were amalgamated with the Company under the *Canada Business Corporations Act* effective January 1, 1991 and January 1, 1994, respectively. Effective May 4, 2001, the Company adopted its present name.

Additional amendments made to the articles of the Company since its amalgamation on January 1, 1994 include a subdivision of the Company’s outstanding shares on a three for one basis, effected in 1998; an amendment empowering the Board of Directors to appoint additional directors, effected in 2002; and the imposition of certain restrictions on the issuance of additional Class B Multiple Voting Shares, effected in 2004.

The address of the Company’s head and registered office is 25 Bethridge Road, Toronto, Ontario, Canada.

Unless the context requires otherwise, the term “Company” herein refers to ShawCor and its subsidiaries.

2.2 Intercorporate Relationships

PRINCIPAL SUBSIDIARIES AND AFFILIATES

The following table lists the Company’s principal subsidiaries and affiliates (affiliates being corporations in which ShawCor has a significant non-controlling equity interest) as at March 1, 2012 including the jurisdiction of incorporation and the percentage of voting securities held by ShawCor or its subsidiaries:

Name	Jurisdiction of Incorporation	Percentage Owned
ShawCor Canada Holdings Ltd.	Canada	100
Shaw Pipe Industries Limited	Canada	100
Shaw Pipe Protection Limited	Canada	100
Shaw and Shaw Limited	Nova Scotia	83
Shaw Pipeline Services Ltd.	Alberta	100
Flexpipe Systems Inc.	Alberta	100
ShawCor Inc.	Nevada	100
Bredero Shaw LLC	Delaware	100
ShawCor Pipe Protection LLC	Delaware	100
Flexpipe Systems (U.S.) LLC	Delaware	100
Bredero Shaw Mexico SA de CV	Mexico	100
ShawCor UK Limited	England	100
DSG-Canusa GmbH	Germany	100
Bredero Shaw International BV	The Netherlands	100
Bredero Shaw Norway A/S	Norway	100
Bredero Shaw Middle East Limited	Cyprus	100
Helicone Holdings Limited	Cyprus	25.1
Seabrite Ventures Limited	Cyprus	100
Bredero Shaw (Singapore) Pte. Ltd.	Singapore	100
PT Bredero Shaw Indonesia	Indonesia	100
Bredero Shaw (Malaysia) SDN BHD	Malaysia	49
ShawCor Australia Pty Ltd.	Australia	100
Arabian Pipecoating Company Ltd.	Saudi Arabia	30
Thermotite do Brasil Ltda	Brazil	100
Bredero Shaw Global Limited	Barbados	100
ShawCor Global Indemnity Limited	Barbados	100
ShawCor Global Services Limited	Barbados	100
Fineglade Limited	Ireland	40
Suzhou DSG-Canusa Polymer Technologies Co. Ltd.	China	100
Bredero Shaw Arkhangelsk Limited Liability Company	Russia	25.1

The following chart illustrates the ownership structure of ShawCor and its subsidiaries as at March 1, 2012:

Item 3 GENERAL DEVELOPMENT OF THE BUSINESS 2009 - 2011

During the period 2009-2011, the Company continued its global participation among energy services companies serving the pipeline, pipe services, petrochemical and industrial segments of the oil and gas industry and other industrial markets.

A critical development in the Company's business over the 2009-2011 period has been the impact of the global economic recession on the Company and the demand for its products and services. At the beginning of 2008, projections for real global GDP growth remained strong with worldwide energy demand expected to grow at an average rate of 1.5% per year through 2030. During the fourth quarter of 2007, worldwide economic activity slowed in response to the worsening financial crisis which began in the American banking industry and spread rapidly to financial markets in other parts of the world. Through 2008 and into the latter half of 2009, the global economy experienced recession with a significant negative impact on worldwide energy demand and the availability of capital for investment in energy infrastructure.

Energy infrastructure investments require long lead times with the result that the anticipated growth in energy demand that had prevailed prior to 2009 manifested in strong project activity in 2008. This fact coupled with gains in global market share resulted in the Company's revenue reaching a record level of \$1.38 billion in 2008. The Company's strong backlog entering 2009 allowed it to outperform industry peers and achieve record EBITDA margins during 2009 with revenue declining only 14.2% from the prior year despite a 42% reduction in well completions in North America and the widespread deferral of pipeline projects in Europe and the Middle East. Furthermore, efforts undertaken to strengthen the Company's operational systems and reduce the Company's cost structure mitigated the decline in revenue such that income from continuing operations remained strong at \$131.1 million, down only 2.7% from the record level of 2008.

By the third quarter of 2009, the impact of the global economic recession on investment in new pipeline infrastructure had resulted in a significant decline in the Company's order backlog to \$240 million. This weakening in the order backlog was reflected in the Company's 2010 financial performance, with revenue declining 12.7% from the 2009 level to \$1.03 billion, together with a corresponding decline in net income of 19.8%.

In 2011, revenue increased 11.9% from 2010 however the improvement in revenue was primarily focussed on North America and at one facility in Leith, Scotland. Many of the Company's operations elsewhere in the world continued to experience low utilization with a negative impact on operating margins. As a result, income from operations declined by 29.5% and net income decreased 41% compared with 2010. In the fourth quarter of 2011, the Company announced that it had secured contracts or letters of intent for projects with a cumulative value exceeding \$800 million. As a result of the award of new contracts, ShawCor's order backlog reached a new record level of \$548 million at December 31, 2011 and this backlog is expected to lead to revenue growth in 2012 and 2013.

During the three year period, the Company has continued to focus on implementing industry leading operational systems and processes and the development of new product innovations, including first commercialization in 2010 of the Company's Thermotite® Ultra™ next

generation deepwater insulation system, and, in 2011, production from the Company's first proprietary Brigden™ mobile coating plant and the first commercial testing of sub-sea pipe insulation performed at the Company's state of the art Sub-Sea Test facility.

ShawCor has also continued its emphasis on employee safety over the three year period through the Incident and Injury Free Program, which reduced total recordable incidents due to injury from 7.3 incidents per million person hours worked in 2008 to 6.7 incidents per million person hours worked in 2011, significantly better than industry standards.

Specific highlights in the development of the Company's business over the 2009–2011 period include:

2009

- At the Bredero Shaw division, Canadian and US pipe coating operations were combined into a single North American business unit in order to generate savings and more closely align these businesses with customer driven changes in the North American pipeline market.
- A second reorganization combined the European and Middle Eastern Regions into a single region including Europe, the Middle East, Africa and Russia to provide more effective coverage of the pipeline markets in these areas.
- The Trinidad North East Offshore and Tobago Pipeline projects were completed, generating revenue of US\$81.3 million.
- In May 2009, the Company declared a special dividend of 26.00 cents for each Class A Subordinate Voting share and 23.636 cents for each Class B Multiple Voting share. The special dividend totalled approximately \$18 million.
- In June 2009, the Company made the first required US\$25 million repayment of its US\$75 million principal amount Senior Notes, initially issued in June 2003.
- In December 2009, the Company announced it had received contracts with a value of approximately US\$185 million to provide pipeline coatings and related products and services to the Papua New Guinea LNG project.

2010

- Early in 2010, the Company established a joint venture with an affiliate of the leading Russian offshore pipeline contractor to operate a pipe coating facility in the Arkhangelsk region of Russia. This joint venture will provide advanced concrete weight coating services for the emerging northern Russia offshore pipeline market.
- In May 2010, the Company announced it had received a contract with a value in excess of US \$90 million to provide pipeline coatings for the Total E&P U.K. Ltd. Laggan-Tormore project from its Leith, Scotland facility.

- In June 2010, the Company made the second required US\$25 million repayment of its Senior Notes.
- In October 2010, the Company completed the acquisition of the remaining 50% interest in Thermotite Brasil Ltda and BS Servicos de Injeção that it did not previously own at a purchase price of US \$36.0 million. These companies operate in the offshore thermal insulation market in Brazil.
- In November 2010, the Company completed an investment of approximately Euros 30 million to acquire a 40% interest in Fineglade Limited, which in turn acquired a 95% interest in Socotherm S.p.A. Socotherm S.p.A. is an Italian headquartered global pipe-coating contractor which had revenue of Euros \$137 million during its fiscal year ended December 31, 2009.
- In December 2010, the Company announced it had received a contract with a value in excess of US\$40 million to provide subsea insulation coatings for the Jack/St. Malo project in the Gulf of Mexico.

2011

- In March 2011, the Company announced that it had entered into an agreement to acquire certain of the coating assets and business of Altus Energy Services Partnership, Altus Energy Services Ltd. and Nusco Northern Manufacturing Ltd. The acquisition was completed in April 2011. This coating business, now known as ShawCor CSI, provides shop applied coatings at its modern facility in Nisku, Alberta and provides field coating services throughout Western Canada.
- In June 2011, the Company announced that it had received a contract with a value in excess of US\$60 million from Welspun Corp Limited to provide pipeline coatings and related products and services for the Zawtika Development Project operated by PTTEP International Limited. The contract is being executed at the Bredero Shaw facility in Kabil, Indonesia.
- In June 2011, the Company made the final required US\$25 million repayment of its Senior Notes.
- In June 2011, the Company entered into a Second Amended and Restated Credit Agreement with The Toronto Dominion Bank, J.P. Morgan Securities LLC and other lenders, for an unsecured credit facility of US\$150 million, with a US\$50 million accordion feature, and having a four year term.
- In October and November 2011, the Company announced that it had received contracts from Chevron Australia Pty Ltd. to provide pipeline coatings and related products and services for the gas supply trunkline and the flowlines associated with the Wheatstone Project located off the north-west coast of Australia. These contracts are to be executed at Bredero Shaw's

facilities in Kabil, Indonesia, Kuantan, Malaysia and Orkanger, Norway and are valued in excess of US\$170 million.

- In October 2011, the Company announced that it had been awarded a number of contracts with a value in excess of US\$40 million from Subsea 7 to provide flow assurance pipecoatings in support of subsea projects in the Norwegian sector of the North Sea. The contracts are to be executed at Bredero Shaw's facility in Orkanger, Norway.
- In November 2011, the Company announced that it had received a letter of intent from Mitsui & Co. Ltd. to provide pipeline coatings and related products and services for the gas export pipeline on the Ichthys Gas Field Development Project off the north coast of Australia. The contract will be executed at Bredero Shaw's facilities in Kabil, Indonesia and Kuantan, Malaysia and, based on current estimates, is expected to be valued in excess of US\$400 million.
- In November 2011, the Company announced that it had received a contract with a value in excess of US\$45 million from Hyundai Heavy Industries to provide corrosion protection and concrete weight coating for the Barzan pipeline project in the Qatari sector of the Arabian Gulf. The contract will be executed at Bredero Shaw's facility in Ras Al Khaimah in the United Arab Emirates.

Item 4 DESCRIPTION OF THE BUSINESS

4.1 Overview

The Company is a global energy services company specializing in products and services for the pipeline, pipe services, petrochemical and industrial segments of the oil and gas industry and certain industrial markets.

The Company operates through seven divisions, with manufacturing and service facilities located around the world. These divisions (or business units) operate within the two principal market segments described below.

Market Segment

Pipeline and Pipe Services

The Pipeline and Pipe Services Segment comprises the Bredero Shaw, Canusa-CPS, Shaw Pipeline Services, Flexpipe and Guardian divisions, and carries on the following activities:

- Anti-corrosion, insulation, weight coating and flow efficiency products and related services for land and marine pipelines.
- Manufacture of heat shrinkable sleeves, adhesives, sealants and liquid coatings for onshore and offshore pipeline protection and sealing systems for the oil and gas, water and district heating and cooling markets.

- Ultrasonic and radiographic pipeline girth weld inspection services for land and marine pipelines.
- Manufacture of spoolable composite line pipe systems.
- Drill string inspection, refurbishment and tubular management services.

Petrochemical and Industrial

The Petrochemical and Industrial Segment comprises the DSG-Canusa and ShawFlex divisions and produces the following products:

- Heat shrinkable tubing, sleeves, moulded products and kits for the utility, communications, automotive and industrial markets
- Specialty instrumentation and control wire and cable for the petrochemical processing, power generation, ship building and industrial markets.

The Company's divisions are described further below.

4.2 Divisions

Pipeline and Pipe Services

Bredero Shaw

Bredero Shaw, with over 25 plants, operates in most major energy producing markets and, in addition to these permanent facilities, employs its engineering expertise to install temporary, project-specific plants anywhere in the world. Bredero Shaw's customers include the major private and government-owned oil and gas producers, pipe mills, pipeline owners and pipeline construction contractors.

Bredero Shaw's product offerings include specialized internal and external corrosion protection systems, insulation coating systems and weight coating systems for onshore and offshore pipelines. Through its many regional locations, Bredero Shaw can respond to customers' coating requirements regardless of which pipe supplier a customer might select. In addition, Bredero Shaw has logistics capabilities that assist customers in reducing freight costs by allowing them to efficiently source and move pipe around the world.

Canusa-CPS

Canusa-CPS develops, manufactures and markets heat shrinkable sleeves, adhesives, sealants and liquid coatings. Canusa-CPS' products are utilized in pipeline joint protection systems and girth weld corrosion protection applications worldwide. The division's expertise is in girth weld corrosion protection and sealing systems for onshore and offshore pipeline applications, high

temperature pipeline products, specialty district heating and cooling markets and custom coating and field joint applications.

Canusa-CPS possesses considerable in-house research and development expertise that is utilized to develop new products which are introduced to customers through a global marketing program backed by a commitment to field and technical support.

Canusa-CPS services its markets through distribution centers located in Sherwood Park, Alberta, Burk's Falls, Ontario, The Woodlands, Texas, Crawley, England and the United Arab Emirates, in addition to its primary manufacturing facility in Huntsville, Ontario. Canusa-CPS markets its products through direct sales and a global network of agents and distributors.

Shaw Pipeline Services

Shaw Pipeline Services provides ultrasonic and real time radiographic pipeline girth weld inspection services to pipeline construction contractors, owners and operators worldwide for both onshore and offshore pipeline applications from locations in Houston, Texas, Tulsa, Oklahoma, Great Yarmouth, England, Singapore and the United Arab Emirates.

Shaw Pipeline Services has developed inspection and process control systems that satisfy required inspection specifications, meet engineering critical assessment criteria for weld evaluation and defect sizing, and provide rapid feedback of defects to the welding contractor, resulting in reduced repair rates.

Flexpipe

Flexpipe manufactures proprietary, flexible, corrosion-resistant pipeline products which are marketed primarily to oil and natural gas producers in Canada and the U.S. as well as to customers in Latin America and Australia. The division serves its customers through its manufacturing and distribution centre in Calgary, Alberta and its sales offices and service depots in Alberta, Saskatchewan, Colorado and Texas. Flexible composite pipe offers customers a cost effective replacement for conventional steel pipe due to its ease of installation and the elimination of welding in the installation process.

Guardian

Guardian provides a complete range of tubular management services including mobile and in-plant inspection and the refurbishment and rethreading of drill pipe, production tubing and casing. Guardian services oil and gas companies, drilling contractors and tool rental companies in Canada, the United States and Mexico. The division's tubular management programs utilize a proprietary, computerized inspection and inventory tracking system, which is offered to customers at various locations in western Canada, the United States and Mexico.

Petrochemical and Industrial

DSG-Canusa

DSG-Canusa is a global manufacturer of heat shrinkable products including thin, medium and heavy-walled tubing, sleeves and moulded products as well as heat shrink accessories and equipment. DSG-Canusa products are sold through distributors and agents throughout North America, Europe and Asia.

DSG-Canusa provides electrical and mechanical insulation solutions for the automotive, electrical/utility, electronic and communications markets. Each product meets or exceeds relevant military, commercial, automotive, communications, utility, mining, industrial or original equipment manufacturers' specifications.

DSG-Canusa supports its customers through 7 manufacturing and distribution facilities located in Canada, the United States, England, Germany and China.

ShawFlex

ShawFlex is a manufacturer of control and instrumentation wire and cable for thermocouple, power, marine and robotics applications and its manufacturing facility is located in Toronto, Ontario. ShawFlex is a market leader in Canada with specialty products sold through distributors and agents throughout North America. ShawFlex's products meet or exceed industry standards such as those issued by the Canadian Standards Association and Underwriters Laboratories, and include proprietary products for numerous highly engineered applications.

ShawFlex's markets are primarily Canadian, although the division has achieved success in export markets, particularly in the United States. ShawFlex products are used in the petrochemical, power generation, pulp and paper, primary metals, automation, robotics and automotive industries.

4.3 Segmented Information

Revenues of each of the Company's operating segments expressed as a percentage of the Company's consolidated revenue for the years ended December 31, 2011 and 2010 are set out below:

Operating Segment	% Revenue ⁽¹⁾	
	2011	2010
Pipeline and Pipe Services	88%	89%
Petrochemical and Industrial	<u>12%</u>	<u>11%</u>
	100%	100%

(1) Net of intersegment transfers.

Reference is made to note 5 to the Company's consolidated financial statements for the years ended December 31, 2010 and 2011 on page 78 of the 2011 Annual Report to Shareholders, which note is incorporated herein by reference, for detailed financial information for each operating segment. The 2011 Annual Report to Shareholders is available on SEDAR at www.sedar.com.

4.4 Customers

Through its diversified businesses, the Company serves a broad spectrum of customers in the energy industry and other industrial markets. Refer to Item 4.2 for a description of the markets and customers served. The activities of the Company as a whole are not dependent on any single customer or group of related customers.

4.5 Components, Raw Materials and Supply Matters

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper and other ferrous and non-ferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction but the Company is not dependent on any single source of supply. While the materials required for its manufacturing operations have generally been readily available, cyclical swings in supply and demand can produce short-term shortages and/or price spikes.

With the rebound in global economic activity during 2011, the Company experienced increasing commodity prices for a number of its key raw materials including iron ore, copper and polymeric resins. This increasing price trend is expected to continue into 2012 but is expected to be buffered as the projected demand resulting from economic recovery is absorbed by excess supplier capacity.

4.6 Intangible Properties

The Company utilizes patented and proprietary technology throughout its operations; however, the Company's activities are not dependent to a significant extent on any single or group of related patents, licences, franchises or concessions. The Company's activities are also not dependent on any single trademark, although some trademarks are identified with a number of the Company's products and services and are important in the sale and marketing of such products and services. It is the Company's policy to register or otherwise take the necessary steps to protect such intellectual property in all jurisdictions where it has significant operations, or where its major competitors have operations. The Company applied for 15 new patents in multiple jurisdictions in 2011 and currently holds over 200 issued patents and 92 registered trademarks in respect of a number of its products and services in various jurisdictions where it carries on business. The Company's patents expire after a prescribed period has elapsed from the date of application or grant, generally 20 years in Canada and the U.S., although the periods vary in other jurisdictions. Registered trademarks are generally renewed by the Company for as long as they remain in use.

4.7 Seasonality and Cyclicity

While the activities of some of the Company's individual businesses have seasonal fluctuations, total Company revenue is not significantly impacted by seasonal factors. Revenue from year to year is subject to substantial variation, however, as the Company's operations in the Pipeline and Pipe Services segment, representing 88% of the Company's consolidated revenue in 2011, are largely project-based, and the nature and timing of projects can result in variability in the Company's financial results. The primary driver of demand for the Company's products and services is the level of energy industry investment in infrastructure for hydrocarbon exploration, development and transportation around the globe. This investment, in turn, is driven by global levels of economic activity, the impact of supply, demand and depletion within the hydrocarbon marketplace and the financial position of the major energy companies. All of these factors tend to be cyclical.

4.8 Competitive Conditions in Principal Markets

The Company actively competes with other suppliers of similar products and services in each of its markets. It is not anticipated that there will be any significant changes in the level of competition in each of the Company's markets in the near term; however, it is possible that, given the currently uncertain economic environment and resultant increase in financial pressures on some competitors, some companies may be unable to compete as vigorously as in the past or may exit these markets altogether. Each of the Company's divisions holds a leading market position with all such divisions enjoying either a first or second place share of the markets served.

4.9 Properties

The Company's businesses operate through the following manufacturing and service facilities:

<u>Location</u>	<u>Major Products or Services</u>	<u>Owned or Leased</u>
Calgary, Alberta	Tubular Inspection Services	Leased
Dimsdale, Alberta	Tubular Inspection Services	Owned
Edmonton, Alberta (2 facilities)	Tubular Inspection Services	Owned
Provost, Alberta	Tubular Inspection Services	Leased
Estevan, Saskatchewan	Tubular Inspection Services	Leased
Ft. St. John, British Columbia	Tubular Inspection Services	Owned
Grande Prairie, Alberta (2 facilities)	Tubular Inspection Services	Leased
Lloydminster, Alberta	Tubular Inspection Services	Leased
Nisku, Alberta	Tubular Inspection Services	Owned
Nisku, Alberta	Tubular Inspection Services	Leased
Red Deer, Alberta	Tubular Inspection Services	Leased
Ciudad del Carmen, Mexico	Tubular Inspection Services	Leased
Poza Rica, Mexico	Tubular Inspection Services	Leased
Reynosa, Mexico	Tubular Inspection Services	Leased
Veracruz, Mexico	Tubular Inspection Services	Leased

<u>Location</u>	<u>Major Products or Services</u>	<u>Owned or Leased</u>
Villahermosa, Mexico	Tubular Inspection Services	Leased
Williamsport, Pennsylvania	Tubular Inspection Services	Leased
Kembla Grange, Australia	Pipe Coating	Owned
Belo Horizonte, Brazil	Pipe Coating	Leased
Camrose, Alberta (2 sites)	Pipe Coating	Owned
Edmonton, Alberta (2 sites)	Pipe Coating	Owned
Regina, Saskatchewan	Pipe Coating	Owned
Kabil, Indonesia	Pipe Coating	Leased
Kuantan, Malaysia	Pipe Coating	Leased
Coatzacoalcos, Mexico	Pipe Coating	Leased
Monterrey, Mexico	Pipe Coating	Leased
Veracruz, Mexico	Pipe Coating	Leased
Orkanger, Norway	Pipe Coating	Owned
Arkhangelsk, Russia	Pipe Coating	Leased
Jubail, Saudi Arabia	Pipe Coating	Leased
Ellon, Scotland	Pipe Coating	Leased
Leith, Scotland	Pipe Coating	Leased
Rayong, Thailand	Pipe Coating	Leased
La Brea, Trinidad	Pipe Coating	Leased
Ras Al Khaimah, U.A.E.	Pipe Coating	Leased
Adelanto, California	Pipe Coating	Leased
Fontana, California	Pipe Coating	Leased
Portland, Oregon	Pipe Coating	Leased
Beaumont, Texas	Pipe Coating	Leased
Conroe, Texas	Pipe Coating	Leased
Pearland, Texas	Pipe Coating	Leased
Vineyard, Utah	Pipe Coating	Leased
Great Yarmouth, England	Girth Weld Inspection Services	Leased
Tulsa, Oklahoma	Girth Weld Inspection Services	Leased
Houston, Texas	Girth Weld Inspection Services	Leased
Glasgow, Scotland	Girth Weld Inspection Services	Leased
Crawley, England	Corrosion Protection Products	Leased
Sherwood Park, Alberta	Corrosion Protection Products	Leased
Burk's Falls, Ontario	Corrosion Protection Products	Leased
Huntsville, Ontario	Corrosion Protection Products	Owned
Toronto, Ontario	Corrosion Protection Products	Owned
Abu Dhabi, U.A.E.	Corrosion Protection Products	Leased
Singapore	Corrosion Protection Products	Leased
The Woodlands, Texas	Corrosion Protection Products	Leased
Calgary, Alberta	Composite Pipe Systems	Leased
Drayton Valley, Alberta	Composite Pipe Systems	Leased
Grande Prairie, Alberta	Composite Pipe Systems	Leased
Lampman, Saskatchewan	Composite Pipe Systems	Leased

<u>Location</u>	<u>Major Products or Services</u>	<u>Owned or Leased</u>
Big Wells, Texas	Composite Pipe Systems	Leased
Houston, Texas	Composite Pipe Systems	Leased
Midland, Texas	Composite Pipe Systems	Owned
Grand Junction, Colorado	Composite Pipe Systems	Leased
Toronto, Ontario	Wire and Cable	Owned
Toronto, Ontario	Heat Shrinkable Tubing	Owned
Plymouth, England	Heat Shrinkable Tubing	Owned
Langewiesen, Germany	Heat Shrinkable Tubing	Leased
Meckenheim, Germany (2 facilities)	Heat Shrinkable Tubing	Leased
Cincinnati, Ohio	Heat Shrinkable Tubing	Leased
Suzhou, China	Heat Shrinkable Tubing	Leased
St. James, Barbados	Financial Services	Leased

None of the Company-owned plants are subject to mortgages. The Company considers that these properties are in good condition, well maintained and generally suitable and adequate to carry on the Company's activities.

4.10 Research and Development

The Company conducts its own research activities and product development programs and provides product and process-oriented engineering services for its business units. The Company's divisions and the corporate R&D group possess considerable in-house technical expertise that is utilized to develop new products which are introduced to customers through technology-based marketing programs backed by a commitment to field and technical support. Approximately \$13.1 million was spent on research and development during 2011, compared to \$ 11.1 million in 2010, and the Company applied for 15 new patents in multiple jurisdictions in 2011. New product development in 2011 included the Bredero Shaw division's Thermotite® Ultra™ next generation high temperature deepwater insulation system and the Flexpipe division's new 3" and 4" diameter Flexcord™ composite pipe product for use in situations where the pipe is subject to cyclic variations in pressure. The Company will continue with ongoing research and development programs directed toward new or enhanced products, services and processes.

4.11 Environmental Matters

The Company designs and operates its plants and individual processes in compliance with federal, provincial, state, local and applicable foreign requirements regulating the discharge of substances into the environment or otherwise relating to the protection of the environment and monitors compliance with these environmental requirements through an audit program.

The Company's total environmental remediation expenses in 2011 were \$1.1 million and, as at December 31, 2011, the accruals on the Company's financial statements related to environmental matters and included as decommissioning liabilities were \$23.4 million. The Company believes the accruals to be sufficient to satisfy and reasonably estimate environmental liabilities related to known environmental matters.

The Company cannot predict the changes that may be made to environmental requirements in the future although it anticipates that such requirements generally will become more stringent. In this regard, the Company's capital and operating costs for environmental controls will likely increase in the future. In 2011, the impact of increasing environmental requirements did not have a material effect on the Company's capital and operating costs and, in the future, is not expected to have a material effect on the earnings or competitive position of the Company.

4.12 Employees

In total, the Company employed an average of 5,846 permanent and contract personnel during 2011. The Company's divisions had domestic and foreign labour union contracts which covered an average of 605 employees during 2011. These contracts expire on various dates during the 2012 – 2015 period. The Company believes that relations with its employees have been satisfactory and does not anticipate any unusual difficulties in renegotiating these contracts on reasonable terms.

4.13 Foreign Operations

The Company conducts its international operations through various operating subsidiaries in the locations described in Item 4.9 "Properties". Additional subsidiaries and joint ventures may be established from time to time when a corporate presence is needed to conduct business in other jurisdictions. International operations are necessarily subject to various risks, some of which are different from those found in Canada. For further information, refer to Item 4.16 "Risk Factors". The Company's production costs are affected by conditions prevailing in the countries in which its production facilities are located. The Company is exposed to currency exchange risks in the transfer of goods and services between countries. The Company's production costs, profit margins and competitive position may be affected by the strength of the currencies in the countries where it manufactures goods relative to the strength of the currencies in the countries where its goods are sold. The Company maintains a hedging program utilizing foreign currency forward contracts.

Revenues from each of the geographic regions in which the Company operates, expressed as a percentage of the Company's consolidated revenue, for the years ended December 31, 2011 and 2010 are set out below:

Operating Segment	% Revenue	
	2011	2010
North America	54%	46%
Latin America	3%	5%
Europe, Middle East, Africa, Russia	26%	23%
Asia Pacific	<u>17%</u>	<u>26%</u>
	<u>100%</u>	<u>100%</u>

Reference is made to note 5 to the Company's consolidated financial statements for the years ended December 31, 2011 and 2010 on page 78 of the 2011 Annual Report to Shareholders which note is incorporated herein by reference, for detailed financial information for each geographic segment. The 2011 Annual Report to Shareholders is available at www.sedar.com.

Currency fluctuations also affect the Company's consolidated financial results due to the translation of the foreign operations' financial results into Canadian dollars. Refer to the Management's Discussion and Analysis for the year ended December 31, 2011 contained in the Company's 2011 Annual Report for a description of the impact of the translation of foreign operations' financial results into Canadian dollars during 2011.

The assets and liabilities of self-sustaining foreign operations are translated into Canadian dollars at year-end exchange rates. Income and expense items are translated at the average exchange rates prevailing at the dates of the transactions. Foreign exchange gains or losses resulting from these translations are credited or charged to the cumulative translation account on the consolidated balance sheet.

4.14 Trends

In late 2008 and throughout 2009, the global economic recession caused lower energy demand and reduced capital availability for infrastructure investment which resulted in pipeline project delays and cancellations and fewer well completions. Commencing in 2010 and continuing in 2011, energy demand rebounded strongly and many of the major pipeline projects that had been delayed or deferred during the economic recession were reactivated with front end engineering, project bidding, and by the end of 2011, the commencement of contract awards. The strengthening of pipeline infrastructure market demand was first indicated early in 2011 when the value of projects for which ShawCor had provided firm bids exceeded \$1.5 billion for the first time. During the fourth quarter of 2011 and early 2012, the improving outlook for pipeline infrastructure was further evidenced when ShawCor received contracts or letters of intent for projects with a cumulative value exceeding \$800 million. As a result of the award of new contracts, ShawCor's order backlog reached a new record level of \$548 million at December 31, 2011 and this backlog is expected to lead to revenue growth, particularly in the Company's Pipeline Segment operations in Asia Pacific and Latin America as noted below.

The outlook for market activity in the Company's Pipeline segment by region and in the Petrochemical and Industrial segment is outlined below:

Pipeline Segment - North America

The Company produced strong growth in revenue in North America during 2011 and current overall levels of activity are expected to remain strong in 2012 and 2013. The improvement in revenue in 2011 was largely driven by the increased level of well drilling and completions throughout North America that has bolstered demand for the Company's small diameter pipe coating, composite pipe, joint protection products and drill pipe services. With total well completion volumes expected to stabilize at current levels, growth will be driven by market share gains. This is most evident with the Company's spoolable composite pipe business unit that has steadily gained market share in the USA following the installation of service centers in locations

well positioned to supply pipe demand from emerging shale resources. The Company believes that the potential exists for further gains in market share and revenue growth in the North American composite pipe market. Another market targeted for share gain is drill tubular services in the USA. The first USA drill tubular service center was successfully launched in 2011 in Pennsylvania to supply the Marcellus and Utica shale plays and further centers will be opened in the USA in 2012 to support customers in other active shale regions.

In pipe coating, growth in 2012 from projects involving offshore applications is expected to largely offset modest weakening in large diameter project volumes. In the fourth quarter of 2011, the Company commenced production on the \$40 million Jack St. Malo project at the Brigden facility in Beaumont, Texas. The Company has also submitted bids for additional deep water flow assurance projects in the Gulf of Mexico that, if won, will be executed in 2012 and 2013. In addition, the Company will mobilize a mobile concrete weight coating plant to the Beaumont site to execute a project for a customer in South America.

Pipeline Segment - Latin America

The Company experienced weak market conditions in both Mexico and Brazil throughout 2011 with revenue well below historical levels. For 2012, the Company has secured several large projects that will deliver significant revenue growth. Offshore Mexico activity is expected to pick up based on the Company's level of bidding activity. In Brazil, the \$20 million P55 Risers pipe coating project has finally commenced production after customer delays during 2011. Elsewhere in the Latin America region, the Company has secured a project with Technip for concrete weight coating on a large diameter offshore gas transmission line. This work will be executed in Trinidad and is expected to contribute in excess of \$60 million in revenue.

Beyond 2012, the Company expects the Latin America region to be a continuing source of revenue growth as Brazil undertakes the development of pipeline infrastructure necessary to bring to production the vast deep water oil resources discovered in the pre-salt Santos basin. The Company also expects that Mexico and other markets in South America will offer growth potential for composite pipe products that are now experiencing growing market acceptance in North America.

Pipeline Segment – EMAR

During 2011, revenue increased over the prior year in the Europe, Middle East, Africa, Russia (“EMAR”) region as a result of the execution of the U.S. \$93 million Total Laggan – Tormore project at ShawCor's Leith, Scotland facility. The Company does not expect to be able to fully replace the 2011 Leith volume of activity in 2012. The outlook is thus for a modest slowdown in region revenue with lower volumes from Leith partially offset by a pick up in facility utilization at the Company's pipe coating plants in Orkanger, Norway and in the UAE. Beyond 2012, the potential for growth exists through expansion opportunities that are under evaluation for several geographic markets in the region where the Company does not currently have pipe coating facilities.

Pipeline Segment - Asia Pacific

The Company's Asia Pacific region, having experienced a significant reduction in revenue in 2011 versus the prior year, is now in a position, with booked production orders, to generate very strong revenue growth. During 2011 and in the first quarter of 2012, ShawCor has booked production orders that will be executed at the Company's facilities in Malaysia and Indonesia with a value that exceeds \$700 million. These projects include the PTTEP Zawtika Development Project, the Pearl Energy Ruby pipeline, the trunk line and flow assurance pipe coating contracts for the Chevron Wheatstone LNG project and the Ichthys gas export pipeline coating contract. These orders should deliver strong revenue growth for the Company's Asia Pacific region in 2012 and 2013.

In the first quarter of 2012, Asia Pacific revenue will be largely unchanged from the fourth quarter of 2011 while operating margins will be impacted by the costs associated with loading in pipe and ramping up the facilities for the launch of the Wheatstone and Ichthys projects. However a steady growth in revenue and improvement in margins is expected once production begins in the second quarter. By the fourth quarter, the Company's facilities in Malaysia and Indonesia are expected to be operating at record volume levels with resulting strong operating margins. This level of activity, based on the booked orders, will be sustained throughout 2013 and well into 2014.

Petrochemical and Industrial Segment

The improved revenue and operating income generated by the Petrochemical and Industrial segment businesses in 2011 was the result of the recovery from the abrupt decline in activity associated with the global economic recession in late 2008 and in 2009. With continued stability in the global economy, operating performance is expected to continue to improve in 2012 based on a stronger backlog for wire and cable project activity, particularly for the oil sands market, and the continued ramp up of production and sales in the segment's DSG Canusa China facility. The major risk to this outlook relates to the potential for economic deceleration in Europe and the impact this would have on the Company's automotive and industrial product shipments.

Order Backlog

The Company's order backlog consists of firm customer orders only and represents the revenue the Company expects to realize on booked orders over the succeeding twelve months. The Company reports the twelve month billable backlog because it provides a leading indicator of significant changes in consolidated revenue. A majority of the Company's revenue is typically derived from small orders and projects less than \$5 million in value. These orders/projects do not typically enter the backlog as they are booked and executed with minimal lead times. In contrast, projects with values exceeding \$5 million often have extended lead times before production commences and thus the growth or decline in such project activity will cause the backlog to change over time and signal changes in future revenue. In the third quarter of 2008, the Company's backlog peaked at \$529 million and revenue in 2008 reached a record level of \$1.38 billion. Subsequent to 2008, the order backlog declined and reached a low level for 2011 of \$333 million at the end of first quarter. Since this time, the resurgence of pipeline infrastructure

demand and new contract orders has resulted in an increase in the backlog to a new record level of \$548 million at Dec. 31, 2011. With the award in the first quarter 2012 of the Ichthys GEP project, with a value exceeding \$400 million, further growth in the backlog through 2012 is expected.

With a record backlog in hand and further backlog increases expected, the Company has a high degree of confidence in its outlook for growth in revenue in 2012 and 2013. Revenue growth will also lead to gains in facility utilization, the operational driver for operating margin improvement. With a focus on the successful execution of the projects that have been secured, ShawCor is well positioned to generate strong cash flows over the next two years. Increasing cash flows from operations plus the Company's current healthy financial position create the resources to allow ShawCor to pursue its strategy of growth through geographic expansion, new product and service introductions in existing and complementary markets and through the acquisition of companies that broaden the Company's market position within the global pipeline and energy services industry.

4.15 Social and Environmental Policies

The following is the Company's Health, Safety and Environmental ("HSE") policy:

"ShawCor's vision is an Incident and Injury Free workplace, with no harm to people, while protecting the environment.

The Company is committed to providing a safe and healthy workplace and conducting its business activities in a manner that protects the environment. To achieve these goals, all Company locations shall adhere to the following principles:

- *Identification and evaluation of all HSE hazards or aspects and the management of their risks or impacts to acceptable levels.*
- *Compliance with all applicable HSE legislation.*
- *Prevention of incidents, injuries, and pollution.*
- *Intolerance of the conditions and behaviours that contribute to incidents and injuries.*
- *Reduction of waste and conservation of resources.*
- *Recording and communicating HSE performance throughout the organization.*
- *Continual improvement of HSE performance.*

The President and senior management shall visibly uphold these principles throughout the Company and integrate them into the Company's HSE Policy and Management System. The Board of Directors of ShawCor shall regularly review HSE performance.

Management and supervisory personnel at each division and location shall be responsible for implementing and maintaining the Company's HSE Policy and Management System. Contractors and Subcontractors shall work in accordance with the Company's HSE Policy and comply with applicable HSE legislation. Regular HSE audits shall be done to determine conformance to the HSE Management System.

Every employee whose work may create a significant HSE impact, shall be trained and held accountable for complying with the Company's HSE Policy and related procedures, practices, instructions and rules. Working safely and in an environmentally appropriate manner are conditions of employment. Each employee has a duty to report workplace conditions or practices that pose a safety hazard or threaten the environment and to take reasonable actions to alleviate such risks.

Everyone is responsible for recognizing that by risking incident or injury, they are putting in jeopardy what they value and those they care for."

The Company's failure to comply with its HSE policy could result in a material, negative impact on the Company's business and operations.

The Company has developed and implemented a robust system which is used by its divisions to implement this HSE policy. This system includes procedures and practices which are used throughout the Company as well as corresponding monitoring and auditing processes. In addition, the Board of Directors of the Company monitors the Company's HSE performance at each of its regularly scheduled meetings.

The Company has developed a Code of Conduct (the "Code") which states the underlying values and behaviours that must govern the behaviour of all directors, officers and employees. Beyond establishing standards of behaviours, the Code puts in place a program for reporting violations of Company policies. All salaried employees are asked to sign a statement of compliance each year agreeing to follow the Code and indicating whether or not they are aware of any violations of the Code.

Specific items addressed in the Code include provisions dealing with foreign corrupt practices, improper payments, economic sanctions and export controls, anti-trust/competition law compliance, securities trading, health, safety and environmental policies, protection of the work environment from harassment and discrimination, employment equity and conflicts of interest. A copy of the Company's Code of Conduct may be found at www.shawcor.com.

4.16 Risk Factors

An economic downturn could adversely affect demand for the Company's products and services and, consequently its projections, business, results of operations and financial condition.

Demand for oil and natural gas is influenced by numerous factors, including the North American and worldwide economies as well as activities of the Organization of Petroleum Exporting Countries ("OPEC"). Economic declines impact demand for oil and natural gas and result in a softening of oil and gas prices and projected oil and gas drilling activity. If economic conditions or international markets decline unexpectedly, the Company's projections, business, results of operations and financial condition could be materially, adversely affected. In addition, if actions by OPEC and other oil producers to increase production of oil adversely affect world oil prices, additional declines in rig counts could result, particularly internationally, and the Company's

projections, business, results of operations and financial condition could be materially, adversely affected. Similarly, demand for the products of the Petrochemical and Industrial segment's businesses is largely dependent on the level of general economic activity in North America and Europe. Decreases in economic activity in these regions could result in significant decreases in activity levels in these businesses.

A cyclical decline in the level of global pipeline construction could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global pipeline construction activity which in turn relates to the growth in demand for oil and natural gas and the availability of new supplies to meet this increased demand. Reductions in capital spending by producers could dampen demand for the Company's products and services supplied in pipeline markets.

Revenue generated by the Company's Pipeline and Pipe Services segment accounted for 88% of consolidated sales in 2011. With this proportion expected to continue, the Company's revenue is materially dependent on the global pipeline and pipe services industry. Any reduction in the anticipated growth in pipeline market activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Increases in the prices and/or shortages in the supply of raw materials used in the Company's manufacturing processes could adversely affect the competitiveness of the Company, its ability to serve its customers' needs and its financial performance.

The Company purchases a broad range of materials and components throughout the world in connection with its manufacturing activities. Major items include polyolefin and other polymeric resins, iron ore, cement, adhesives, sealants, copper and other non-ferrous wire. The ability of suppliers to meet performance and quality specifications and delivery schedules is important to the maintenance of customer satisfaction. While the materials required for its manufacturing operations have generally been readily available, cyclical swings in supply and demand can produce short-term shortages and/or price spikes. The Company's ability to pass on any such price increases may be restricted in the short term.

A decline in global well drilling activity could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company's business is materially dependent on the level of global well drilling activity, which in turn depends on global oil and gas demand, prices and production depletion rates. Lower drilling activity decreases demand for the Company's products and services, including small diameter pipe coating, composite pipe and tubular inspection and inventory management services.

The Company could be subject to substantial liability claims, which could adversely affect its projections, business, results of operations and financial condition.

Some of the Company's products are used in hazardous applications where an accident or a

failure of a product could cause personal injury, loss of life, damage to property, equipment, or the environment, as well as the suspension of the end-user's operations. If the Company's products were to be involved in any of these difficulties, the Company could face litigation and may be held liable for those losses. The Company's insurance coverage may not be adequate in risk coverage or policy limits to cover all losses or liabilities that it may incur. Moreover, the Company may not be able in the future to maintain insurance at levels of risk coverage or policy limits that management deems adequate. Any claims made under the Company's policies likely will cause its premiums to increase. Any future damages deemed to be caused by the Company's products or services that are not covered by insurance, or that are in excess of policy limits or subject to substantial deductibles, could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company is subject to litigation and could be subject to future litigation and significant potential financial liability.

From time to time, the Company is a party to litigation and legal proceedings that it considers to be a part of the ordinary course of business. Although none of the litigation or legal proceedings in which the Company is currently involved could reasonably be expected to have a material adverse effect on the Company's projections, business, results of operations, or financial condition, the Company may, however, become involved in material legal proceedings in the future. Such proceedings may include, for example, product liability claims, and claims relating to the existence or use of hazardous materials on the Company's property or in its operations or the handling of disposal thereof, as well as intellectual property disputes and other material legal proceedings with competitors, customers, employees and governmental entities. These proceedings could arise from the Company's current or former actions and operations or the actions and operations of businesses and entities acquired by the Company prior to acquisition. The Company maintains insurance it believes to be commercially reasonable and customary; however, such coverage may be inadequate for or inapplicable to particular claims.

The Company is subject to health, safety and environmental laws and regulations that expose it to potential financial liability.

The Company's operations are regulated under a number of federal, provincial, state, local, and foreign environmental laws and regulations which govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage, and disposal of hazardous materials. Compliance with these environmental laws is a major consideration in the manufacturing of the Company's products, as the Company uses, generates, stores and disposes of hazardous substances and wastes in its operations. The Company may be subject to material financial liability for any investigation and clean-up of such hazardous materials. In addition, many of the Company's current and former properties are or have been used for industrial purposes. Accordingly, the Company also may be subject to financial liabilities relating to the investigation and remediation of hazardous materials resulting from the actions of previous owners or operators of industrial facilities on those sites. Liability in certain instances may be imposed on the Company regardless of the legality of the original actions relating to the hazardous or toxic substances or whether or not the Company knew of, or was responsible for, the presence of those substances. The Company is also subject to various Canadian and U.S.

federal, provincial, state and local laws and regulations, as well as foreign laws and regulations relating to safety and health conditions in its manufacturing facilities. Those laws and regulations may also subject the Company to material financial penalties or liabilities for any non-compliance, as well as potential business disruption if any of its facilities or a portion of any facility is required to be temporarily closed as a result of any violation of those laws and regulations. Any such financial liability or business disruption could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

Demand for the Company's products and services could be adversely affected by changes to Canadian, U.S. or other countries' laws or regulations pertaining to the emission of Carbon Dioxide and other Greenhouse Gases ("GHGs") into the atmosphere.

Although the Company is not a large producer of GHGs, the products and services of the Company's production are mainly related to the transmission of hydrocarbons including crude oil and natural gas, whose ultimate consumption are major sources of GHG emissions. Changes in the regulations concerning the release of GHG into the atmosphere, including the introduction of so-called carbon taxes or limitations over the emissions of GHGs, may adversely impact the demand for hydrocarbons and ultimately, the demand for the Company's products and services.

The Company's international operations may experience interruptions due to political, economic or other risks, which could adversely affect the Company's projections, business, results of operations and financial condition.

During 2011, the Company derived over 23% of its total revenue from its facilities outside North America and Western Europe. In addition, part of the Company's sales from its locations in Canada and the U.S. were for use in other countries. The Company's operations in certain international locations are subject to various political and economic conditions existing in those countries that could disrupt operations. These risks include:

- currency fluctuations and devaluations;
- currency restrictions and limitations on repatriation of profits;
- political instability and civil unrest;
- hostile or terrorist activities; and
- restrictions on foreign operations.

The Company's foreign operations may suffer disruptions and may incur losses that will not be covered by insurance. In particular, civil unrest in politically unstable countries may increase the possibility that the Company's operations could be interrupted or adversely affected. The impact of such disruptions could include the Company's inability to ship products in a timely and cost-effective manner, its inability to place contractors and employees in various countries or regions, or result in the need for evacuations or similar disruptions.

Any material currency fluctuations or devaluations or political unrest that may disrupt oil and gas exploration and production or the movement of funds and assets could materially adversely affect the Company's projections, business, results of operations and financial condition.

The Company's projections, business, results of operations and financial condition could be adversely affected by actions under Canadian, U.S. or other trade laws.

The Company is a Canadian-based company with significant operations in the United States. The Company also owns and operates international manufacturing operations that support its Canadian and U.S. operations. If actions under Canadian, U.S. or other trade laws were instituted that limited or prevented the Company's access to the materials or products necessary for such manufacturing operations, the Company's ability to meet its customer's specifications and delivery requirements would be reduced. Any such reduction in the Company's ability to meet its customer's specifications and delivery requirements could have a material adverse effect on the Company's projections, business, results of operations and financial condition.

The Company also conducts business in countries permitted by Canadian law that would be prohibited by U.S. trade laws if the Company were a U.S. entity or controlled by a U.S. entity or person. While the Company believes that it and its subsidiaries currently are in compliance with applicable U.S. trade laws, changes in these regulations or the interpretation of these regulations, or changes in the control of the Company, could adversely affect the Company's business.

Item 5 DIVIDENDS

The declaration and payment of dividends are at the discretion of the Board of Directors. The Board of Directors intends to maintain a stable dividend payment policy determined by reference to average net earnings over a period of years and the Company's overall financial standing. The Class A Subordinate Voting Shares receive a non-cumulative dividend per share equal to 110% of the dividends paid to holders of Class B Multiple Voting Shares. In May of 2009, the Board of Directors also declared a special recognition dividend of 26.00 cents per Class A Subordinate Voting Share and 23.636 cents per Class B Multiple Voting Share.

The following table summarizes dividends per share paid to each class of shares during the previous three years:

	2011	2010	2009
Class A Subordinate Voting Shares	\$0.315	\$0.295	\$0.535
Class B Multiple Voting Shares	\$0.28637	\$0.26818	\$0.48637

ShawCor and certain of its subsidiaries are a party to a credit agreement dated June 22, 2011 in respect of a US\$150 million revolving credit facility. The credit agreement requires that, prior to (and after giving effect to) the payment of dividends, ShawCor must comply with certain financial covenants. The Company is and has been in compliance with such financial covenants at all relevant times.

Item 6 DESCRIPTION OF CAPITAL STRUCTURE

The authorized capital of the Company consists of an unlimited number of preferred shares issuable in series, an unlimited number of Class A Subordinate Voting Shares and an unlimited number of Class B Multiple Voting Shares. No preferred shares have been issued. Each Class A Subordinate Voting Share entitles the holder thereof to one vote per share and each Class B Multiple Voting Share entitles the holder thereof to ten votes per share. As at December 31, 2011, issued and outstanding Class A Subordinate Voting Shares were entitled to 31.1% of the total votes and the issued and outstanding Class B Multiple Voting Shares were entitled to 68.9% of the total votes. Holders of Class A Subordinate Voting Shares receive a non-cumulative dividend per share equal to 110% of any dividend per share declared on the Class B Multiple Voting Shares. Any holder of Class B Multiple Voting Shares may, at any time or from time to time, convert any or all Class B Multiple Voting Shares held into Class A Subordinate Voting Shares on the basis of one Class A Subordinate Voting Share for each Class B Multiple Voting Share so converted.

The consent of holders of a majority of the outstanding Class B Multiple Voting Shares must be obtained prior to the issuance of any "Designated Securities". Designated Securities are defined to be:

- (i) Class B Multiple Voting Shares or any securities convertible or exchangeable into Class B Multiple Voting Shares (other than Class A Subordinate Voting Shares);
- (ii) any series of preferred shares to which voting rights are attached (other than such rights as required by the *Canada Business Corporations Act*). The preferred shares of the Company are issuable in series and the Board of Directors currently has the authority to create various series of preferred shares and to designate the rights, privileges and restrictions attaching thereto, including voting rights, if any. To date, no series of preferred shares have been designated by the Board of Directors; and
- (iii) any securities (other than Class A Subordinate Voting Shares) exchangeable or convertible into voting securities of the Corporation, other than Class A Subordinate Voting Shares.

The consent of the holders of a majority of the Class B Multiple Voting Shares will not be required to be obtained prior to the conversion of Class A Subordinate Voting Shares into Class B Multiple Voting Shares as described under the heading "Take-Over Bid Protection".

The Class A Subordinate Voting Shares are not convertible except as described under the heading "Take-Over Bid Protection".

Take-Over Bid Protection

The attributes of the Class A Subordinate Shares include provisions which provide certain protection to holders of such shares in the event that a take-over bid is extended to all or substantially all of the holders of Class B Multiple Voting Shares without an equivalent offer

being made to holders of Class A Subordinate Voting Shares. Subject as hereinafter provided, if an Exclusionary Offer (as defined below) is made, each outstanding Class A Subordinate Voting Share will be convertible into one Class B Multiple Voting Share at the option of the holder during the period commencing on the eighth day after the date on which the Exclusionary Offer is made and terminating on the last day (the "Expiry Date") on which the holders of Class B Multiple Voting Shares may accept the Exclusionary Offer.

Notwithstanding the foregoing, Class A Subordinate Voting Shares are not convertible into Class B Multiple Voting Shares if:

- (i) prior to the time at which the Exclusionary Offer is made, there has been delivered to the transfer agent and to the Secretary of the Company a certification or certifications signed by or on behalf of one or more shareholders of the Company owning in the aggregate, as at the time the Exclusionary Offer is made, more than 50% of the then outstanding Class B Multiple Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the offeror, which certification or certifications shall confirm, in the case of each such shareholder, amongst other things, that such shareholder shall not accept any Exclusionary Offer without giving the transfer agent and the Secretary of the Company written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date; or
- (ii) within seven days after the date of the Exclusionary Offer, there is delivered to the transfer agent and to the Secretary of the Company a certification or certifications signed by or on behalf of one or more shareholders of the Company owning in the aggregate more than 50% of the then outstanding Class B Multiple Voting Shares, exclusive of shares owned immediately prior to the Exclusionary Offer by the offeror, which certification or certifications shall confirm, in the case of each such shareholder, amongst other things, that such shareholder is not making the Exclusionary Offer and that such shareholder will not accept the Exclusionary Offer including a varied form of offer without giving the transfer agent and the Secretary of the Company written notice of such acceptance or intended acceptance at least seven days prior to the Expiry Date.

A "General Offer" means an offer to purchase Class B Multiple Voting Shares that must, by reason of applicable securities legislation or the requirements of any stock exchange on which the Class B Multiple Voting Shares are listed, be made to all or substantially all holders of Class B Multiple Voting Shares who are in a province of Canada to which any such legislation or requirement applies.

An "Exclusionary Offer" means an offer to purchase Class B Multiple Voting Shares that is a General Offer and is not made concurrently with an offer to purchase Class A Subordinate Voting Shares that is identical to the offer to purchase Class B Multiple Voting Shares in terms of price per share and percentage of outstanding shares to be taken up exclusive of shares owned immediately prior to the offer by the offeror, and in all other material respects, and that has no condition attached other than the right not to take up and pay for shares tendered if no shares are purchased pursuant to the offer for Class B Multiple Voting Shares.

There are circumstances in which Class B Multiple Voting Shares and possibly effective voting control of the Company can be acquired without giving rise to the right of conversion of the Class A Subordinate Voting Shares described above.

Item 7 MARKET FOR SECURITIES

The Company's Class A Subordinate Voting Shares and Class B Multiple Voting Shares are listed on the Toronto Stock Exchange under the symbols SCL.A and SCL.B, respectively.

The following are the monthly price ranges and volumes traded for Class A Subordinate Voting Shares for 2011:

	Close(\$)	High(\$)	Low(\$)	Volume(#)
January	36.27	36.27	33.06	2,337,497
February	36.75	37.41	35.70	2,055,392
March	36.46	37.44	34.97	2,613,389
April	33.86	36.29	33.76	1,990,817
May	31.31	33.80	30.24	2,359,739
June	29.62	30.85	27.48	2,106,658
July	30.00	31.67	29.65	1,500,808
August	25.16	30.00	24.26	2,378,397
September	24.33	26.53	23.93	2,485,973
October	23.85	24.30	22.47	3,596,639
November	25.29	25.99	23.10	3,611,400
December	28.88	29.35	26.70	1,726,736

The following are the monthly price ranges and volumes traded for Class B Multiple Voting Shares for 2011:

	Close(\$)	High(\$)	Low(\$)	Volume(#)
January	34.15	34.24	34.04	1,118
February	34.15	34.15	34.15	-
March	36.56	36.80	34.15	1,774
April	35.70	36.56	35.70	1,891
May	31.13	35.70	31.13	587
June	31.13	31.13	31.13	-
July	30.51	32.31	30.51	2,362
August	25.08	30.51	25.08	8,910
September	27.04	27.04	24.00	1,140
October	23.68	23.68	23.50	3,818
November	24.70	24.72	23.20	2,200
December	29.01	29.01	24.70	805

Item 8 DIRECTORS AND OFFICERS

8.1 Name, Address, Occupation and Security Holdings as a Group

8.1.1 Directors

The following table sets out for each Director, as of March 1, 2012, his or her name, municipality of residence, principal occupation, committee membership and period during which he or she has served as Director:

<u>Name and Municipality of Residence</u>	<u>Director Principal Occupation</u>	<u>Since</u>
John T. Baldwin ⁽³⁾ London, England	Group Political Advisor, BP, an integrated oil and gas company with global operations.	2010
Derek S. Blackwood ⁽²⁾ Houston, Texas, U.S.A.	President (Americas), Wood Group PSN, a leading multi-national energy services company.	2011
William P. Buckley ⁽⁴⁾ Toronto, Ontario, Canada	President and CEO, ShawCor Ltd.	2005
James W. Derrick ⁽³⁾ Buffalo, New York, U.S.A.	CEO, Derrick Corporation, a designer and manufacturer of solid control equipment used on deep oil and gas drilling rigs and mining and industrial processing equipment.	2007
Dennis H. Freeman ⁽¹⁾ Toronto, Ontario, Canada	Corporate Director	2011
Leslie W.J. Hutchison St. James, Barbados, W.I.	Vice Chair of the Board, ShawCor Ltd. Managing Director, ShawCor Global Services Limited	2008
John F. (Jack) Petch, Q.C. ⁽³⁾ ⁽⁴⁾ Toronto, Ontario, Canada	Lead Director, ShawCor Ltd. Lawyer, Business Law	2005
Robert J. Ritchie ⁽²⁾ ⁽⁴⁾ Calgary, Alberta, Canada	Corporate Director	1994

Paul G. Robinson ⁽¹⁾⁽⁴⁾ Toronto, Ontario, Canada	President and General Manager, Litens Automotive Group, an automotive component and systems supplier with global operations	2001
Heather A. Shaw ⁽²⁾ Calgary, Alberta, Canada	Executive Chair, Corus Entertainment Inc., one of Canada's largest integrated media and entertainment companies	2008
Virginia L. Shaw ⁽⁴⁾ St. James, Barbados, W.I.	Chair of the Board, ShawCor Ltd. President, ShawCor Global Services Limited	1994
Zoltan D. Simo ⁽¹⁾ Oakville, Ontario, Canada	Corporate Director	1987
E. Charlene Valiquette ⁽¹⁾ Pembroke, Ontario, Canada	Corporate Director	2005

- (1) Audit Committee
- (2) Compensation Committee
- (3) Corporate Governance Committee
- (4) Executive Committee

Directors are elected annually at each Annual Meeting of shareholders to hold office until the next Annual Meeting of shareholders or until their successors have been duly elected.

8.1.2 **Officers**

The following sets out for each executive Officer of the Company, his or her name, municipality of residence and position with the Company as of the date hereof:

<u>Name and Municipality of Residence</u>	<u>Offices with ShawCor Ltd. and Principal Occupation</u>
Virginia L. Shaw St. James, Barbados, WI	Chair of the Board, ShawCor Ltd. President, ShawCor Global Services Limited.

Leslie W.J. Hutchison
St. James, Barbados, WI

Vice Chair of the Board, ShawCor Ltd.
Managing Director, ShawCor Global
Services Limited

William P. Buckley
Toronto, Ontario, Canada

President and Chief Executive Officer

Gary S. Love
Oakville, Ontario, Canada

Vice President, Finance
and Chief Financial Officer

Darrell R. Ewert
King City, Ontario, Canada

Corporate Secretary

During the past five years, all of the Company's Directors and Officers have held their present principal occupations or other positions as noted opposite their respective names except:

John T. Baldwin has been the Group Political Advisor of BP Group since October 2007. Previously, Mr. Baldwin was the Regional Adviser to BP Exploration Operation Company from 2000 to October 2007.

Derek S. Blackwood has been President (Americas), Wood Group PSN since April 1, 2011. From 2010 to 2011 he served as President (Middle East, Africa, North America, Caspian) of the Production Facilities division of Wood Group and from 1999 to 2010, he served as the President (Americas) of the Production Facilities division of Wood Group.

Dennis H. Freeman was a partner of KPMG LLP, an accounting firm, from 1983 to 2011.

Leslie W.J. Hutchison was appointed Vice Chair of the Board on February 19, 2008. He joined the Company in 1998 and has held several senior management positions in both the pipe coating and non pipe coating operations of the Company, most recently as Senior Vice President, Bredero Shaw and Vice President & General Manager, Shaw Pipeline Services.

Darrell R. Ewert joined the Company on October 14, 2008 and was appointed Corporate Secretary of the Company on November 6, 2008. Previously, Mr. Ewert held a number of senior management positions with Atlas Cold Storage Income Trust from 2002 to 2007, most recently Senior Vice President, Corporate Affairs and Secretary.

As at March 1, 2012, Directors and Officers of the Company as a group beneficially owned, directly or indirectly, or exercised control or direction over 618,205 or 1.07% of the issued and outstanding Class A Subordinate Voting Shares and 11,719,535 or 91.7% of the issued and outstanding Class B Multiple Voting Shares of the Company.

8.2 Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the best of the Company's knowledge, no Director or executive Officer,

- (a) is, as at the date hereof or has been, within the 10 years before, a director, chief executive officer or chief financial officer of any company, that while that person was acting in that capacity,
 - (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days, or
 - (ii) was subject to an event that resulted, after the Director or executive Officer ceased to be a director, chief executive officer or chief financial officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation for a period of more than 30 consecutive days;
- (b) is, as at the date hereof or has been, within the 10 years before, a director or executive officer of any company, that while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the Director or Executive Officer.

To the best of the Company's knowledge, none of its Directors or executive Officers has been subject to any penalties or sanctions imposed by a securities regulatory authority or by a court relating to securities legislation, has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Item 9 AUDIT COMMITTEE

The Audit Committee is appointed annually by and reports to the Board. The Committee consists of four members, P. G. Robinson - Chair, Z. D. Simo, E. C. Valiquette and D.H. Freeman, all of whom are independent directors and are considered by the Board to be financially literate as that term is defined by Canadian Securities Regulators. Mr. Robinson, Ms. Valiquette and Mr. Freeman are members of the Canadian Institute of Chartered Accountants. Mr. Simo holds a Master of Business Administration degree and was formerly CEO of three companies, two of which were public companies, and has been a member of numerous audit committees.

The integrity of the Company's internal control and management information systems are primarily the responsibility of management with oversight review by the Audit Committee, which meets regularly with both the Company's financial and accounting personnel and the Company's internal and external auditors to review these matters. The Audit Committee reports to the full Board with respect to any issues that arise out of such discussions.

Reviews are carried out of the work plans of both the external and the internal auditors, and the Committee meets regularly with the external and internal auditors without management present.

The Audit Committee reviews the quarterly financial statements and quarterly reports to shareholders and annual consolidated financial statements and annual report and recommends their approval to the Board. The Committee makes recommendations to the Board in respect of the external auditor to be proposed for appointment by the shareholders.

The following table discloses fees billed to the Company by the external auditors, Ernst & Young, during 2011 and 2010:

Fees in millions of dollars	2011	2010
Audit Fees	\$3.046	\$2.246
Audit-Related Fees	\$0.381	\$0.519
Tax Fees	\$0.344	\$0.507
All Other Fees	\$0.057	\$0.092
Total	\$3.828	\$3.364

A description of the services provided in connection with the "Audit-Related Fees" and "Tax Fees" is included in Appendix B to the Audit Committee Charter, attached as Schedule 1 to this annual information form. The category of "All Other Fees" includes services for formatting and translating accounts and financial statements relating to the Company's foreign subsidiaries.

The Company's procedures for the engagement of non-audit services by the Company's auditors are outlined in the Audit Committee Charter. The complete Audit Committee Charter is attached as Schedule 1.

Item 10 TRANSFER AGENT AND REGISTRAR

The Company's transfer agent and registrar is CIBC Mellon Trust Company, located in Toronto, Ontario.

Item 11 MATERIAL CONTRACTS

Since the beginning of its most recently completed financial year, the Company has not entered into any material contract that is required to be filed in accordance with National Instrument 51-102-*Continuous Disclosure Obligations* ("NI 51-102"). Since January 1, 2002, the Company has not entered into any material contract which is still in effect and which is required to be filed in accordance with NI 51-102 except as follows:

- a. A Second Amended and Restated Credit Agreement, dated June 22, 2011, between the Company and certain of its subsidiaries, as borrowers, and The Toronto-Dominion Bank, J.P. Morgan Securities LLC and other institutions, as lenders, for an unsecured credit facility of US\$150 million, with a US\$50 million accordion feature, having a four year term.

A copy of the above-noted agreement has been filed with SEDAR and may be viewed at www.sedar.com.

Item 12 LEGAL PROCEEDINGS

In February of 2010, the Company received indication that it and two of its subsidiaries had been named, along with several other parties, as defendants in a statement of claim issued by Canadian Natural Resources Limited ("CNRL") which claims damages in the amount of \$85,000,000 plus interest and costs relating to alleged defects in a pipeline operated by CNRL in Alberta. The claim was issued in the Court of Queen's Bench of Alberta, Judicial District of Calgary, on January 29, 2010 and the Company has retained counsel and filed a statement of defence. The proceedings are in the early stages of discoveries and as such, it is too early to assess potential exposure, if any. The Company intends to vigorously defend the lawsuit.

Item 13 INTERESTS OF EXPERTS

Ernst and Young LLP is the Company's auditor and is independent of the Company in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Item 14 ADDITIONAL INFORMATION

Additional information, including Officers' and Directors' remuneration and indebtedness, principal holders of voting shares and securities authorized for issuance under equity compensation plans, is included in the Company's Management Proxy Circular dated March 20, 2012.

Additional financial information is provided in the Company's audited financial statements and Management's Discussion and Analysis for the year ended December 31, 2011 contained in the Company's 2011 Annual Report. They also may be found on the Company's website and on SEDAR at www.sedar.com.

Copies of these documents may be obtained upon request from the Vice President, Finance and Chief Financial Officer, ShawCor Ltd., 25 Bethridge Road, Toronto, Ontario, Canada, M9W 1M7.

These documents as well as additional information relating to the Company may also be found on SEDAR at www.sedar.com and on the Company's website at www.shawcor.com.

SCHEDULE 1

March 3, 2010

SHAWCOR LTD. AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

CHARTER

A. Authority

The Audit Committee of the Board of Directors operates under authority vested by the Board of Directors and reports to the Board. The Board's oversight of the integrity of the Company's internal control and reporting systems is primarily the role of the Audit Committee, and it should meet regularly with both the Company's financial and accounting personnel and the Company's internal and external auditors to review these matters and to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues. The Committee generally reports to the full Board with respect to any issues that arise out of such discussions.

The Audit Committee reviews the quarterly financial statements and Reports to Shareholders prior to their release, and reviews the Company's annual consolidated financial statements and Management Discussion and Analysis and recommends their approval to the Board. The Committee oversees the qualifications and independence of the external auditor and makes recommendations to the Board in respect of the external auditor to be proposed for appointment to the shareholders.

The authority, composition and role of the Audit Committee of the Board of Directors should reflect the requirements of the Canada Business Corporations Act, the Toronto Stock Exchange, as well as the Securities Acts and any other pertinent legislation with which ShawCor Ltd. must comply. Such authority, composition and role are:

B. Organization

1. Number and Qualifications - Members of the Audit Committee and the Chair are appointed annually by the Board of Directors. The Audit Committee consists of such number of directors as the Board of Directors shall determine from time to time, all of whom should meet the independence and financial literacy requirements of the Toronto Stock Exchange, the provincial Securities Acts and the Canada Business Corporations Act (see Appendix A).

2. Quorum and Invitees - A majority of the members of the Audit Committee form a quorum. Subject to invitation, meetings will usually include the President & CEO and the Vice President of Finance & CFO. Attendees may also include other directors, the external and internal auditor or other representatives and employees of the Company, as determined by the Audit Committee.

3. Meetings – Committee meetings shall be held at the call of the Chair of the Board, the Committee Chair, or upon the request of a majority of Committee members. It is anticipated that there will be a minimum of four meetings per year.

C. Role

The role of the Audit Committee includes but is not limited to:

1) Financial Information

- a) Reviewing with management and the auditors the annual financial statements of the Company, including, without limitation, the judgment of the external auditors as to not only the acceptability but also the quality and appropriateness of the Company's accounting principles as applied in its financial reporting. Reporting and recommending the financial statements to the Board of Directors for approval.
- b) Reviewing any material change to the Company's accounting principles and practices as recommended by senior management or the external auditors or which may result from changes to applicable generally accepted accounting principles, including international financial reporting standards, where applicable.
- c) Reviewing financial information (such as the Management Discussion and Analysis) to be included in all regulatory filings and other public disclosure (such as annual and quarterly financial statements, prospectuses, information circulars and annual and interim earnings press releases).
- d) Reviewing quarterly results, reports to shareholders, any Management Discussion and Analysis and accompanying press releases, and making recommendations for approval to the Board.
- e) Reviewing the use of any "pro forma" or adjusted information not in accordance with applicable generally accepted accounting principles, including international financial reporting standards, where applicable.

2) Relations with Auditors

- a) Overseeing the work of the external auditors, including the resolution of disagreements between management and the external auditors regarding financial reporting. The external auditors shall report directly to the committee and the committee should meet regularly with the internal and external auditors privately, without management present.
- b) Reviewing and approving in advance the terms of engagement, audit fees and scope of the external audit and recommending to the Board the appointment and proposed audit fees of the external auditor.
- c) Reviewing and discussing with the external auditors all significant relationships that the external auditors and its affiliates have with the Company and its affiliates in order to seek to determine the external auditor's independence, including:
 - i. approving all non-audit assignments undertaken by the external auditors.
Reviewing periodically the detailed policies and procedures dealing with pre-

approved non-audit services. In addition, the Committee at its discretion may delegate pre-approvals of other non-audit services to the Chair of the Committee, subject to ratification by the full Committee at the next scheduled meeting. Appendix B sets out the Committee's current policy with respect to those non-audit services for which the independent auditor may be engaged; and

- ii. approving any hiring of partners and employees and former partners and employees of the external auditor.
- d) Reviewing the external auditors' internal quality control procedures and any internal or external reviews of investigation of the auditors' professional practices.
- e) Requiring the external auditors to perform such supplemental reviews or audits as the Committee may deem desirable.

3) Internal Controls

- a) Reviewing the integrity of internal controls with senior management, the external auditors and the internal auditor. Reviewing the external and internal auditors' recommendations on internal control matters, following-up on any identified weaknesses and management's response. Being satisfied that adequate procedures are in place for the review of the public disclosure of financial information extracted or derived from the financial statements of the Company and periodically assessing the adequacy of those procedures.
- b) Discussing with the external auditors any difficulties or disputes that arose with senior management during the course of the audit and the adequacy of senior management's responses in correcting audit-related deficiencies.

4) Other Matters

- a) Reviewing the Company's accounting policies, changes thereto, financial reporting and the internal audit process.
- b) Reviewing significant transactions, contingent liabilities and the manner in which these matters are treated in the Company's financial disclosure and financial statements.
- c) Reviewing emerging accounting issues.
- d) Reviewing internal audit plans for the up-coming year.
- e) Discussing with management the Company's risk management policies and processes and reviewing with management and the external and internal auditors the effectiveness and efficiency of the same, including reviewing the Company's program to obtain insurance to mitigate risks where appropriate.
- f) Reviewing the appointment of the Chief Financial Officer prior to his or her appointment.
- g) Making recommendations to the Board on the appointment of the Vice President Finance and Chief Financial Officer.

- h) After prior notice to the Corporate Governance Committee and Chair of the Board, retaining such special legal, accounting, financial or other consultants as the Committee may determine to be necessary to carry out, at the Company's expense, the Committee's role.
- i) Reporting through the Committee Chair to the Board following meetings of the Committee on matters considered by the Committee, its activities and matters related to this charter.
- j) Reviewing and reassessing the adequacy of this Charter periodically.

5) Employee questions and/or concerns

Monitoring policies and procedures for dealing with questions and complaints regarding accounting, internal accounting controls, auditing matters and the confidential anonymous submission by employees of concerns regarding such matters.

D. General

The Committee's role is an oversight role and nothing contained in this Charter is intended to require the Committee to ensure the Company's nor any other person's compliance with applicable laws or regulations.

The Committee is a committee of the Board of Directors and is not and shall not be deemed to be an agent of the Company's security holders for any purpose whatsoever. The Board of Directors may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to security holders of the Company or other liability whatsoever.

SHAWCOR LTD.
AUDIT COMMITTEE CHARTER
APPENDIX A
DEFINITIONS

Financially Literate

Means the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by ShawCor's financial statements.

Independence

An Audit Committee member is independent if the member has no direct or indirect material relationship with ShawCor or its subsidiaries and affiliates. A material relationship means a relationship which could, in the view of ShawCor's Board of Directors, be reasonably expected to interfere with the exercise of a member's independent judgment.

The following individuals are considered to have a material relationship with ShawCor:

- a) an individual (or any of his or her immediate family members) who is, or was within the last three years, an executive officer of ShawCor;
- b) an individual who is a partner or employee of ShawCor's auditor;
- c) an individual who was a partner or employee of ShawCor's auditor within the last three years and personally worked on ShawCor's audit during that period;
- d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual; is a partner of ShawCor's auditor, is an employee of ShawCor's auditor and participates in its audit, assurance or tax compliance practice or was, within the last three years, a partner or employee of ShawCor's auditor and personally worked on ShawCor's audit within that time;
- e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of ShawCor's current executive officers serves or served at that same time on the entity's compensation committee;
- f) an individual who received, or whose immediate family member who is an executive officer of ShawCor, received more than \$75,000 in direct compensation from ShawCor during any 12 month period during the last three years other than in his or her capacity as a Board member;
- g) an individual who accepts, directly or indirectly, fees from ShawCor or any of its subsidiaries, other than in his or her capacity as a Board member, or part-time Chair or Vice Chair of the Board or any Board committee; and
- h) an individual who is an "affiliated entity" of ShawCor or any of its subsidiaries, within the meaning of National Instrument 52-110.

SHAWCOR LTD
AUDIT COMMITTEE CHARTER

APPENDIX B
AUDIT AND NON-AUDIT SERVICES

Statutory Audits

Audit services include:

- The audit and/or review of annual and quarterly financial statements of ShawCor, its subsidiaries and affiliates
- Other procedures required to be performed by the independent auditor to be able to form an opinion on the Company's consolidated financial statements, including information systems and procedural reviews.

Audit Related Services

Audit related services are the professional attestation and related services that are reasonably related to the proper completion of the audit of the Company's financial statements. The Audit Committee has granted general pre-approval to the following audit related or other non-tax services performed by the external auditors provided in each case that the Audit Committee is informed periodically of all such services provided:

- Due diligence services pertaining to potential business acquisitions/dispositions
- Accounting consultations relating to accounting, financial reporting and disclosure issues
- Assistance with understanding and implementing new accounting and financial reporting standards and guidance
- Special audits on control procedures
- Prospectus and other regulatory audit and filing assistance

All other non-tax related services must be specifically approved by the Audit Committee.

Tax Related Services

The Audit Committee has granted general pre-approval to the following tax related services supplied by the external auditor provided in each case that the Audit Committee is informed periodically of all such services provided:

- Assistance with completion and filing of corporate tax returns
- Assistance with understanding and implementing new tax rules
- Tax consultations related to specific transactions
- Assistance and advice with respect to general corporate tax planning
- Discussions and negotiations with taxation authorities concerning the Company's tax affairs.

All other tax related services must be specifically approved by the Audit Committee.

Non Audit Services

The Chairman of the Audit Committee may pre-approve non-audit services to be provided by the external auditor providing all such assignments are reviewed with the full committee at the next scheduled meeting.

Prohibited Services

The following services are not to be provided by the external auditor:

- Bookkeeping or other services related to the accounting records or financial statements
- Appraisal, valuation or fairness opinions
- Actuarial services
- Internal audit
- Human resource assistance
- Legal advice
- Legal services
- Investment banking services
- Management functions