

OVERVIEW MEMORANDUM

SALE PROCESS

February 2018



TRANSACTION OVERVIEW

FTI Capital Advisors – Canada ULC (“**FTICA**”) has been engaged to undertake a process to sell the business and operations of US Oil Sands Inc. and its wholly owned subsidiary US Oil Sands (Utah) Inc. (collectively “**USO**” or the “**Company**”). This overview is being provided to parties identified as potentially having an interest in the opportunity.

KEY ATTRIBUTES

- Revolutionary oil sands extraction process that eliminates the need for tailings ponds and has a 70% lower capital intensity than existing projects
- 2,000 bbl/d project is complete and essentially ready to re-start operations
- Economic benefits:
 - Scalable, modular plants, low capex, rapid construction and deployment, accelerated cash flow in low oil price environment
 - Capital efficiency of ~\$30,000/bbl/d vs. up to \$100,000/bbl/d in current Athabasca projects
 - Increases bitumen recovery to 90-96%
- Environmental benefits:
 - Uses renewable and biodegradable solvent (98-99% is recycled) which eliminates tailings ponds, allowing rapid reclamation of mined areas
 - Leading-edge environmental attributes on energy use, GHG emissions and water usage
- 100% working interest in 32,005 acres, the largest oil sands holding in the U.S. and the only fully permitted, commercial oil sands project in the U.S.
 - 184 MMbbls of discovered resource on just 19% of total acreage⁽¹⁾
 - Initial mine pits assigned 12.5 MMbbls of contingent resource with a C\$73MM valuation, incorporating only 7% of the discovered resource⁽²⁾
- Acreage can support additional development with the potential to add up to an additional 5,000 bbl/d in the short-to-medium term
- Global application potential to unlock billions of barrels of stranded resources
- Intellectual property suite includes additional game-changing extraction and separation technologies applicable to the major players in the Athabasca oil sands
- C\$26 million and US\$21 million of Canadian and U.S. tax pools

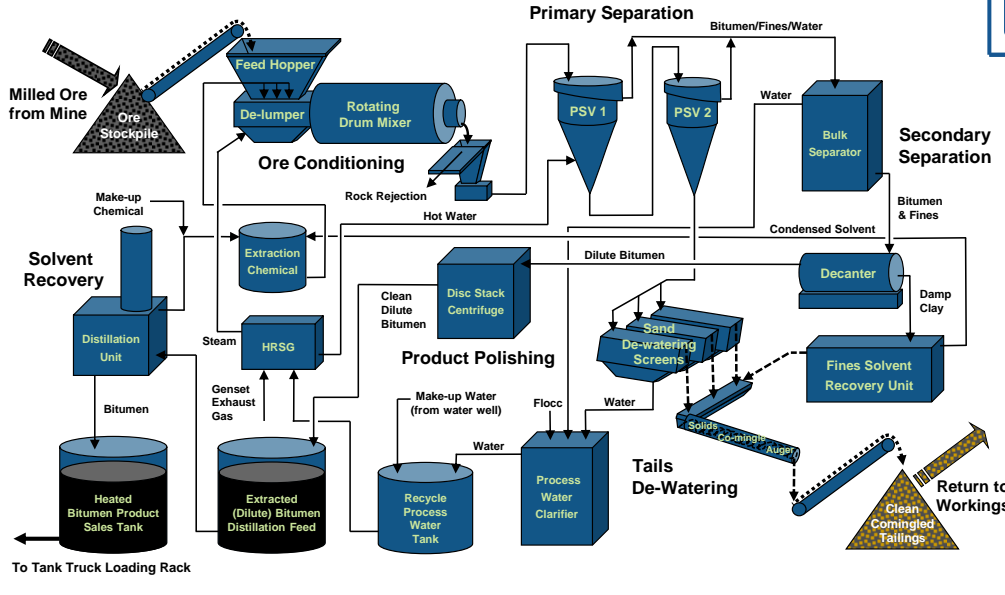
BREAKTHROUGH TECHNOLOGY



PROJECT COMPLETE



TECHNOLOGY OVERVIEW



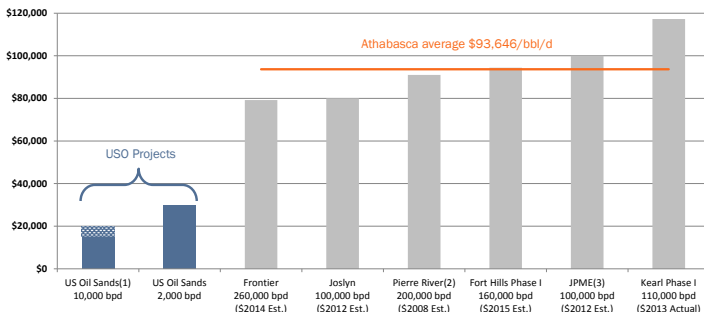
REVOLUTIONARY TECHNOLOGY

- First commercial application to extract bitumen from oil-wet sands
- Highly efficient and low cost process adapted from the existing Canadian standard (Clark Hot Water Process)
- Method adds a bio-solvent to the crushed ore and hot water mixture whereby bitumen is rapidly liberated without forming middlings sludge
- Process uses low mechanical energy which prevents shearing of clays and allows for fines separation using standard extraction equipment
- Hot process water is recycled, reducing fuel use

ECONOMIC BENEFITS

- Process eliminates capital intensive water handling, froth treatment, middlings sludge mgmt. and tailings recovery
- Modularization of design would facilitate rapid construction
 - Flexible development of various capacities, scaled to match the size of the resource
- Low capital threshold & intensity; early cash flow

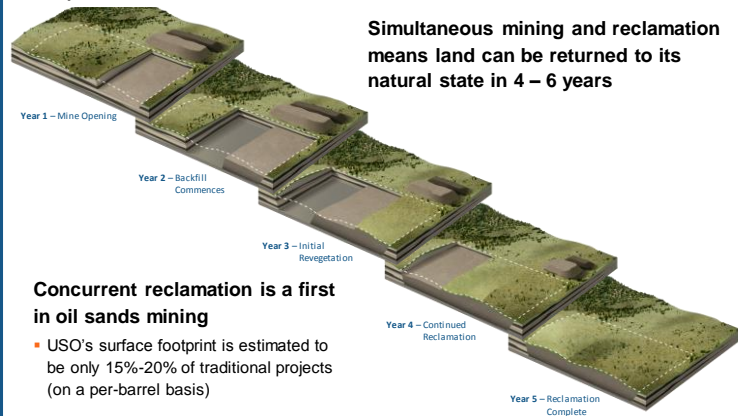
Non-Integrated Oil Sands Mining Projects Capital Efficiency (\$/bbl/d)



(1) USO 10,000 bpd project shown as a range between \$100MM and \$200MM capex estimates; (2) Pierre River shown as an average of low (\$14.6B) and high (\$21.8B) capex estimates; (3) Jackpine Mine Expansion shown as an average of low (\$6B) and high (\$10B) capex estimates. Source: US Oil Sands, company websites, regulatory applications

ENVIRONMENTAL BENEFITS

- Best-in-class water usage; 95% recycled
- Bio-solvent renewable & biodegradable; 98-99% recycled
- Smallest footprint of any mining process; eliminates tailings ponds
- Optimization would allow for best-in-class GHG emissions



EXTENSIVELY PILOTED

- Programmable logic controlled and fully instrumented 24 bbl/d pilot unit and onsite analytical laboratory
- Successfully processed hundreds of tonnes of oil sand ore since 2007
- Successfully processed ore from various regions in Athabasca and Utah
- Unit extremely flexible in testing different ores, equipment & process configurations



ASSET OVERVIEW

LAND

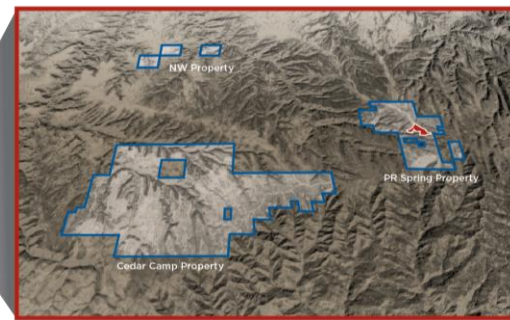
FAVORABLE LOCATION FOR OIL SANDS

- Up to 32 billion bbls in Utah⁽¹⁾
- Higher quality than Athabasca bitumen (low sulfur and higher API)
- Year-round access; low cost operations
- Low royalties (6.5%) vs. Alberta (25%-40%)
- Low transportation costs to markets

SUMMARY OF LEASES

- 100% working interest in 32,005 acres
 - PR Spring (5,930 acres), Cedar Camp (24,170 acres), NW (1,905 acres)
- State lands governed by the Utah School and Institutional Trust Lands Administration
 - Supportive of O&G development, revenues support public education

⁽¹⁾ U.S. DOE / Fossil Energy / National Energy Technology Laboratory



PR Spring Landscape

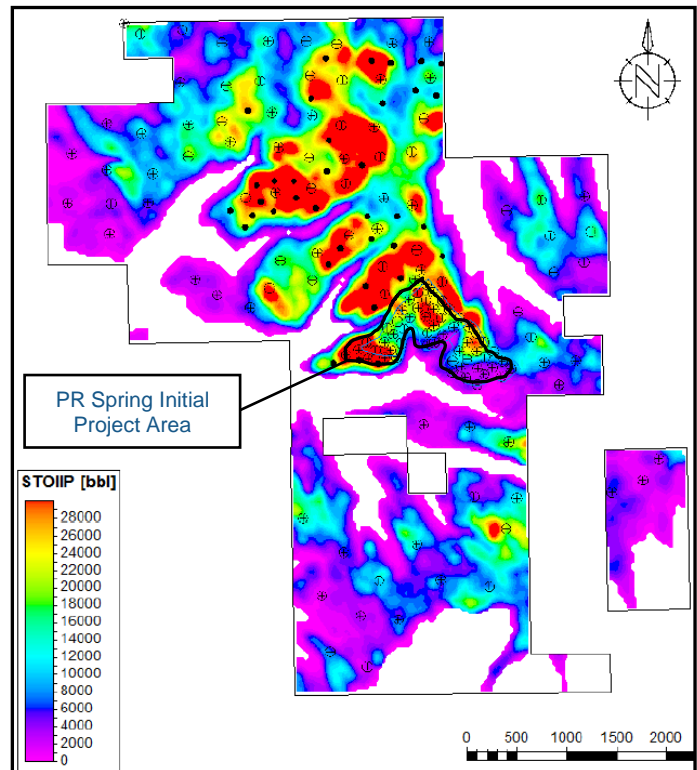


RESOURCES

PR SPRING PROPERTY

- 184 core holes provide strong well control
 - 58 drilled on high density, 2.5-acre spacing inside initial permitted project area; over 4,400 assays completed
- Multiple bitumen beds with combined pay thickness of up to 100 ft.; average overburden only 25 ft.
- Ore grade 5-14 wt%; TV:BIP 8-16
 - Average ~9 wt% in planned pits
- Significant resource beyond initial project area
- 184 MMbbls of discovered resource⁽²⁾
- 12.5 MMbbls of contingent resource, valued at C\$73MM⁽³⁾

PR Spring Development Block



Bitumen-in-Place (All Sands)



⁽²⁾ Sproule best estimate discovered bitumen initially-in-place as at Dec. 31, 2014
⁽³⁾ McDaniel risked, best estimate NPV₁₀ contingent resources as at Dec. 31, 2016

DEVELOPMENT OVERVIEW

PR SPRING PROJECT

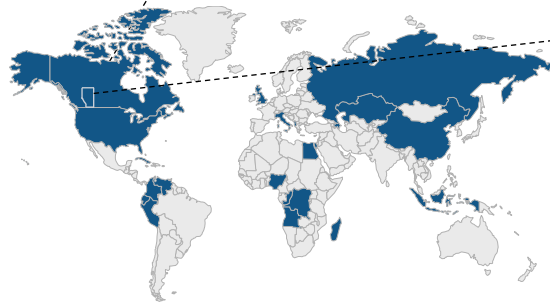
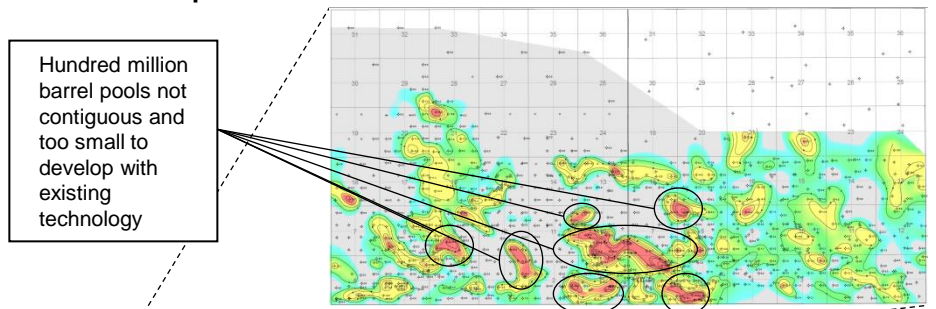
- Fully approved 2,000 bbl/d project
 - Complete and ready for start-up
 - Off-the-shelf process equipment
 - Selective/integrated mining approach
 - C\$145 million has been raised with significant amount allocated to developing the project and IP suite
- PR Spring acreage could support up to an additional 5,000 bbl/d of production
 - Plant site designed for expansion
 - Further reduced capital intensity with optimization and economies of scale



GLOBAL DEVELOPMENT OPPORTUNITY

- Billions of barrels of mineable bitumen... **stranded**
 - **Stranded** by scale in pools too small for mega-projects
 - **Stranded** economically in lower-grade deposits and by outdated extraction technology
 - **Stranded** without a social license to produce due to poor environmental performance
- These resources are well suited to USO's bio-solvent extraction process
- USO's recent IP developments are highly applicable to optimize existing oil sands mining projects
 - **Game-changing potential**

Example of Stranded Bitumen Resources in Athabasca



Countries shaded blue are those with known bitumen and extra-heavy oil resources: 2010 Survey of Energy Resources, World Energy Council

FINANCIAL OVERVIEW

PROJECT ECONOMICS⁽¹⁾⁽²⁾

PROJECT ASSUMPTIONS

- On-stream September 1, 2018
- Ramped utilization during initial 3 months
- 93% utilization thereafter
- WTI strip pricing until 2026; nominal price escalation thereafter
 - Year-25 WTI price \$60.41/bbl
- \$1.9MM of capital required for pre-start expenditures
- Positive cash flow achieved in 2019 following production ramp-up
- Minimal G&A overhead required
- 16.4MM barrels recovered in 25-year case

	2018	2019	2020	2021	2022
WTI Strip (USD/bbl)	\$59.29	\$56.76	\$54.12	\$52.40	\$51.66
Production (bbl/d)	449	1,857	1,857	1,857	1,857
Free Cash Flow ⁽³⁾	(\$5.0)	\$10.3	\$8.6	\$7.5	\$7.1

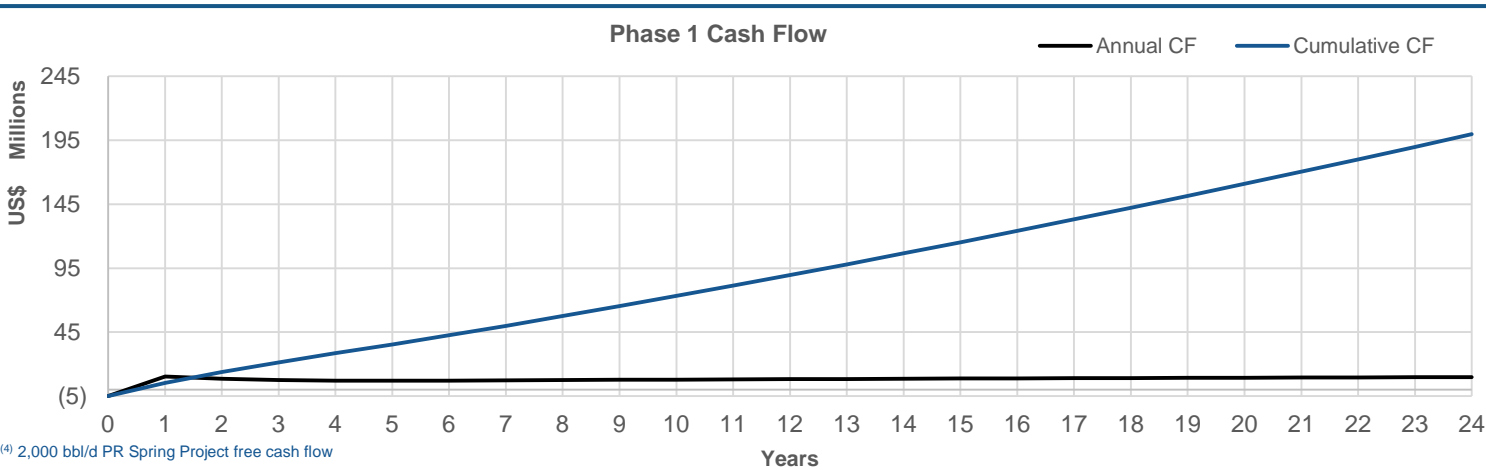
\$28MM
free cash flow generated after 5 years

\$63MM
NPV₁₀ for 25 year forecast period

- Low cost operations that generate strong free cash flow with conservative commodity price forecast
- Resource base and intellectual property holds significant valuation upside

⁽¹⁾ USD millions, unless otherwise noted ⁽²⁾ 2,000 bbl/d PR Spring Project
⁽³⁾ Free cash flow is revenue less differential & transport, extraction costs, mining costs, royalties and capex

SIGNIFICANT CASH FLOW⁽⁴⁾



Consistent cash flow with no production declines and minimal capex required

OPERATIONAL STATUS

- Plant construction was deemed complete in March 2017
- USO developed an eight-phase start-up plan and had reached phase seven of the plan in September 2017
- Company processed approximately 500 tonnes of oil sand ore with near specification product quality
- Estimated \$1.9MM of remaining capital expenditures for minor modification of equipment and vendor support costs to restart production operations

PER BARREL B/E ANALYSIS

Targeted Break-even Oil Price	
Heavy Differential	\$6.00
Transportation	\$6.85
Operating Cost – Mining	\$13.62
Operating Cost – Extraction	\$13.10
Royalties ⁽⁵⁾	\$2.00
Targeted B/E WTI Price	\$41.57

⁽⁵⁾ Based on average 2019 WTI price of US\$56.76/bbl

INTELLECTUAL PROPERTY OVERVIEW

GAME-CHANGING POTENTIAL

- USO's IP suite focuses on core areas where existing oil sands extraction technologies have reached their fundamental limits of performance
 - Ability to co-produce soil-like fine tails in a low temperature ore digestion and bitumen separation process
 - Production of marketable final product bitumen without resorting to capital intensive deep carbon rejection
 - Brownfield application for high temperature corrosion mitigation in existing oil sands upgrading facilities
- Transformative separation technologies that are scalable to Athabasca oil sands production levels

SOIL-LIKE ATHABASCA FINES



PROCESS OVERVIEW

TERMS & TIMING

On September 14, 2017 FTI Consulting Inc., was appointed as receiver (the "Receiver") of USO pursuant to a Receivership Order under the Bankruptcy and Insolvency Act in Canada. On November 16, 2017, the Receiver obtained an order under Chapter 15 of the United States Bankruptcy Code for the recognition of the Receivership Order having full force and effect in the United States. The Receiver, with the assistance of its affiliate – FTICA, is conducting this sale process in accordance with a sale solicitation process ("SSP") that was approved by the Court of Queen's Bench of Alberta on February 16, 2018. The bid deadline for binding proposals is April 6, 2018. Additional details related to the SSP are available at: <http://cfcanada.fticonsulting.com/usoilsands/>.

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