



Realizing The Full Potential From Bitumen and Heavier Crudes – I^YQ Upgrading

February 2013



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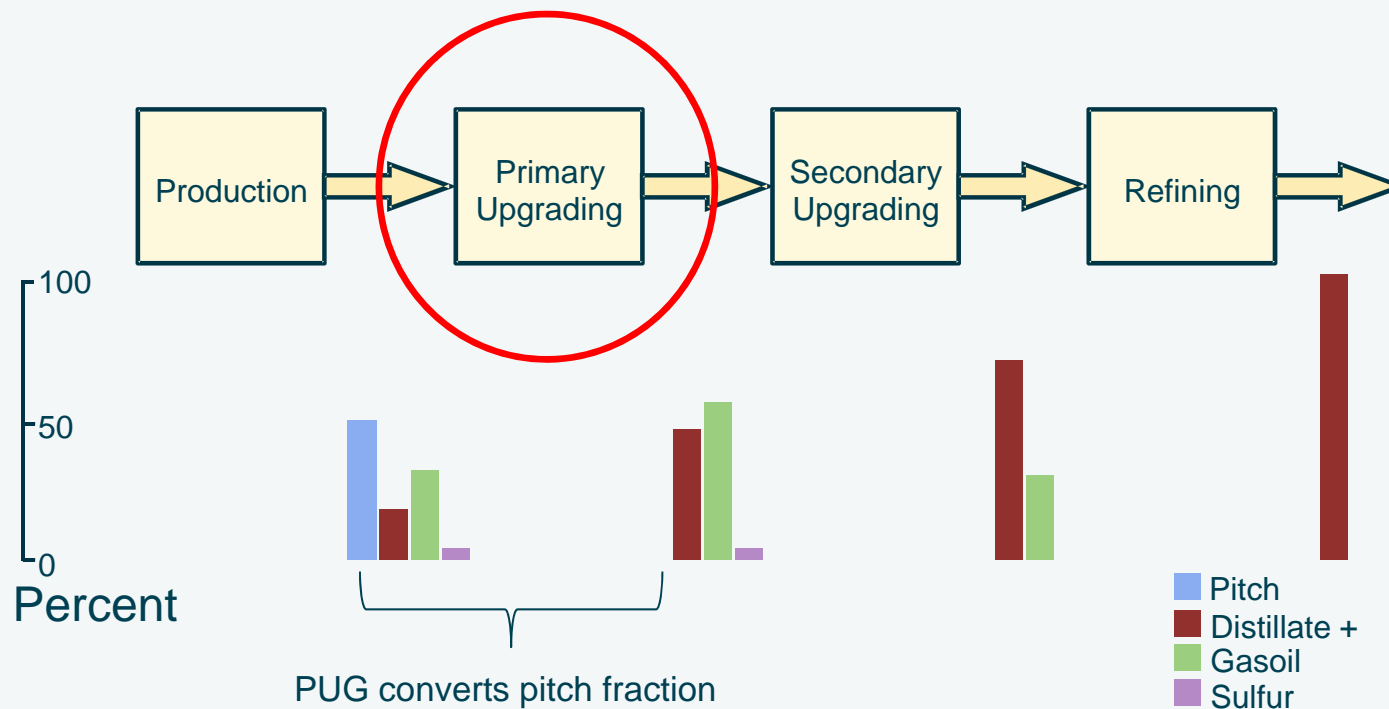
Executive Summary – IYQ Upgrading by ETX Systems

- Emerging technology for Primary Upgrading (coking) of heavier crudes
 - Industry-altering ability to maximize yield of premium refinery feedstock
 - Patent protected, with lower cost and environmental footprint
 - Progressing final development step - a 1,000 bpd Field Pilot
- Growth in oil sands requires significant new investment in coking capacity
 - \$75+ million / day of upside currently being forfeited with “dilute and ship”
 - New coking capacity is required to address structural basis for collapse
- IYQ Upgrading is positioned to capitalize
 - Addresses pricing, pipeline and environmental challenges to future growth
 - Unlocks \$10/bbl of new value with every barrel of bitumen processed



The Role of Coking Technologies

- Primary Upgrading: Converts non-distillable “bottom” portion of a crude oil barrel into refinery feedstock, rejecting impurities in the process
 - Heavy oil and bitumen contain more non-distillable components than light oil
 - Coking is particularly important for getting full value from heavier crudes



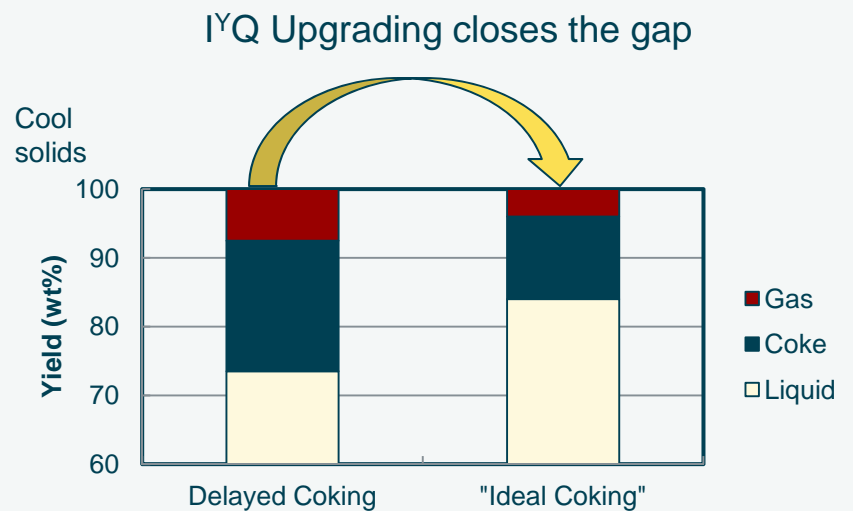
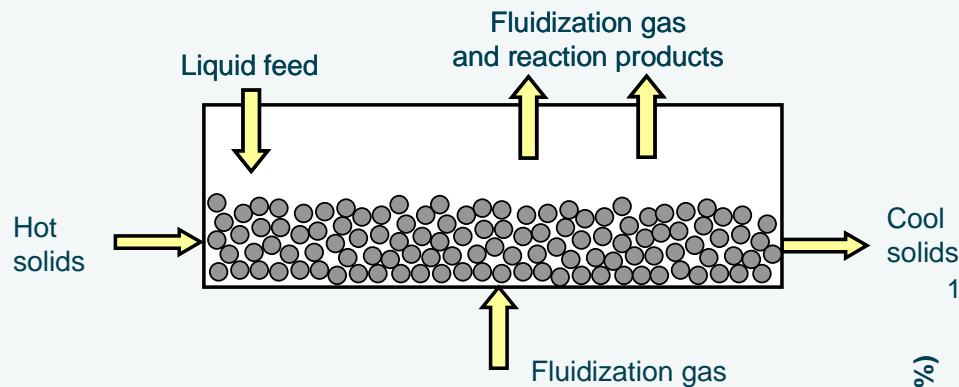
Coking Landscape

- Delayed Coking: currently the over-whelming choice of industry
 - Mature, with decades of commercial experience, but far from “ideal”
 - Fails to maximize liquid yields, impairing economics and increasing environmental impact of bringing heavier crude to market
- **I^YQ Upgrading** has been rigorously benchmarked against delayed coking
 - Significant increase in distillable liquids from same barrel of feedstock
 - Lower Capital, Operating costs



I^YQ Upgrading – How We Do It

- Patented I^YQ Upgrading approaches “ideal” coking
- Combination of two commercially proven technologies
 - Plug-flow dryers
 - Fluid bed coking



ETX Executive

- **Gerard Monaghan** (PEng, MBA), CEO
 - A decade of front line experience with Syncrude / Exxon ER&E
 - Leading edge exposure to advances in fundamental understanding of Upgrading science
- **Wayne Brown** (PEng, PhD), CTO
 - 25 years of experience orchestrating and executing top tier development
 - Demonstrated track record through staff positions with both industry (Syncrude) and academia (McGill)
 - Awarded 2011 ASTECH Prize for Innovation in Oil Sands Research
- **Bernie LeSage** (MEng, MBA), COO
 - 30 years of experience in technology development and commercialization
 - Significant international marketing and operations experience
- Combined 40 years of experience covering most major Integrated Oil Sands projects

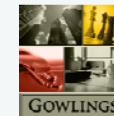


The Team

- Demonstrated ability to align with world class individuals and organizations

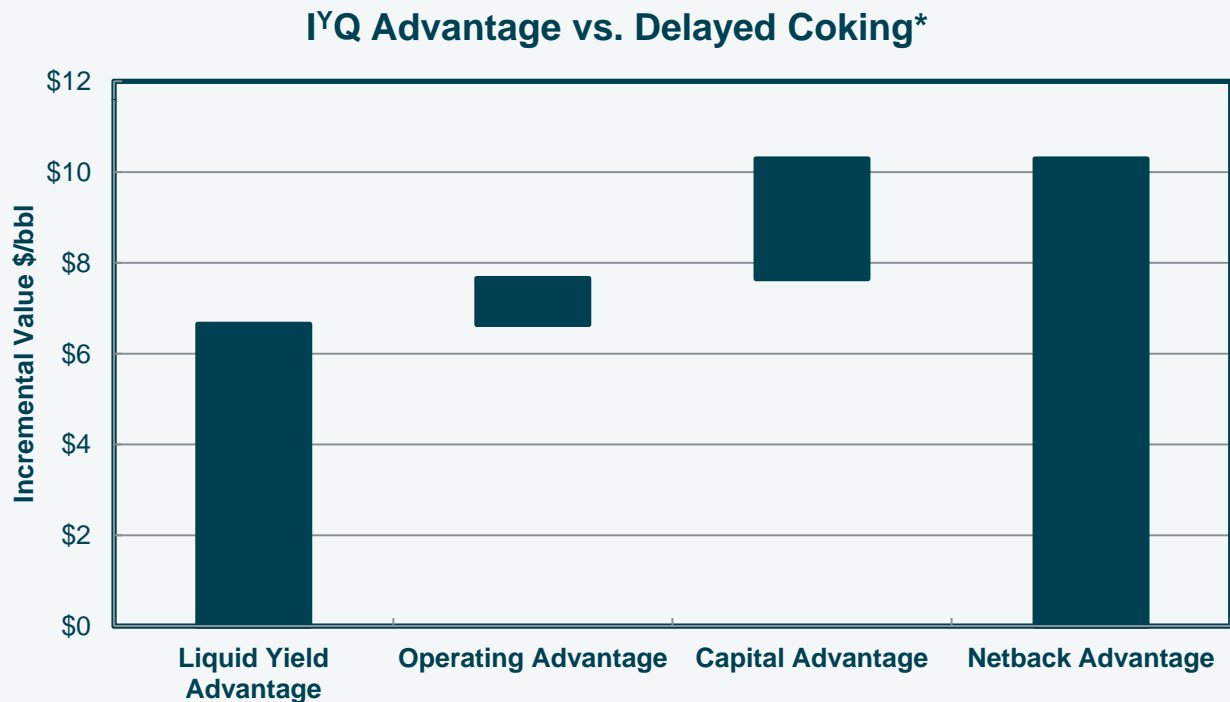
Independent Directors

- **George Crookshank**
 - Energy Consultant
- **Keith MacLeod**
 - President, Sproule Associates
- **Sean Monaghan**
 - President, Promac Industries
- **Randy Ollenberger**
 - Managing Director, Research, BMO



Incremental Benefits – An Oil Sands Example

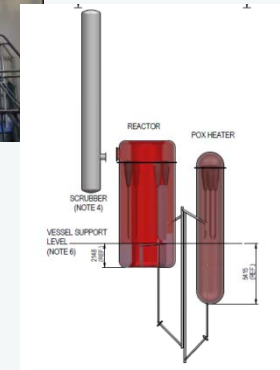
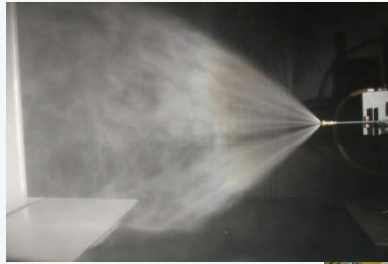
- Relative to delayed coking, **IYQ Upgrading** provides:
 - \$10+ /bbl of new value for every barrel processed
 - Direct 9% reduction of upstream environmental intensity metrics
- \$1+ Billion of incremental NPV₁₂ for typical commercial rollout



* When processing whole Athabasca bitumen, \$75 WTI



Development Activities



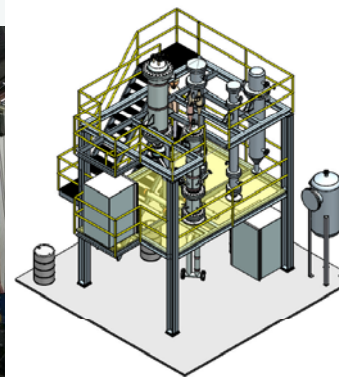
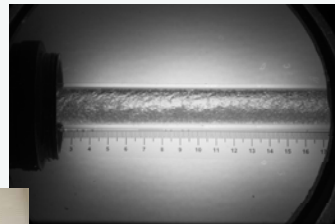
Conception

Feasibility

Process
Development

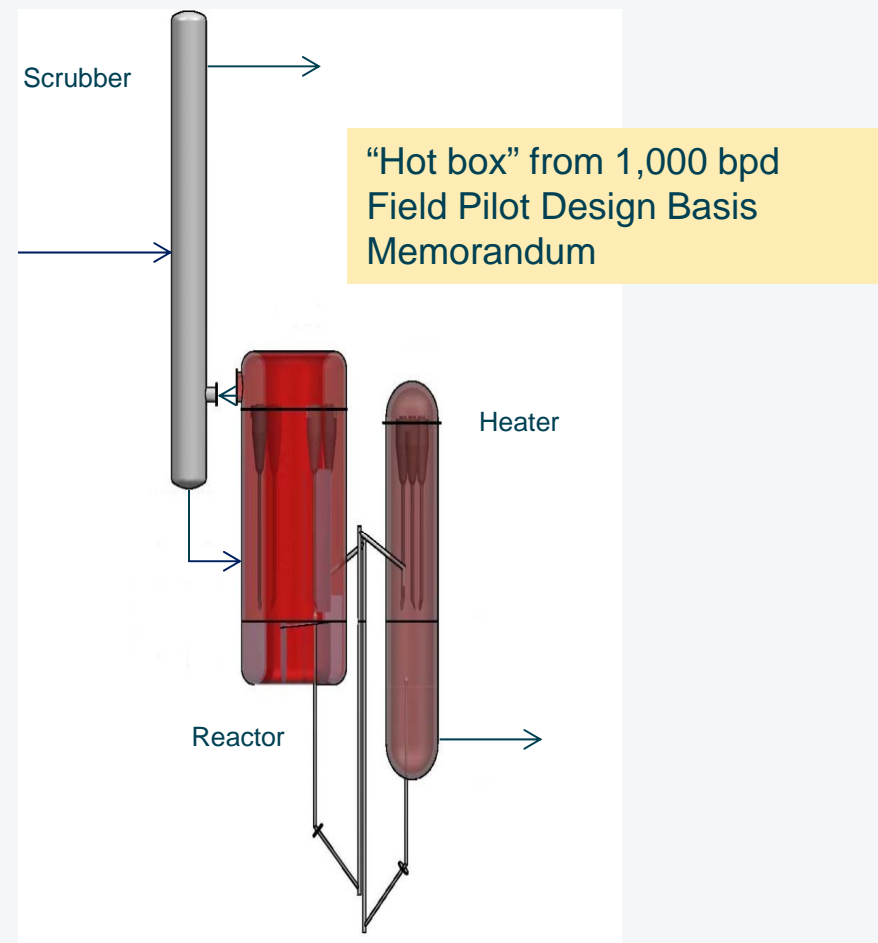
Piloting

Commercialization



Field Pilot Project

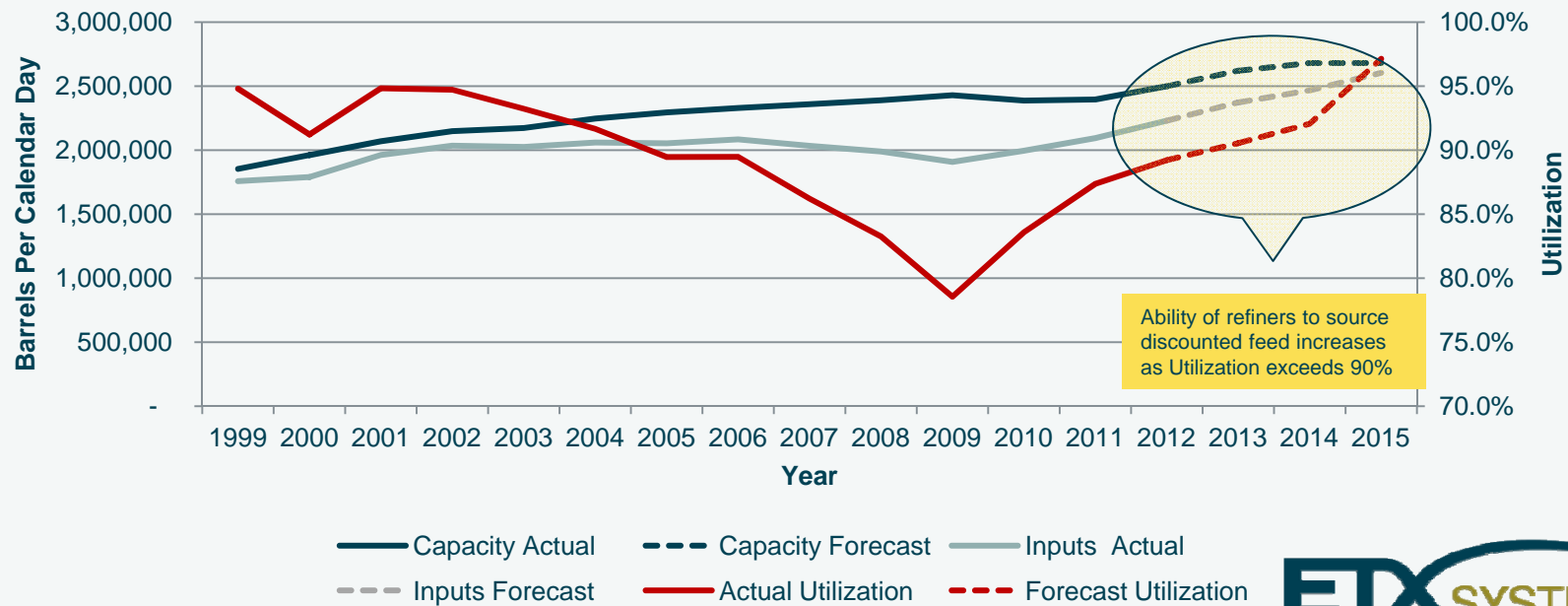
- Last development step is to execute a 1,000 bpd Field Pilot project to demonstrate operability of **I^YQ Upgrading**
- Carrying \$95 million as all-in cost, based on Design Basis Memorandum completed in 2012 for a Central Alberta location
- Expect significant support from Government, based on advanced discussions



Why Invest in Primary Upgrading (Coking)?

- The next big opportunity in Oil Sands Investment!
- Have reached a “tipping point” for continental coking infrastructure
 - Increasing ability to source suitable feedstock (linked to oil sands growth) has overwhelmed current and planned coking capacity
 - Until balance is restored, incremental bitumen is stranded, pricing is distressed
- Expect premium investment returns from new coking projects over this period

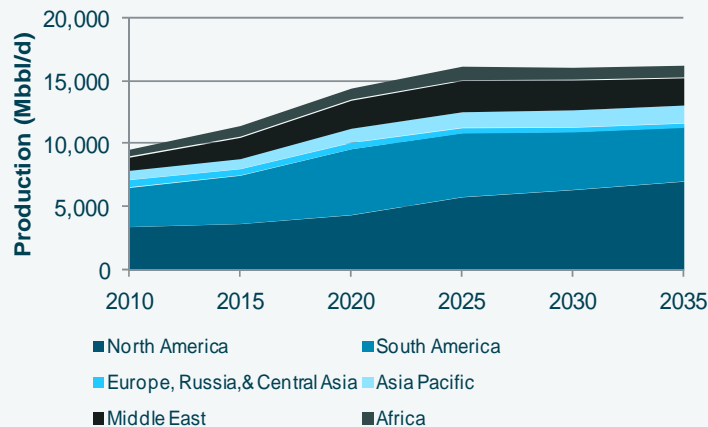
US Coking Capacity Versus Coking Inputs



Opportunity Continues to Grow

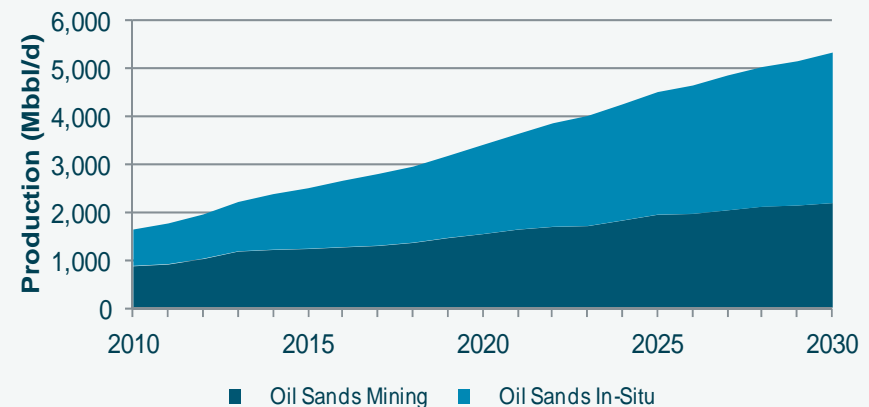
- Increasing demand for refined products and robust economics for increasing supply of heavy oil will drive new investment in coking
- Coupled with limited ability of coking infrastructure to accommodate current supply, expect massive investment over extended periods to bring market back into balance
 - “Golden Age of Upgrading”

Global Heavy Oil Production



Hart Energy 2011 Long Term Scenario

Canadian Oil Sands Production



2012 CAPP Crude Oil Forecast



Why ETX and I^YQ Upgrading?

Team, Technology, and Timing

- Team: Dedicated and Award winning
 - Fundamental grasp of science, front line exposure to Industry needs
 - Demonstrated ability to steward and leverage capital over the past ten years
- Technology: Doing more, with less.
 - Getting 9% more refinery-ready feedstock from a given barrel of bitumen
 - Less capital and operating cost
 - Industry-altering ability to effect a \$10/bbl reduction in the crude pricing required to support break-even economics for oil sands development
- Timing: Positioned to capitalize on next big wave of Oil Sands Investment
 - 100+ commercial coking projects (50,000 bpd) are required to support forecast growth of heavy oil, ETX only needs to convert on one of these (with 10% retention of value created) to recover development costs.
 - Opportunity to convert on additional commercial rollouts provides significant upside



Bitumen Pricing: How Low Can It Go?

- New coking investment is incented by heavy oil discount
- Despite global crude oil benchmarks that have consistently traded at \$100+/bbl in recent years, bitumen at the well head currently receives only a fraction of this
- At current prices Western Canadian Producers are forfeiting \$2- \$3 billion / month to midstream / downstream entities

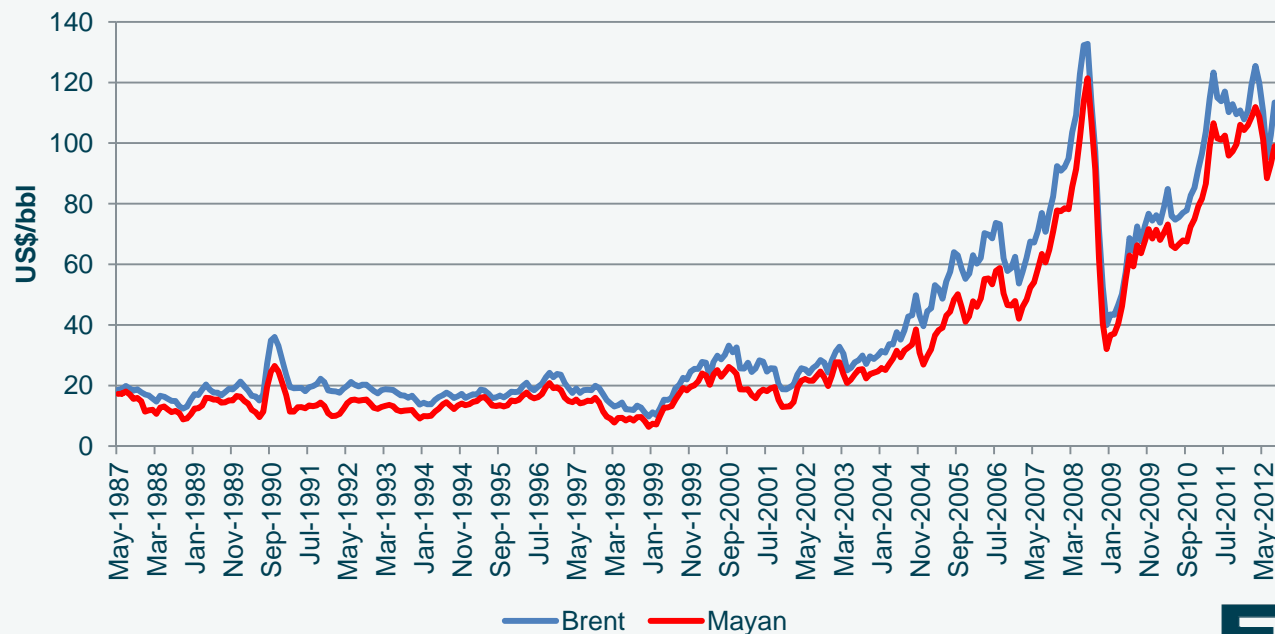
OPERATIONAL – CONTINUING OPERATIONS	Q3 2012	Q3 2011
Daily production volumes		
Bitumen – bbl/d	11,478	13,454
Selected highlights		
Realized Bitumen sales price - \$/bbl	38.12	40.98
Royalties	2.15	2.13
Operating costs	20.35	18.83
Netback	15.62	20.03



Inherent Value in Bitumen

- Inherent value of bitumen is unlocked with well contemplated strategy to link new bitumen supply to motivated refiners
- While indications are that it may not last, recent pricing of Mayan crude (global benchmark for heavy crude) is indicative of this inherent value
- Better technology for coking (I^YQ Upgrading) can add significantly to this inherent value

Heavy Oil Pricing Potential

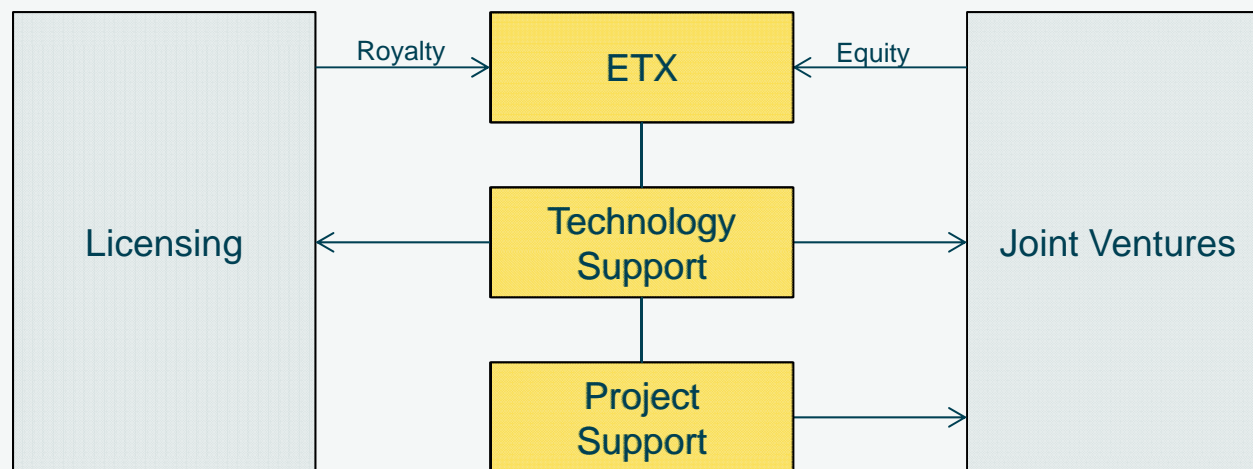


Market for New Coking Capacity

- Strong economic case emerging to consider new coking capacity in lower cost jurisdictions in Alberta (Sturgeon County, Peace River ...)
 - Ability to eliminate requirements to source diluent
 - Ability to address heavy oil discount and maximize ROI
 - Ability to reduced imposition on takeaway infrastructure (pipelines)
 - Motivated Government with an ability to improve access to financing for new Upgrading investment
- Case is aided by the fact that US Refiners are focused on shale oil opportunity rather than new investment to process heavier crudes

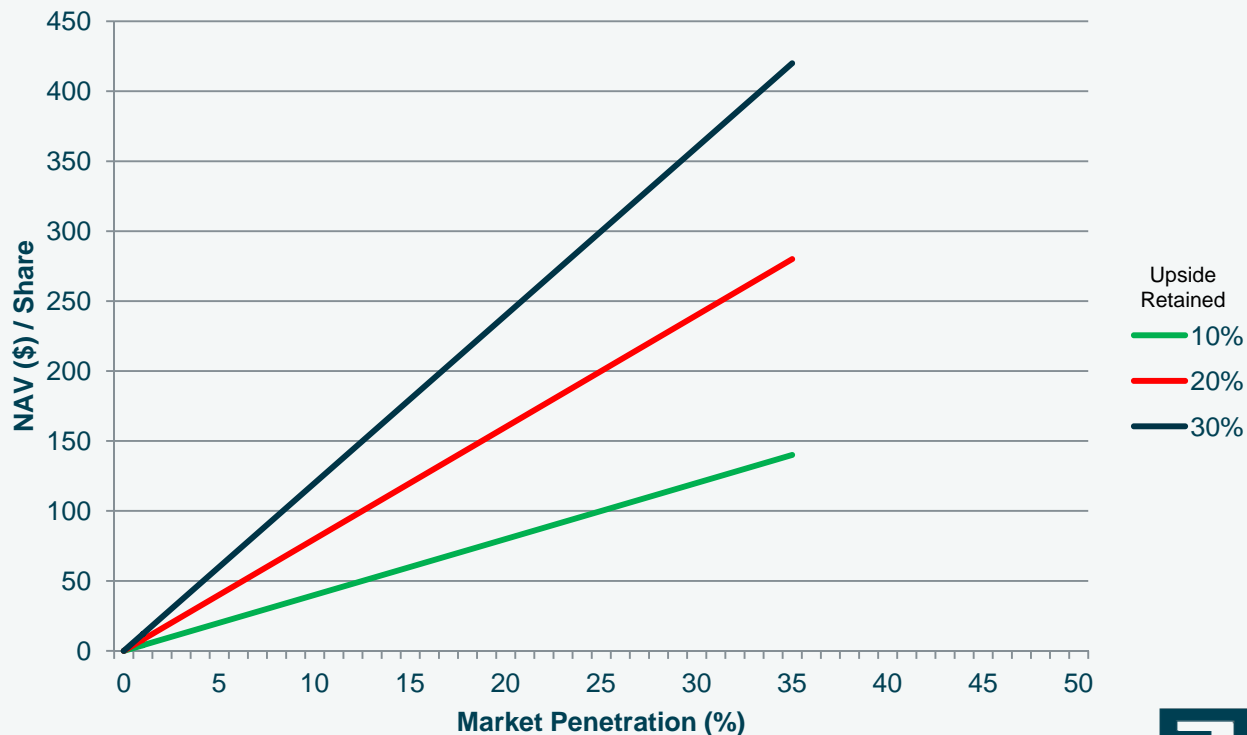
ETX Revenue Model

- Focus on maximizing market penetration rather than maximizing retention of upside
- Licensing to entities that are set up to assume role of “project developer”
 - Target 10% retention of upside for initial capacity
- Joint Venture with entities that require or desire assistance in project set up
 - Technology farm in, resulting in equity share in project



Valuation and Returns - – A Licensing Example

- Assume successful field pilot, 25 million share float, NPV₁₂
- Incremental ~\$1 Billion upside with each 1% market penetration
- Technology royalty allows ETX to retain a portion of upside



Summary

- The “dilute and ship” strategy that has underpinned current development of oil sands and heavy oil supply Western Canada is busted
 - Strategy failed to provide for critical infrastructure required to support pricing
- After a successful Field Pilot, IYQ Upgrading by ETX will be well positioned to become the patent protected backbone of a far more robust strategy designed to maximize returns from production of heavier crudes
 - Returns from commercial capacity expected to justify multi-fold returns to new investors
- ETX is focused on financing and executing this Field Pilot to unlock value for shareholders and usher in a new era of economic and sustainable development of heavy crudes.

