



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

January 2013 Update



Advisory

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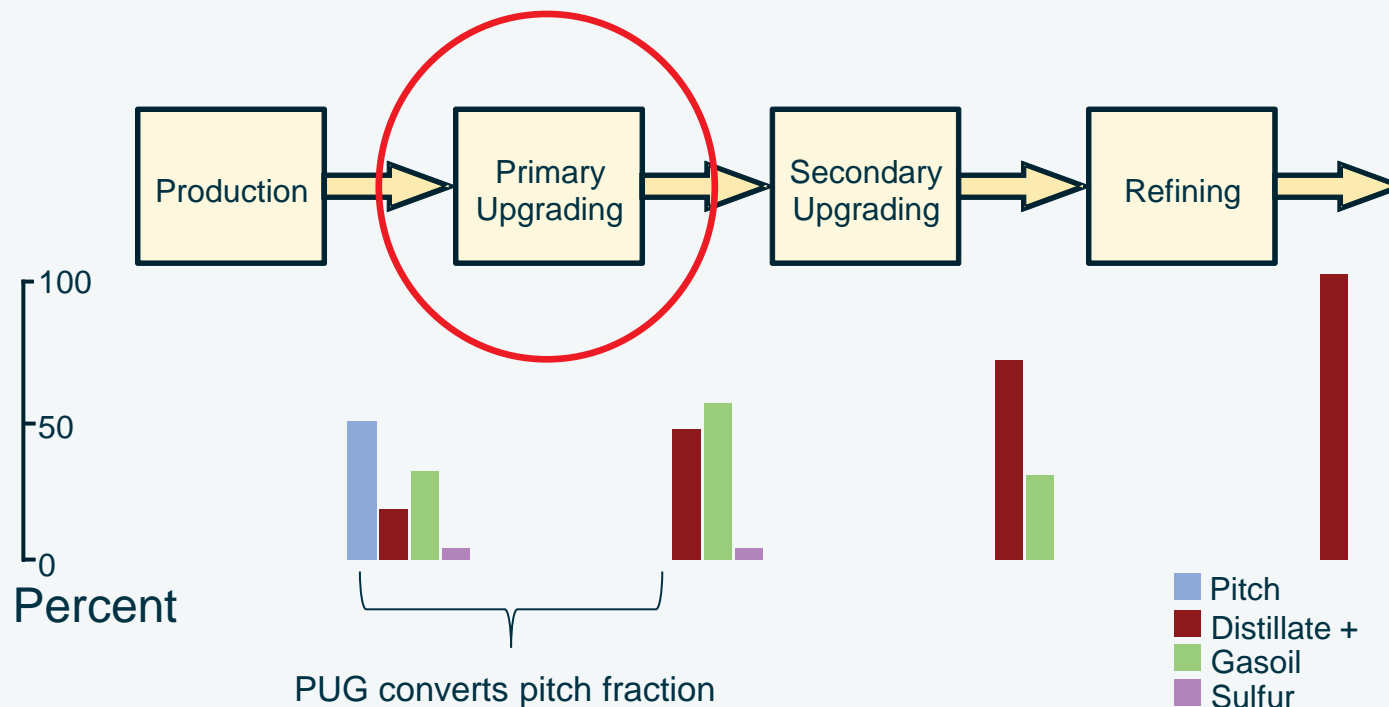
Executive Summary – I^YQ Upgrading by ETX Systems

- Emerging technology for coking with industry-altering ability to maximize the yield of premium refinery feedstock from heavier crudes
 - Lower cost, lower environmental footprint
 - Patent protected
 - Claims underpinned by 10+ years of award winning development
 - Progressing final development step - a 1,000 bpd Field Pilot
- The business case for the “dilute and ship” strategy that underpins current forecasts for growth in heavier crudes from Canada has collapsed
 - Currently estimated \$75+ million / day of upside being forfeited
 - New coking capacity is required to address structural basis for collapse
- I^YQ Upgrading is ideally positioned to address challenges and improve economics associated with future development of heavy crude supply
 - Heavy oil discounts incent and increase profits for upgrading
 - ETX Investors profit from royalty stream generated by new technology licenses



The Role of Coking Technologies

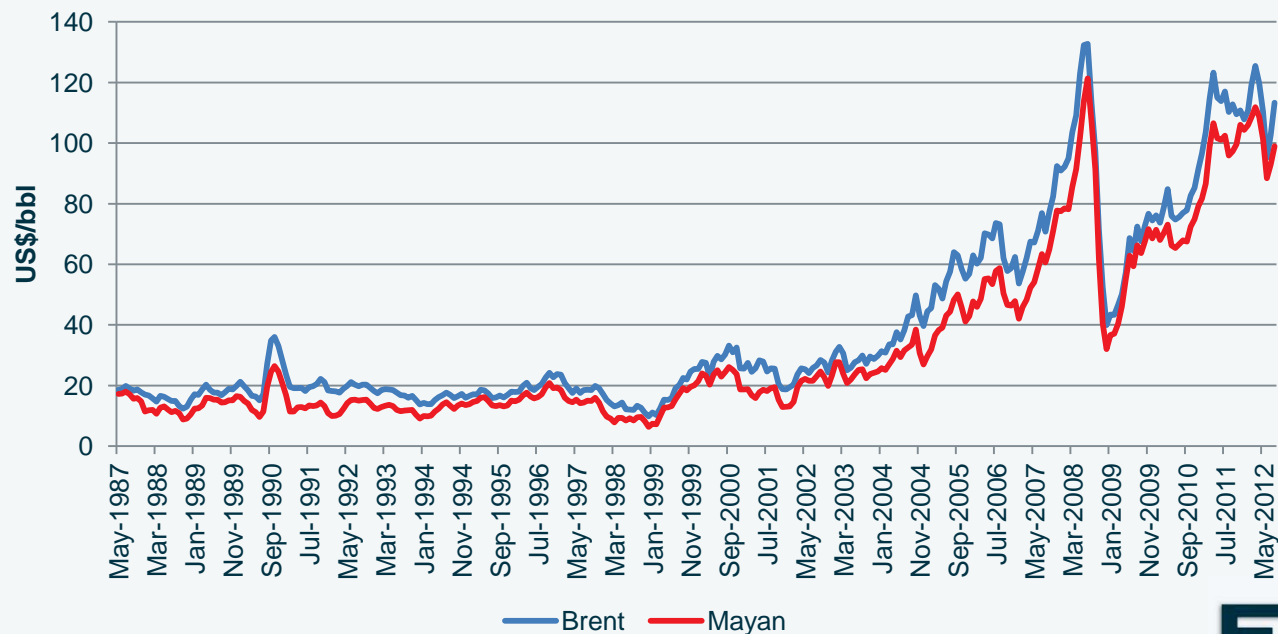
- Primary Upgrading: Converts non-distillable “bottom” portion of a crude oil barrel into refinery feedstock, rejecting impurities in the process
 - Heavy oil and bitumen contain more non-distillable components than light oil
 - Coking is particularly important for getting full value from heavier crudes



Bitumen Pricing: What Could Be

- Bitumen prices are maximized with appropriate planning and focus on the transportation / upgrading infrastructure required to link new supply to refineries
- PADD 3 pricing of Mayan crude (global benchmark for heavy crude) provides a case study for potential upside with provision of adequate infrastructure
 - Ready access to refiners with available coking capacity

Heavy Oil Pricing Potential



Bitumen Pricing: What Is

- While global crude oil benchmarks have consistently traded at \$100+/bbl in recent years, bitumen at the well head currently receives only a fraction of this
- Expect Q4, 2012 to be much worse than Q3, 2012
 - At current prices Western Canadian Producers forfeiting \$2- \$3 billion / month

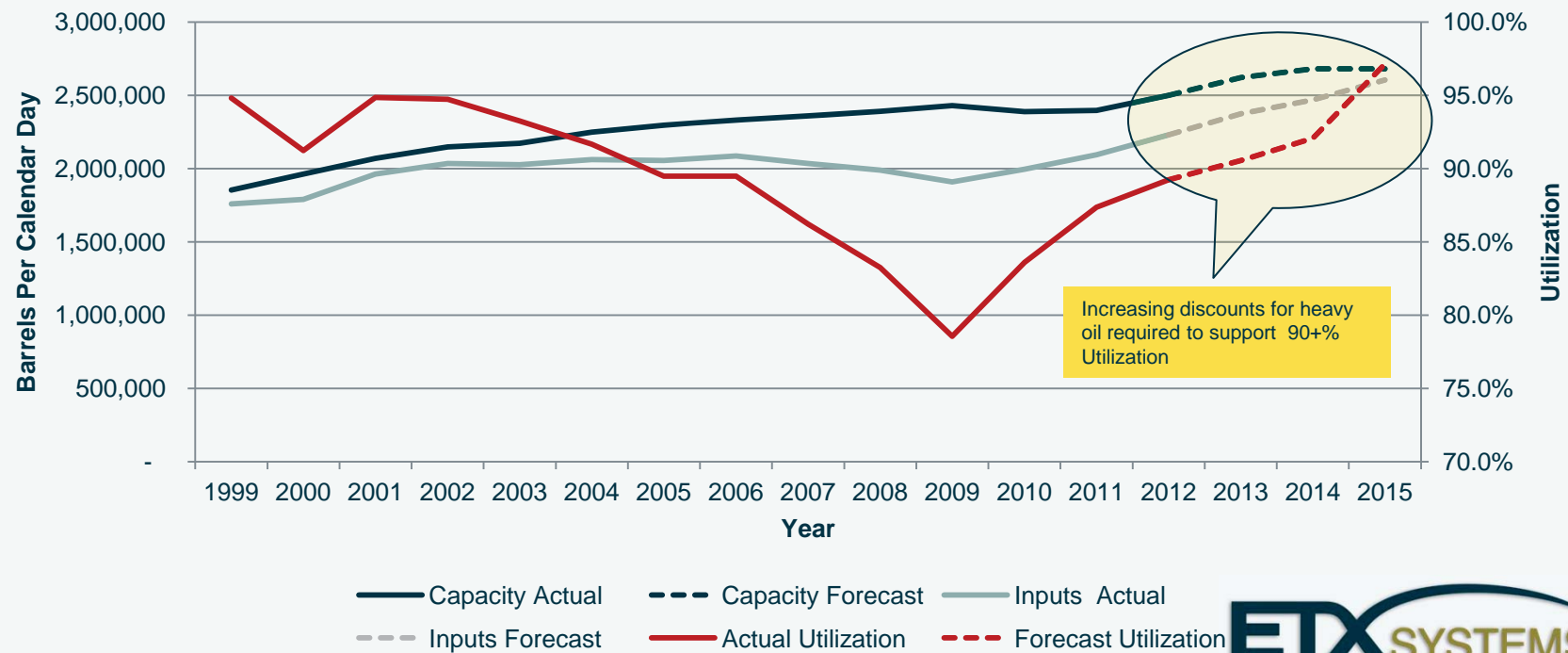
OPERATIONAL – CONTINUING OPERATIONS	Q3 2012	Q3 2011
Daily production volumes		
Bitumen – bbl/d	11,478	13,454
Selected highlights		
Realized Bitumen sales price - \$/bbl	38.12	40.98
Royalties	2.15	2.13
Operating costs	20.35	18.83
Netback	15.62	20.03



The Search for Spare Coking Capacity

- Continental Refiners do not stand still
 - Coking Utilization has steadily increased over past 4 years
 - Recent focus of oil sands industry has been to enable pipeline and rail options to PADD 3, but opportunity to tap “spare” capacity is disappearing
 - Additions to bitumen supply from new projects over the next 24 months are expected to overwhelm additions to coking capacity, making current situation much worse

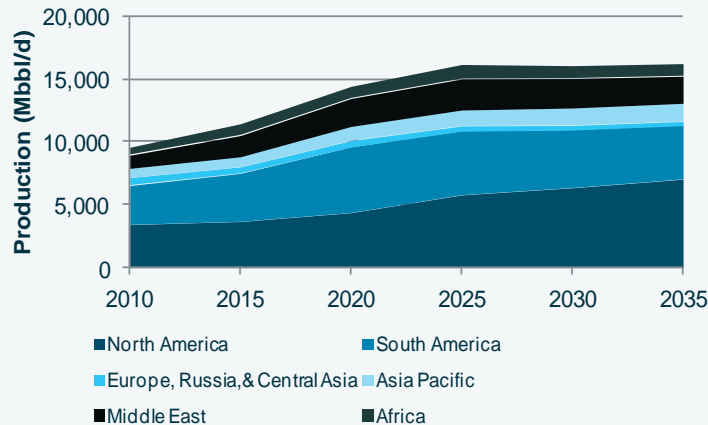
US Coking Capacity Versus Coking Inputs



Oil Sands Growth Will Require New Coking Investment

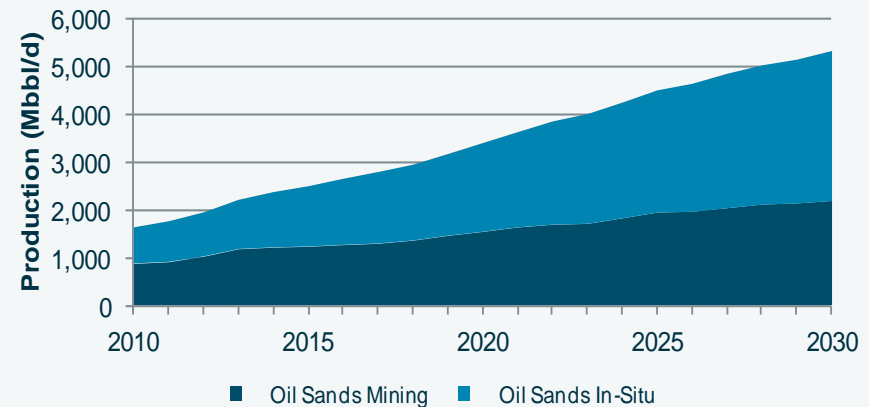
- Increasing demand for refined products, robust economics for increasing supply of heavy oil, and the limited ability of current coking infrastructure to accommodate increased supply will drive new investment in coking
 - Distressed bitumen pricing incents this investment
- I²Q Upgrading is well positioned to capitalize on this opportunity

Global Heavy Oil Production



Hart Energy 2011 Long Term Scenario

Canadian Oil Sands Production



2012 CAPP Crude Oil Forecast



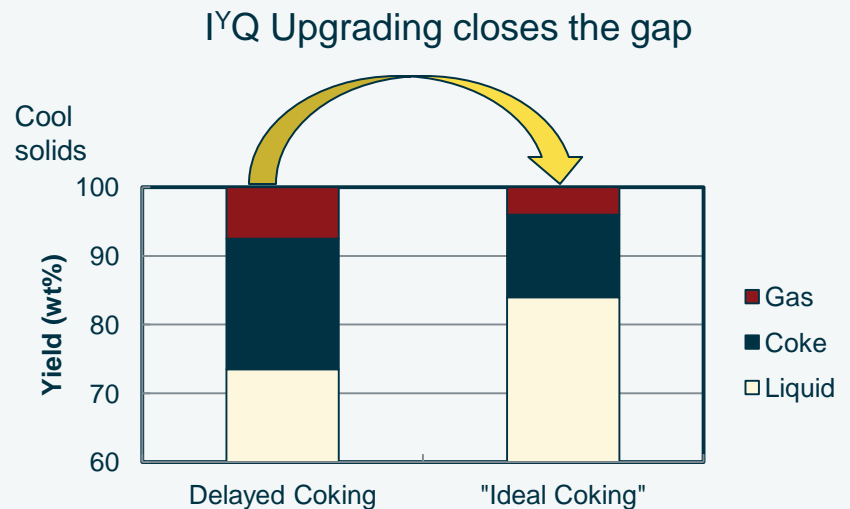
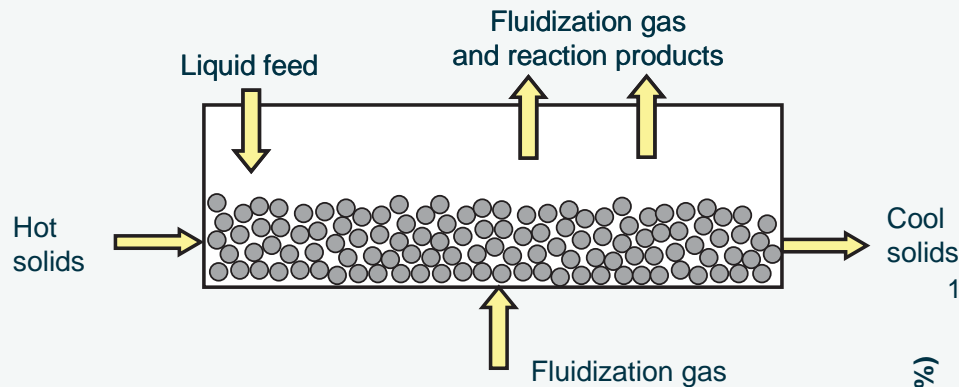
Coking Landscape

- Delayed Coking – the undisputed market-leading technology
 - Mature, with decades of commercial experience
- **I^YQ Upgrading** has been rigorously benchmarked against delayed coking
 - Significant increase in distillable liquids from same barrel of feedstock
 - Lower Capital, Operating costs



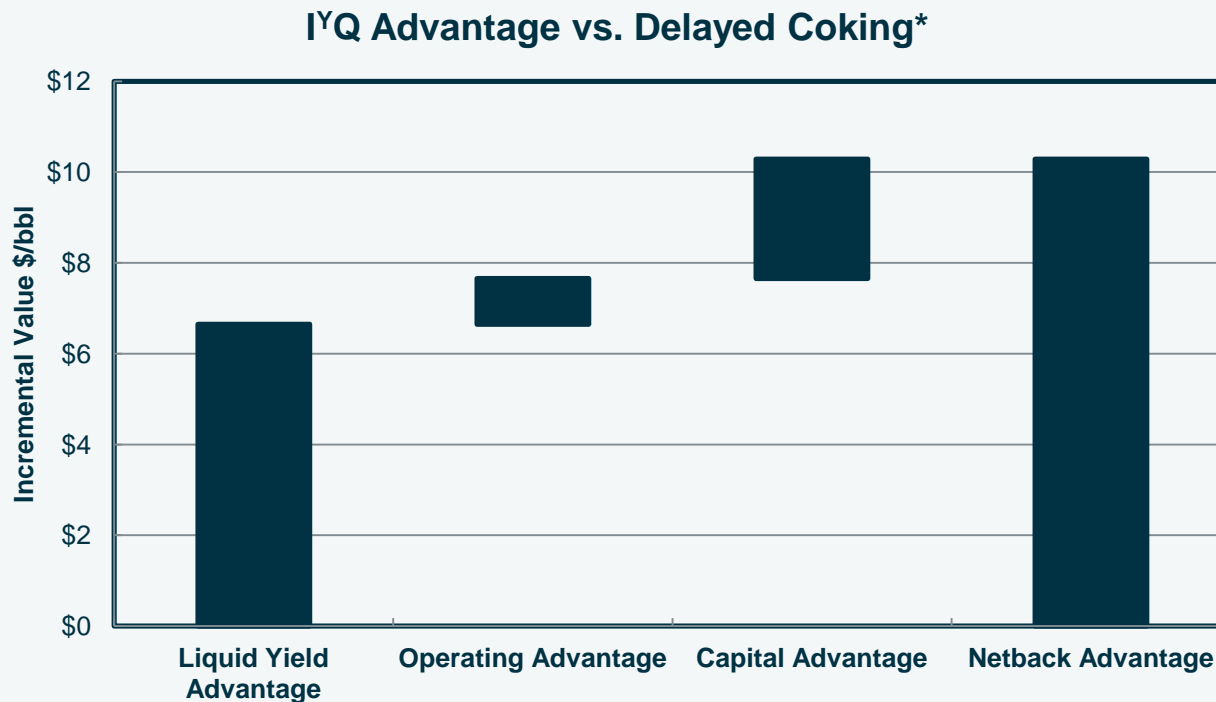
I^YQ Upgrading – How We Do It

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



Incremental Benefits – An Oil Sands Example

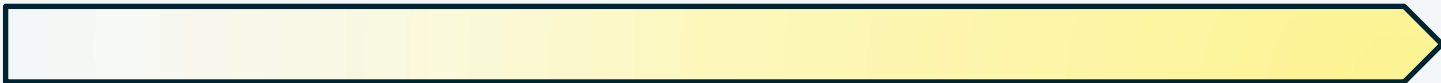
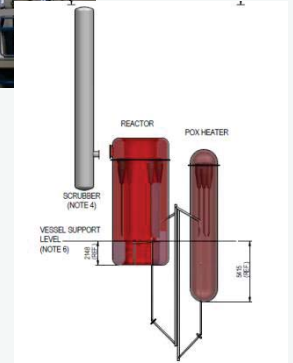
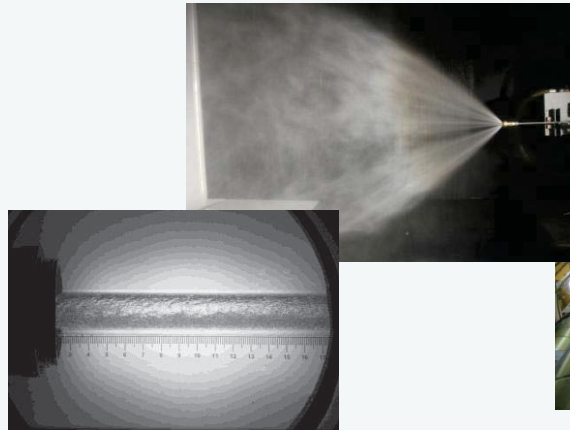
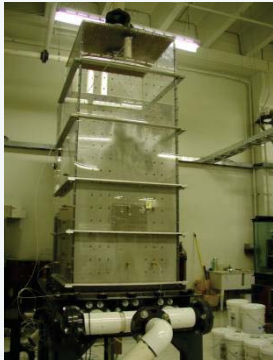
- Relative to delayed coking, **IYQ Upgrading** provides:
 - \$10+/bbl of new value for every barrel processed
 - Direct 9% reduction of upstream environmental intensity metrics
- \$1+ Billion of incremental NPV₁₂ for typical commercial rollout



* When processing whole Athabasca bitumen, \$75 WTI



Development Activities



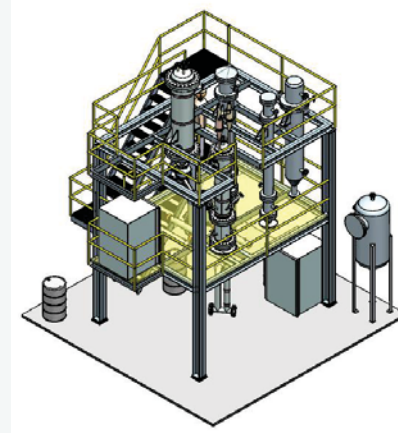
Conception



Feasibility

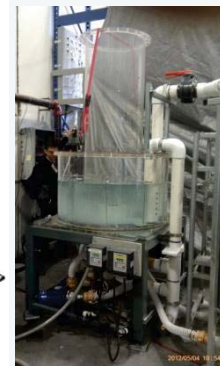


Process Development



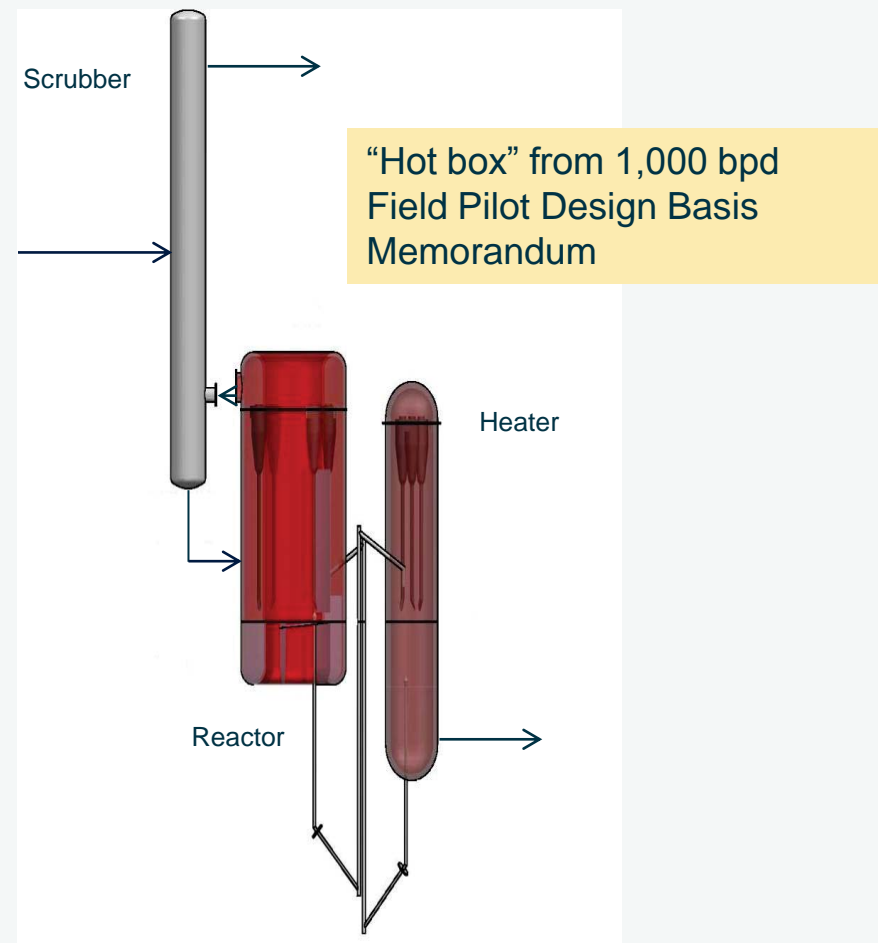
Piloting

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 for a Central Alberta location
- Expect \$30+ million in Grant support from Government, based on advanced discussions



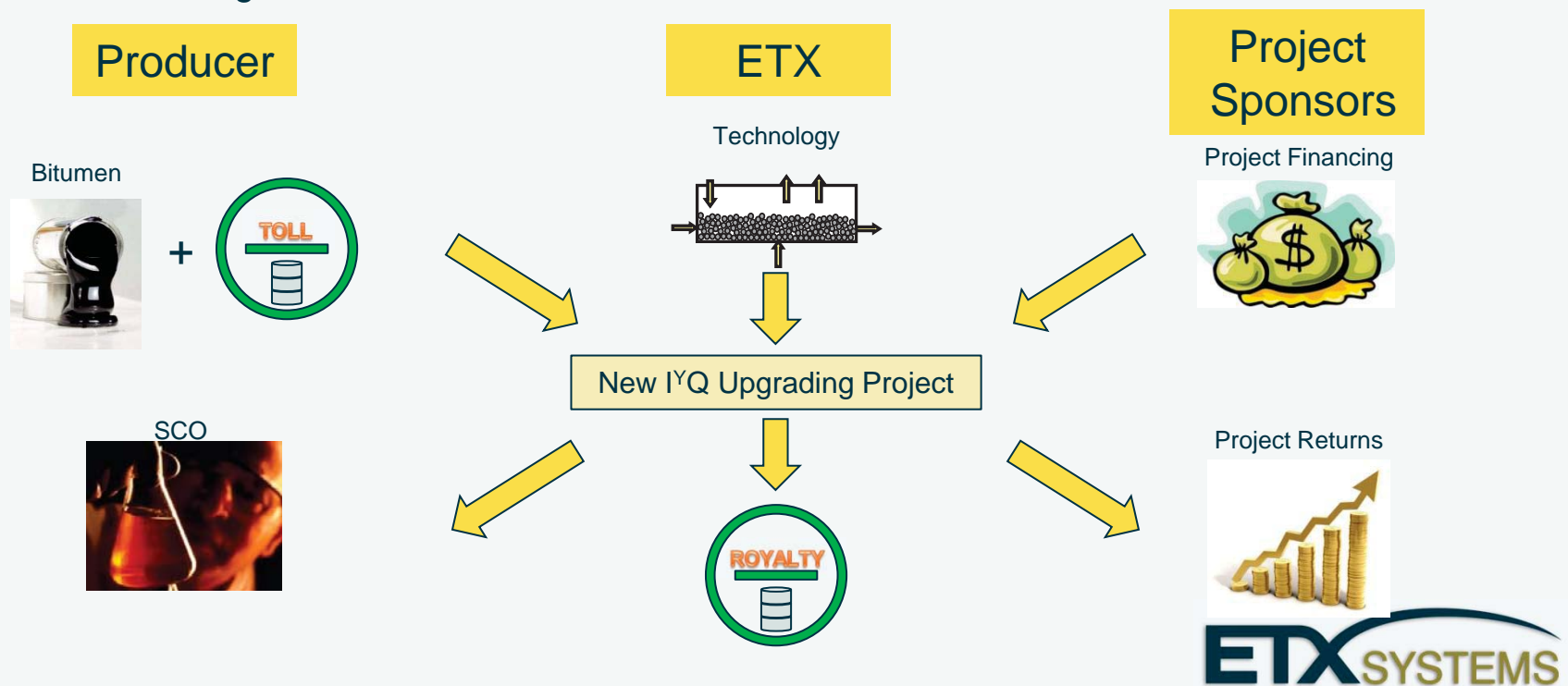
Market for New Coking Capacity

- Oil Sand Developers are struggling to justify direct investment in coking in North Eastern Alberta
 - High cost of capital, high cost location for deploying capital
 - Scale requirements that are beyond the reach of many developers
- US Refiners are focused on shale oil opportunity rather than new investment to process heavier crudes
- Strong 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



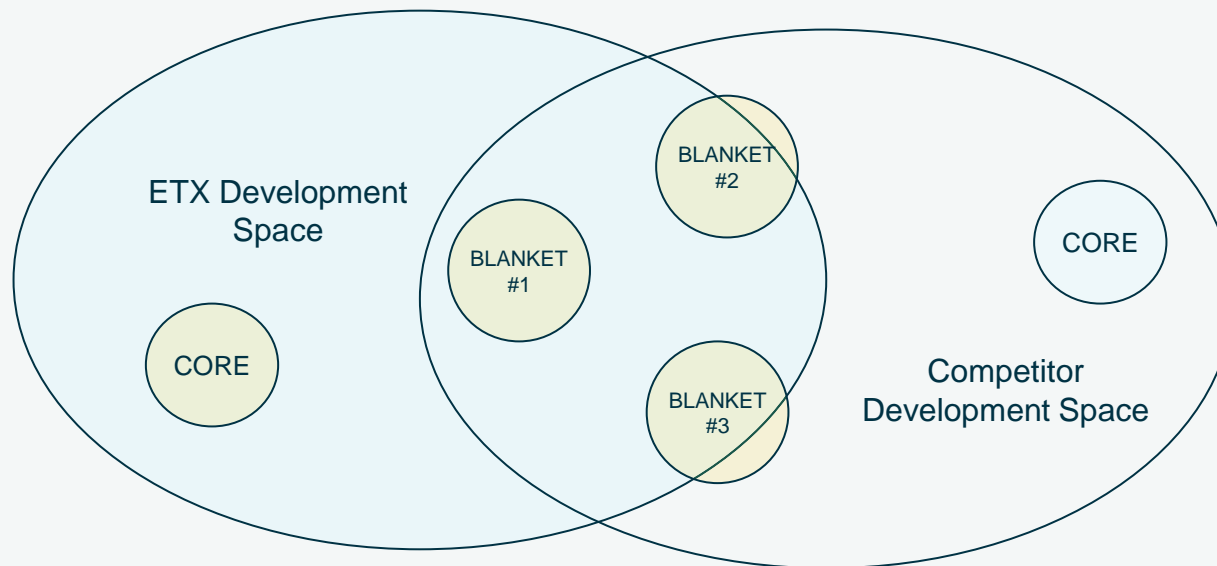
ETX Revenue Model

- Licensing base case – Grant projects the right to use technology in exchange for royalties, collected on the basis of barrels processed:
 - Projects could be undertaken by oil sands developers or could include project sponsors and be justified on strength of tolling arrangements with producers / owners of bitumen
 - \$1+ Billion of incremental value created by technology is shared among parties ensuring all are better off









Intellectual Property Management

- Key to retaining the incremental value created by technology
- World class support in area of IP Strategy
 - Many successful third party reviews



Strategy for Early Adoption

- Opportunity is global, but compelling reasons to target Oil Sands / Western Canada for early adoption:
 - Addresses key challenges contributing to current distressed bitumen pricing including diluent cost / pipeline constraints and upgrading capacity
 - Strong support from Provincial and Federal Governments
- Progress with target group: Recent agreement with Suncor Energy to provide advice and support for the marketing of liquids from Field Pilot Project

Bitumen & Heavy Oil Production (Current + Future)	Committed Upgrading Solution		
	None	Assessing	Existing
Western Canada			
Rest of World			

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
 - Royalties 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.

