

Tar sands firm seeks to leave stock market

[By Dennis Webb](#)

Thursday, June 15, 2017



A company trying to produce oil from tar sands north of Interstate 70 and just across the Colorado border in Utah is seeking shareholder permission by today to withdraw from a Canadian stock market, in order to accept a loan deal to keep it from becoming insolvent.

US Oil Sands has reached a nonbinding agreement with its largest shareholder, Luxembourg-based ACMO S.à R.L., for a no-interest, \$5 million loan to cover the remaining costs of starting up its project at PR Spring on the Book Cliffs and provide working capital.

The deal would let ACMO convert the loan, at any time before its maturity date in 10 years, into whatever number of shares results in it owning 90 percent of common shares. It currently holds 31 percent of shares.

US Oil Sands trades on the TSX Venture Exchange, which doesn't allow loan terms providing for such conversion rights, the company says. It says that if a majority of shareholders not including ACMO don't authorize delisting its stock from the exchange, it likely would seek protection from creditors because it has exhausted all other alternatives. Doing so likely would result in further dilution in share values than under the loan deal, "and it is possible that all existing equity holdings in the Company may be extinguished," US Oil Sands said in a news release.

The company's stock is trading for just a few Canadian cents a share, down from more than 10 Canadian dollars a few years ago and nearly \$1 three months ago, thanks to factors such as lower oil prices and difficulties getting its plant up and running.

Its latest problems could mean a financial hit for construction contractors that earlier this year agreed to accept stock as payment for work on the project.

US Oil Sands is seeking to use a citrus-based solvent to produce oil from tar sands. After it exceeded its budget for the plant, it was forced to delay the plant's commissioning late last year and lay off many of its workers while it sought new financing. Work resumed after ACMO agreed to provide a \$7.5 million loan and contractors agreed to terms for returning to work.

ACMO has agreed to extend the due date on that loan until 2019 and waive unpaid and future interest on it.

The new loan would include \$2.5 million up front and the second half once the project produces 500 barrels per day of oil for five straight days. US Oil Sands is trying to get production started this year.

It says in its news release that within the past week, it introduced oil sands into the extraction plant for the first time, after resolving problems with a damaged centrifuge.

“The plant is now in the final stage of start up and working through normal start-up issues and challenges,” the company says.