

Tar sands project is back in action after \$7.5M loan

[By Dennis Webb](#)

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US Oil Sands has closed on a \$7.5 million loan with its largest shareholder, allowing it to bring employees and contractors back on the job to get back to work on a Utah tar sands project north of Interstate 70 and just across the Colorado border.

The Calgary-based company said in a news release Thursday that it will resume work this month on commissioning its plant at PR Spring, and expects to move into commercial operations during the first quarter of this year, using a solvent to process tar sands and produce oil.

Workers will be brought back on site “in a staged basis to allow for coordinated and safe return-to-operations. ... A slower measured start-up will be implemented to reduce the impact of starting up the facility in the coldest winter months,” the company said in its release.

The plant is built, but US Oil Sands was forced last month to defer final steps to commission it and laid off most of its employees in the United States and Canada while it continued to seek the loan from shareholder ACMO S.à R.L., based in Luxembourg. US Oil Sands exceeded its \$60 million budget for the plant after a drop in oil prices led to two of its energy-related contractors closing their Utah operations and it had to get others to do the work.

“This was an important and necessary financing for the Company, allowing us to preserve the future of Company, the jobs of our U.S. and Canadian employees and address the overdue accounts of suppliers who have patiently stood back and allowed us to complete the (f)inancing,” Cameron

Todd, chief executive officer of US Oil Sands, said in the company's release. "Unfortunately, this did not come without significant sacrifice from our many longstanding shareholders."

As an inducement to provide the loan, ACMO was granted warrants letting it buy 24 million shares of stock for 0.75 Canadian dollars each within five years. In a separate news release, ACMO said that it has more than 11 million shares now, and if it immediately exercised those warrants it would own 60.3 percent of the company.

Under the deal, ACMO also increases its representation on US Oil Sands' board to three, and the board's size shrinks from eight to six. Three board members are losing their seats, including Todd, who remains as CEO.

The \$7.5 million loan has a 15 percent interest rate, is repayable after a year, but can be extended for a second year if, within a year, US Oil Sands produces an average of 1,500 barrels of oil a day for 30 consecutive days for less than \$45 per barrel.

The deal also lets US Oil Sands seek another \$3 million loan using accounts receivable and inventory as security, something the company said it will immediately begin looking to do "in order to add additional working capital resources to the balance sheet."