

**CALGARY, ALBERTA December 2, 2016** – US Oil Sands Inc. ("**US Oil Sands**" or the "**Company**") (TSXV: USO), an innovator of oil extraction technologies, announces an update on corporate liquidity and the PR Spring Project (the "**Project**") construction, commissioning and start-up costs and timing. In summary, the Company is planning to defer the start-up of the Project until it has closed a US\$7.5 million financing (the "**Financing**") with ACMO S.à R.L. ("**ACMO**"), the Company's largest shareholder.

With mechanical construction of the Project complete, the Company focused on and has substantially completed commissioning. As a result of liquidity constraints, the Company elected to defer final commissioning steps that would have introduced liquids and solids into the extraction facility, thereby allowing for ease of equipment preservation and lay-up of the facility pending closing of Financing.

In order to preserve working capital, the Company has temporarily laid off most Canadian and U.S. employees, retaining only those essential to close a financing. Certain U.S. employees may also be retained on a part-time or short-term basis to assist in equipment preservation and lay-up of the facility and to maintain basic U.S. operations.

The Company expects to close the Financing in mid to late December and to bring back employees in early January 2017 to complete the last few commissioning procedures that will lead into commercial production.

"This has not been an easy period for all our stakeholders. We have made considerable efforts in sourcing additional capital and ultimately are fortunate to continue to have ACMO provide the Financing" said Cameron Todd, CEO of US Oil Sands. "The decisions we have had to take have not been made lightly as we know they affect many businesses and families. But slightly delaying the Project and completing this Financing is believed to be in the best interest of all concerned, including our shareholders. We are looking forward to making first oil early into 2017 and profitably demonstrating the Company's commercial technology."

## **OPERATIONAL HIGHLIGHTS**

The Company is pleased to report that the Project is mechanically complete and all but final commissioning activities are also complete. The plant's four processing systems: ore handling and conditioning system, extraction, distillation, and utilities systems have all been handed over to operations. The Company's operations team has been working through its 996 step commissioning plan with approximately 35 deferred until completion of the Financing and initiation of start-up procedures. The final commissioning steps involve introduction of liquids and solids into the system which would make equipment preservation and lay-up of the facility much more

difficult and costly.

With mine opening complete and ready for active mining operations, the Company completed a 4-week mobilization and field training program of the Company's mining machine which will be used in the mine to mill the oil sand deposit. The program also produced a stockpile of ore for the Company to use during initial commissioning and start-up of the plant.

## LIQUIDITY

As previously disclosed, the Company has limited working capital for funding of remaining Project construction costs incurred, commissioning and start-up, operations and ongoing corporate G&A costs. As of the date hereof, there are approximately US\$5.0 million of current liabilities directly related to the Project. In addition, there are an estimated US\$0.2 million in expenditures required to complete commissioning of the Project that have not yet been committed. Based on these estimates and without the Financing, the Company would not have sufficient capital resources to fund the current working capital deficiency, along with the remaining commissioning and start-up costs.

## FINANCING

The Company has signed a non-binding letter of intent with ACMO in respect of the Financing. The Financing is a US\$7.5 million senior secured term loan bearing interest at 15% per annum, payable upon loan maturity. The loan is repayable in one year with a further 12-month extension available if the Company meets certain production volume and cost targets. In consideration for providing the Financing, the Company will issue to ACMO 1.2 billion warrants exercisable at C\$0.015 having a five-year term to expiry. The Company currently has 1,814,097,605 common shares issued and outstanding on a fully diluted basis. With 3,014,097,605 shares outstanding if as and when ACMO's warrants are exercised, the Company anticipates completing the previously announced and shareholder approved share consolidation, either concurrently with or shortly after closing the Financing. Upon closing the Financing, the Company will reconstitute its Board of Directors such that the number of directors will decrease from eight to six and ACMO will increase its representation on the Board from two to three directors. Completion of the Financing is subject to negotiation of definitive agreements which will require final board approval and satisfaction of the conditions therein. The Financing will be subject to TSXV Exchange (the "**Exchange**") approval which will require a waiver of Exchange policies relating to the warrants proposed to be issued as part of the Financing. There is no certainty that the Exchange will approve the Financing.

ACMO elected not to exercise 160,725,000 warrants that expired on November 30,

2016. The warrants were exercisable at C\$0.015 and were issued in consideration for providing a standby commitment in conjunction with the Company's rights offering that closed on May 31, 2016.

ACMO currently owns 556,716,222 common shares of the Company, representing approximately 31% on a fully diluted basis. Assuming full exercise of the warrants associated with the Financing, ACMO would own approximately 58% of the Company's fully diluted shares.

## **OUTLOOK**

The Company is focused on negotiating definitive agreements in respect of the Financing, obtaining Exchange approval and closing the Financing in December 2016. Shortly thereafter, the Company plans to focus on final commissioning procedures and start-up of commercial operations of Phase 1 of the Project in the beginning of 2017.

Demonstrating the commercial viability of the Company's patented and unique technology is expected to open the opportunities for future developments in other oil sands areas outside of Utah, in addition to capacity expansion on the Company's Utah production.

The Company continues to evaluate specific markets and transportation for sales of crude oil and other petroleum products.

Management will continue to investigate and pursue business development opportunities for the Company's technology, including opportunities to work with Athabasca oil sands developers to demonstrate the technology's favourable extraction outcomes. The Company will broaden its working relationships with leaseholders and government agencies supporting development of Canadian oil sands.

## **ABOUT US OIL SANDS INC.**

US Oil Sands is engaged in the exploration and development of oil sands properties and, through its wholly owned United States subsidiary US Oil Sands (Utah) Inc., has a 100% interest in bitumen leases covering 32,005 acres of land in Utah's Uinta Basin. The Company plans to develop its oil sands properties using its proprietary extraction process which uses a bio-solvent to extract bitumen from oil sands without the need for tailings ponds. The Company is in the pre-production stage, anticipating the commencement of bitumen production and sales once it has completed commissioning and start-up of the Project.

The foregoing contains forward-looking information relating to the future performance of the Company including information relating to the development and construction of the Project, expectations that the Company will complete commissioning, start-up and operate Phase 1 of the Project during 2017, expectations relating to completion of the Financing on the terms contemplated herein in Q4 2016, construction activities, capital requirements, corporate development activities and international opportunities. Forward looking information is subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in our forward looking statements. Such risks and other factors include, among

others, the actual results of exploration activities, changes in world commodity markets or equity markets, the risks of the petroleum industry including, without limitation, those associated with the environment, delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities, title disputes, change in government and changes to regulations affecting the oil and gas industry, and other risks and uncertainties detailed from time to time in the Company's filings with Canadian securities regulatory authorities (available at [www.SEDAR.com](http://www.SEDAR.com)). Forward-looking statements are made based on various assumptions and on management's beliefs, estimates and opinions on the date the statements are made. In particular, forward looking statements regarding the completion of construction, commission, start-up and operation of the Project are subject to the necessary financing being obtained to complete these steps and the Financing is subject to negotiation of definitive agreements and obtaining all necessary approvals and waivers from the Exchange and satisfying any conditions that may be imposed by the Exchange. There is no certainty that the Financing or the Project will be completed within the time contemplated herein.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information contained herein. The Company undertakes no obligation to update forward-looking statements if these assumptions, beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

For additional information please contact:

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