

# Cogency Group Investment Report

February 7, 2016

Alberta Oilsands Inc. (AOS-TSXV: \$0.11)

## AOS Should Pay a \$30 Million Dividend

### Introduction

Cogency Group Partners Inc. ("Cogency") has covered Alberta Oilsands Inc. ("Alberta Oilsands," "AOS" or the "Company") since 2014. An affiliate of Cogency is an AOS shareholder. On January 15 Cogency delivered a letter to AOS requesting the **immediate payment of a cash dividend or other form of tax effective distribution of not less than \$0.14 per share or approximately \$30 million**. It requested that AOS publicly announce such a plan by January 29, 2016. No such announcement has been made. This is troubling. Cogency believes an immediate distribution of substantially all of the Company's cash is in the **best interests of shareholders**.

### Net Asset Value

The following table illustrates the payment of a \$0.14 per share dividend and the \$0.02 per share estimate of residual net asset value. If the remaining oil & gas assets do in fact have some development value, AOS should retain the estimated \$2.3 million in cash and partner with an entrepreneurial oil & gas management team in Calgary to maximize the residual value. Otherwise, the amount of the dividend could be increased.

Net Asset Value-NAV	Financial Statements <sup>1</sup>		Fair Market Value <sup>2</sup>	
	Amount	Per Share	Amount	Per Share
<b>Cash for Dividend<sup>3</sup></b>	<b>\$30,940</b>	<b>\$0.14</b>	<b>\$30,940</b>	<b>\$0.14</b>
<b>Alberta Oilsands after Dividend</b>				
Cash & other assets	2,966	0.01	2,966	0.01
Oil & gas properties <sup>4</sup>	13,044	0.06	2,500	0.01
Liabilities <sup>5</sup>	(998)	(0.00)	(1,498)	(0.01)
Deferred Tax	(3,235)	(0.02)	0	0.0
	<u>11,777</u>	<u>\$0.06</u>	<u>3,968</u>	<u>0.02</u>
NAV <sup>6</sup>	<u>\$42,717</u>	<u>\$0.20</u>	<u>\$34,908</u>	<u>\$0.16</u>
NAV-fully diluted <sup>6</sup>	<u>\$43,585</u>	<u>\$0.20</u>	<u>\$35,776</u>	<u>\$0.16</u>
<b>NAV-after dividend-fully diluted<sup>6</sup></b>	<u><b>\$12,645</b></u>	<u><b>\$0.06</b></u>	<u><b>\$4,836</b></u>	<u><b>\$0.02</b></u>

### History

- 2004-2011–AOS raised \$80 million in equity and spent \$55 million on its three oil sands projects including **\$48 million on its Clearwater project** very close to Fort McMurray.
- 2012–AOS lost a proxy contest to DLE Investments Inc.–**AOS paid \$2.6 million in costs including DLE costs**. New management and a revamped board were installed. A \$15 million rights offering was filed and cancelled. **AOS paid \$321 thousand in costs**. AOS also announced its **International Strategy focused on Africa**.

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- 2013–AOS acquired three African oil & gas properties in transactions including some with companies in the BVI. **AOS paid \$5.5 million in cash and loans and 55 million shares.** Little information was ever disclosed about the companies acquired or the identity of most of the new shareholders. The properties were written off in 2014.
- **July 26, 2013–AOS announced cancellation of many of its Clearwater oil sands leases** to allow for the establishment of the Fort McMurray Urban Development Sub-Region (UDSR).
- June 2013–TSXV volume was 1 million shares. In July 2013 (to July 25) TSX volume was 16 million shares. Share price increased from \$0.03/share to \$0.09/share before announcement and then to \$0.17/share after.
- November 2013–**AOS filed a \$56 million compensation claim (\$0.26/share)** advising that the claim was under the terms of the *Mineral Rights Compensation Regulation* (the "Regulation").
- March 2014–Cogency prepared a due diligence report–**unable to verify the amount of AOS claim.**
- December 2014–AOS hired AltaCorp Capital Inc. ("AltaCorp") as its financial advisor.
- March 2015–**AOS announced a settlement of \$34 million–\$0.16/share.**
- June 2015 AOS held its AGM, 20 months after its last meeting.
- December 2015–AOS replaced AltaCorp with Warren Holmes as its financial advisor.

## Our Conclusion

Cogency is concerned that **Alberta Oilsands intends to make an oil & gas investment that does not require shareholder approval.** These are challenging times for all investors but particularly for oil & gas investors. Alberta Oilsands' history since 2012 provides **no evidence that the Company has the track record or expertise to make a suitable oil & gas investment** for shareholders at this time. Cogency believes an immediate distribution of substantially all of the Company's cash is in the **best interests of shareholders.**

## Cogency Group

Cogency is an investment company based in Vancouver. It is an investor and a financial advisor. It provides investment banking, investor relations, communications and management services. It has considerable experience with oil & gas investments and shareholder activist situations. [www.cogencygroup.ca](http://www.cogencygroup.ca).

## Notes

1. Unaudited Financial Statements September 30, 2015
2. Cogency estimates.
3. \$30.9 million is a dividend of \$0.14/share on 221 million shares.
4. \$13.0 million-remaining Canadian properties only. \$2.5 million is estimate for all properties.
5. \$1.5 million includes \$500 thousand reserve for six months overhead and transaction costs.
6. 212 million shares outstanding, 221 million shares fully diluted & \$868 thousand cash from \$0.10 options

## For more information

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## Notice

*This Alberta Oilsands Inc. ("Alberta Oilsands" or "AOS") investment report (the "Report") was prepared by Cogency Group Partners Inc. ("Cogency"). The Report contains forward-looking information within the meaning of applicable securities laws in Canada ("forward-looking information"). The forward-looking information in the Report includes, but is not limited to: the payment of a dividend, an estimate of net asset value, the approval of a transaction and the future prospects of Alberta Oilsands. In connection with the forward-looking information contained in this Report, Cogency has made numerous assumptions. While Cogency considers these assumptions to be reasonable, these assumptions are inherently subject to significant uncertainties and contingencies. Additionally, there are known and unknown risk factors which could cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information contained herein. All forward-looking information in this Report is qualified in its entirety by this cautionary statement and, except as may be required by law, Cogency undertakes no obligation to revise or update any forward-looking information as a result of new information, future events or otherwise after the date hereof. In providing the Report none of Cogency, Jack Muir or Rick Wlodarczak assumes any responsibility or liability.*