



KBC ADVANCED TECHNOLOGIES
Proprietary Information
29 February 2016

2016 Argus Americas Crude Summit

Conference In Review

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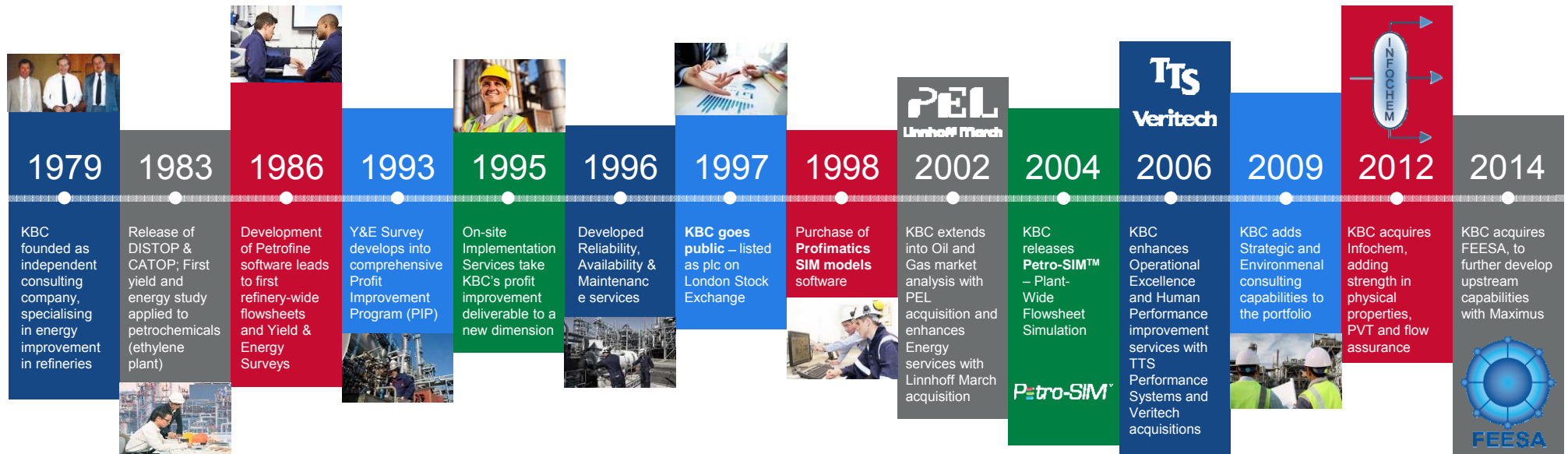
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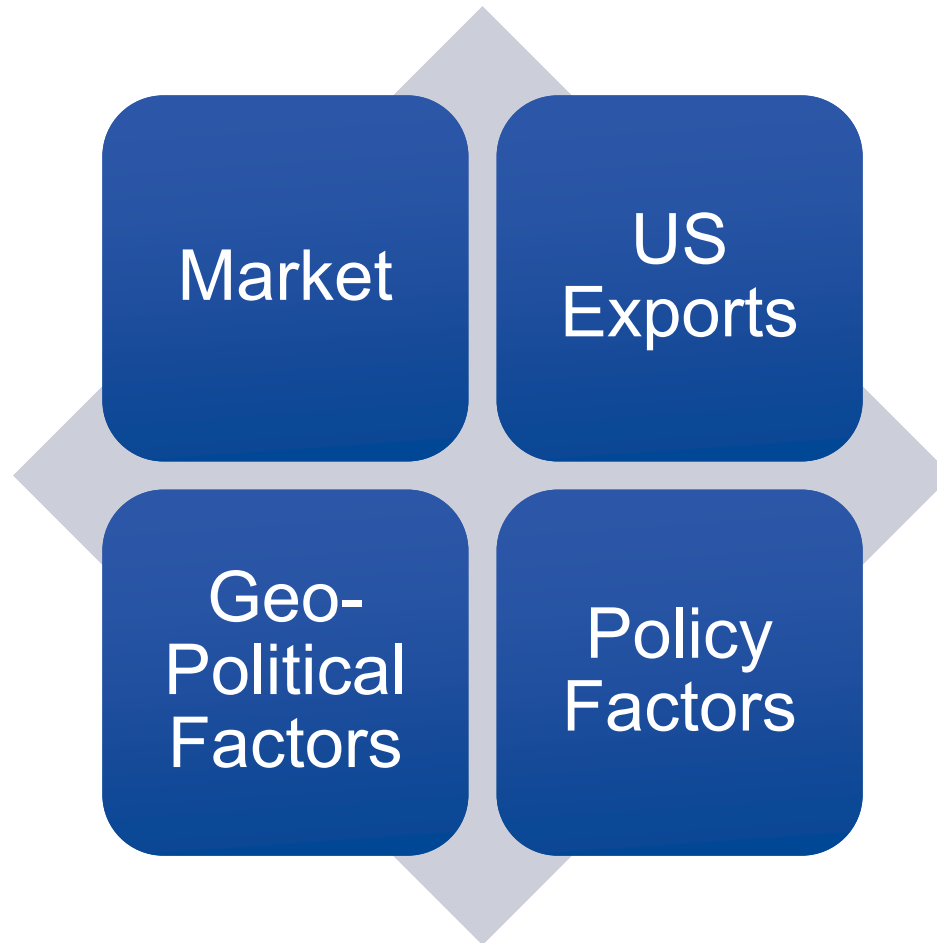
The History of KBC



36 Years of Innovation



AACS Four Key Focus Areas





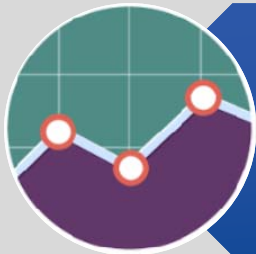
Market



- Prices - “Lower For Longer”
- Price Increase Expected To Begin Q4 '16
- \$50-60 To Begin US Production Growth



- Crude Over Supplied In The Near Term
- US Production Won't Fall Dramatically From Current Levels

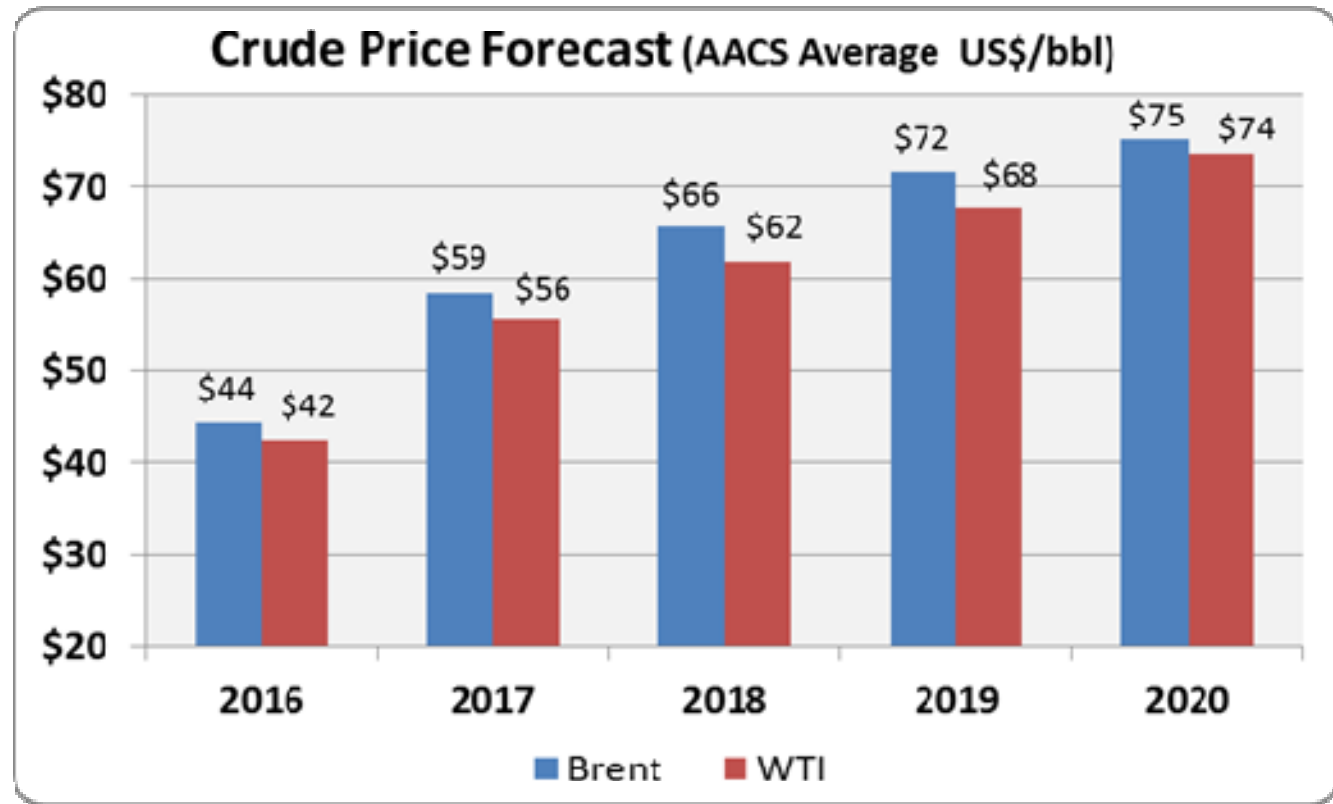


- WTI Houston Trade Volume Doubled From Dec. '15 to Jan. '16
- WTI Houston May Soon Have Paper Contracts Settling On It

Crude Price Forecast



- Stock Builds Decreasing Through 2016
- Nearly Balanced For 2017
- US led non-OPEC contraction 2015/2016 leads to rebalance.
- \$75 Oil Is Consistent With Supply/ Demand, Production Cost and “Oil Burden”

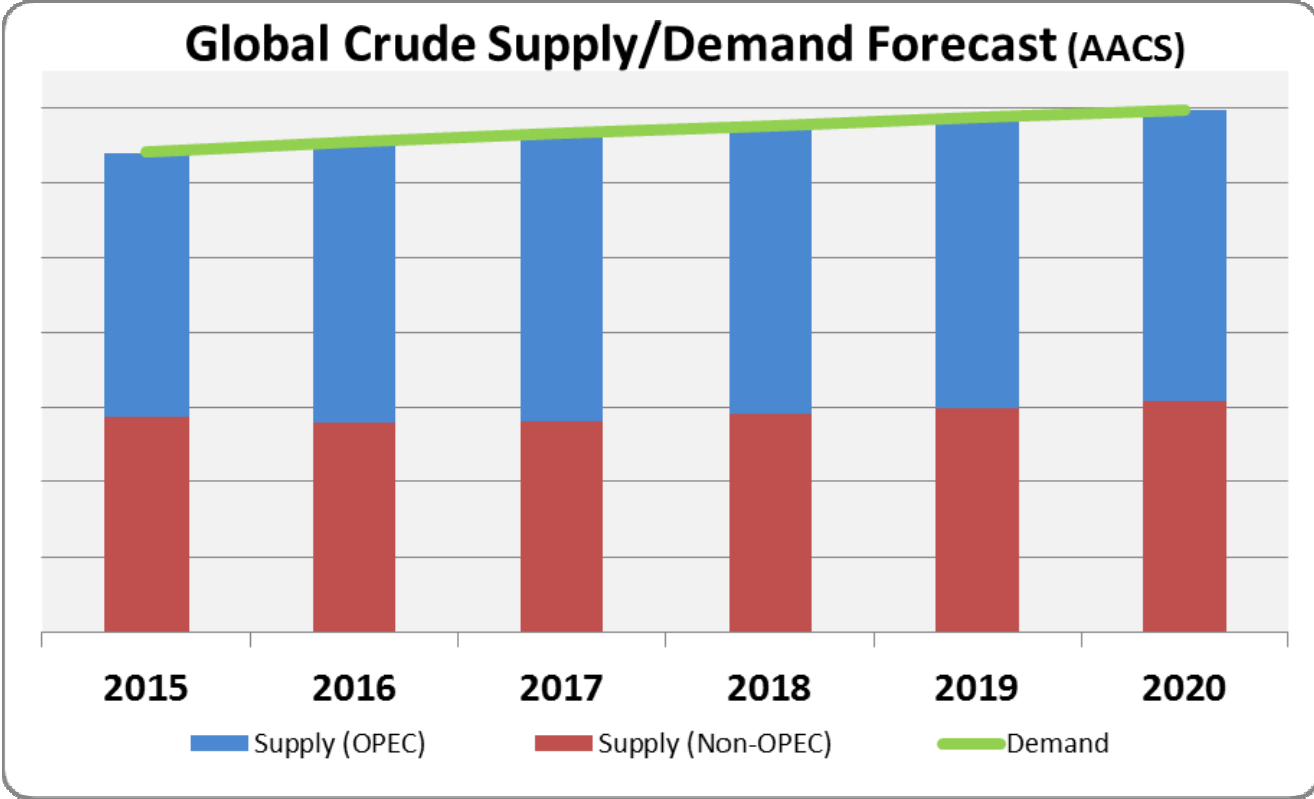


Source Data: Average Supply/Demand Forecast From AACS Presenters, January 2016

Global Crude Supply/Demand Forecast



- Consensus 1.0 – 1.2 MMBPD Demand Growth
- Low (Middle East) and Medium (US) Cost Production Enough To Balance In Near Term (\$50-60)
- Higher Cost Production (Deepwater & Canadian Oil Sands) Required To Balance In Medium Term (\$70-80)



Source Data: Average Supply/Demand Forecast From AACs Presenters, January 2016



US Exports



- Tight Oil Production Decreasing, GOM Increasing Slightly
- Tight Oil Breakeven Cost Down 25% and Focused On Best Geology "Sweet Spots"
- Credit and Capital Investment Key Near Term Issues



- Short-Term Takeaway Overcapacity In Select Basins but Fairly Balanced In The Long Term
- Additional Marine Infrastructure Required For Exports
- Sufficient On-shore Storage Capacity

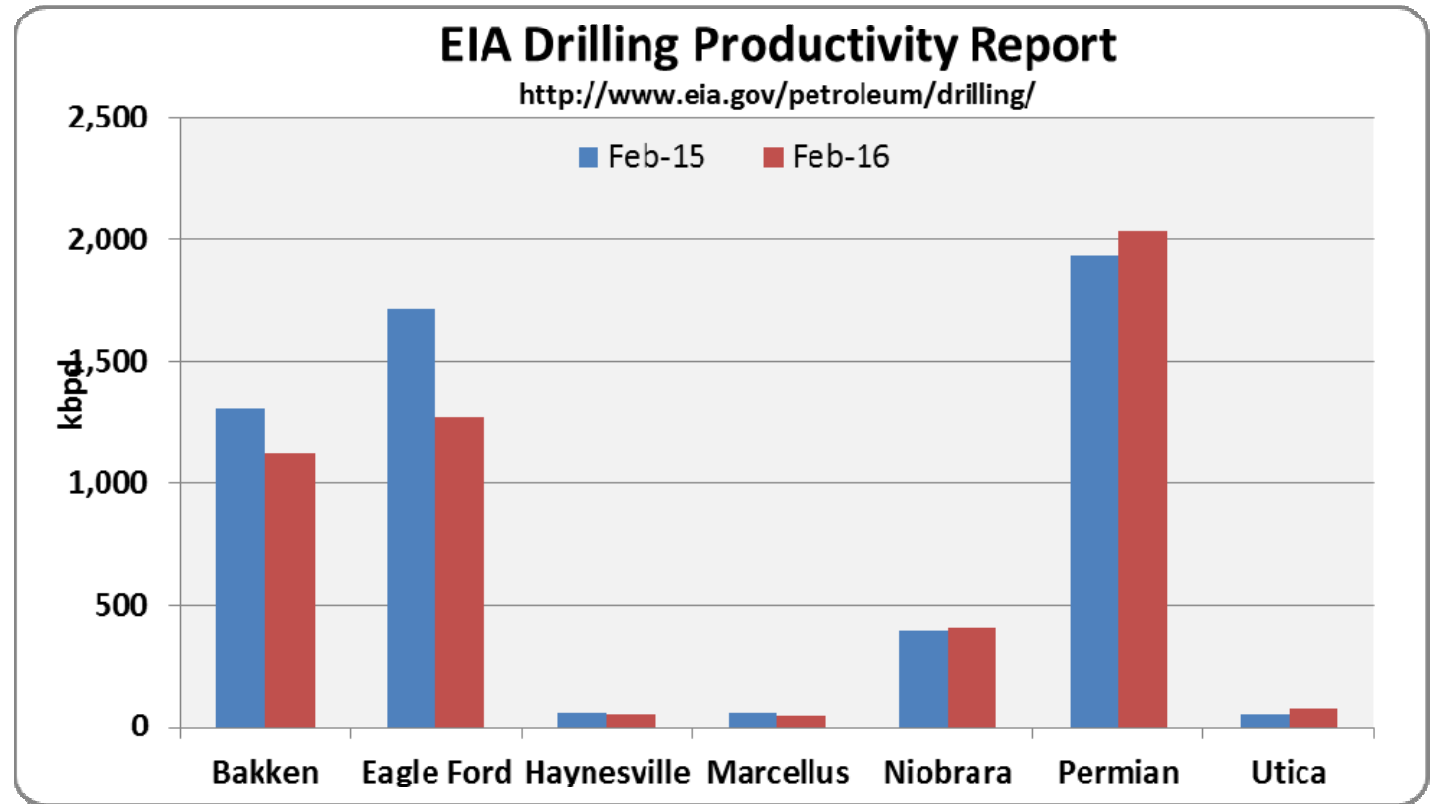


- Increased Demand From TX Splitters and Refinery Upgrades (300 - 500 KBD)
- No Significant Export Volumes Until 2018
- Will Depend On Quality, Refinery Configuration, Arbitrage and Location

Tight Oil Drilling Productivity



- Selective Drilling Reductions
- Major Contributors are Bakken and Eagle Ford
- Increased Pressure for E&Ps From Liquidity and Hedging Protection

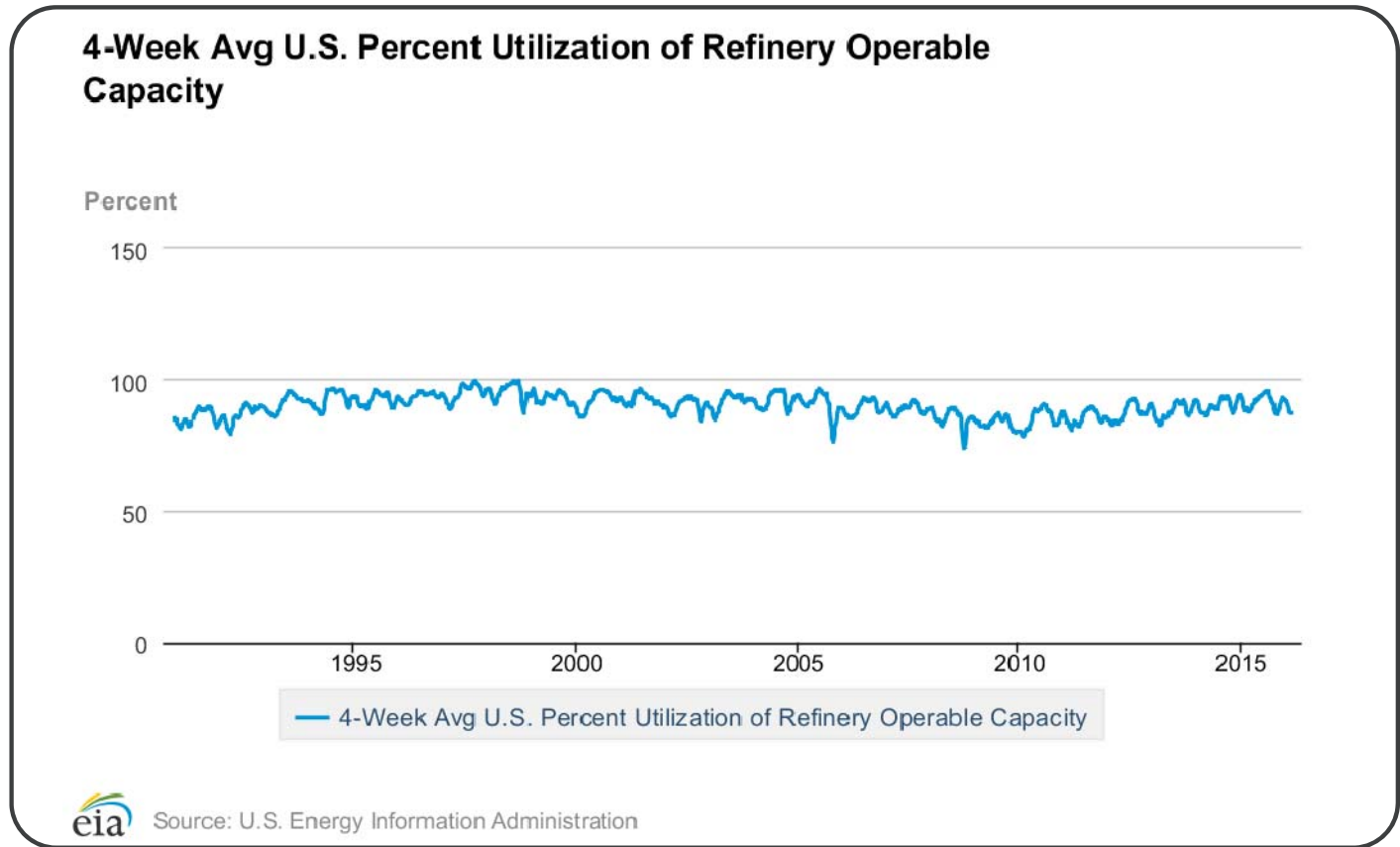


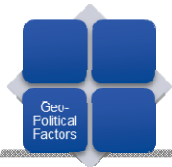
Source Data: U.S. Energy Information Administration

Global Crude Quality Forecast



- US will add ~300-500 kbpd of crude capacity in 2016.
- Overall capacity utilization remains 90-95%
- Crude selection more critical than ever
- Increased Product Must Go Offshore





Geopolitical Factors



- Saudi Arabia Facing Spending Demands Internally and Externally
- Great Risk With OPEC's "Fragile Five" (Iraq, Venezuela, Nigeria, Algeria & Libya)
- Iran Will Add 375-500 kbpd To The Market in 2016



- Nigeria – Boko Haram & State Actors (2015 – ~20K Deaths)
- Iraq – ISIS Potential Target Iraq-Turkey Pipeline Appears Vulnerable. (2015 - ~30K Deaths and Injuries)
- Libya – ISIS Has Exploited The Security Vacuum

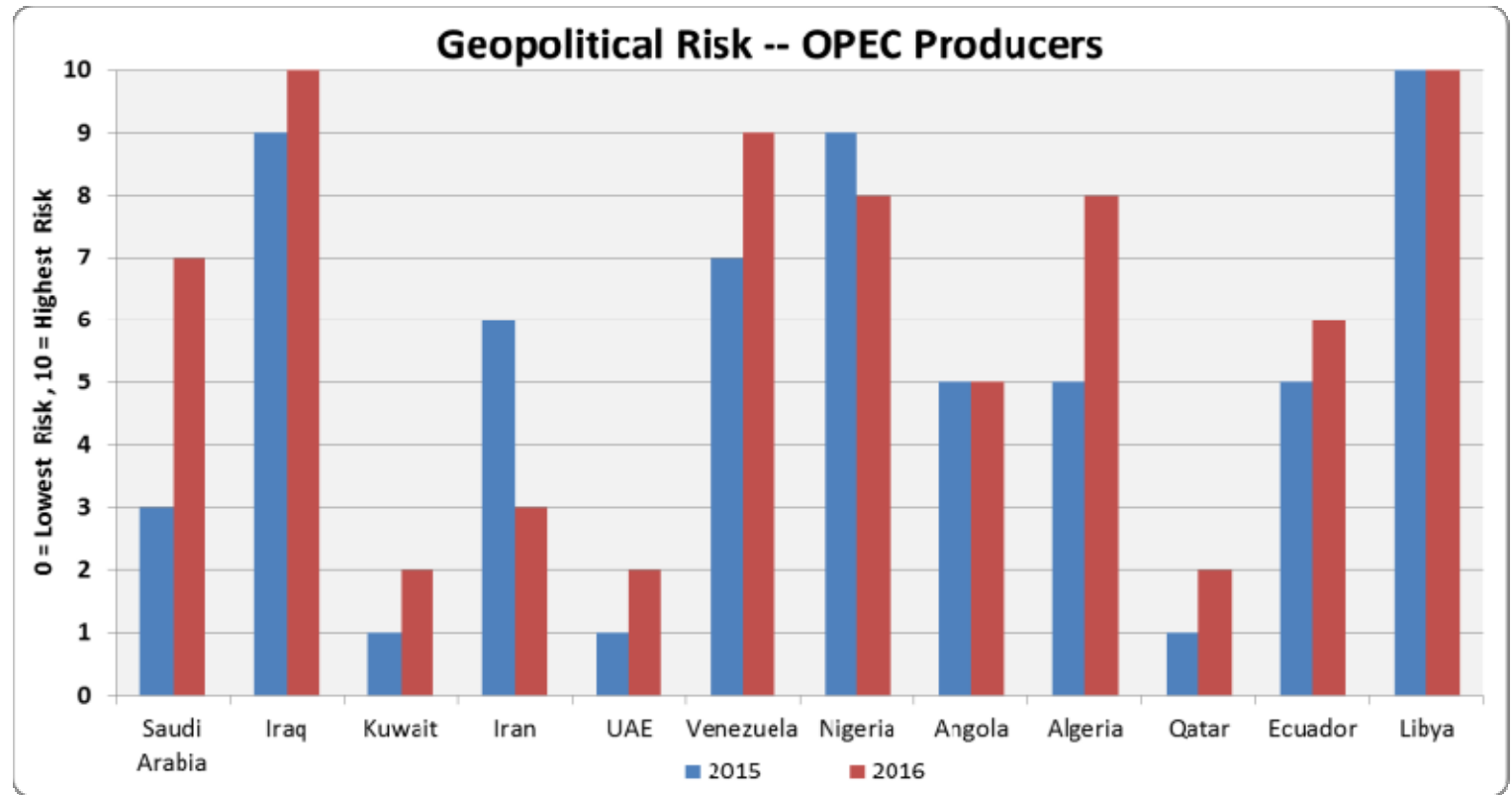


- Economic Volatility and Budget Shortfalls Due To Depressed Oil Price
- Risk Of Humanitarian Crisis In Some Countries Is A Possibility

Geopolitical Risk Index – OPEC Producers



- Recent rise in incidents in Nigeria.
- Iraq sees record high production amid economic and security issues.
- Libya may be out for longer due to damaged infrastructure



Source Data: RBC Capital Markets, LLC AACS Presentation, January 2016, Page 2



Policy Factors



- Will Climate Change Initiatives Lower The Demand Growth Profile?
- What Effect Will The Results of the Presidential Election Have On “Green” Direction?



- The Outlook For Investment In Mexican Offshore Production Is Unclear
- Energy Reform = Investment (?)
- Will Remain Importer Of Gasoline & Diesel



- Project Permitting and Tax/Royalty Changes Will Be A Challenge For Canadian Production
- Organized Opposition To Stop Production
- New Regulatory Hurdles On The Horizon?

Summary



- Price Pressure In 2016 With Re-Balancing Through 2017 Is Expected.
- Credit and Capital Are Near Term Issues For E&P And Could Impact The Long Term Supply Picture
- No Significant US Crude Exports Until 2018 Expected
- Geopolitical Issues Key Risk Factor Moving Forward
- Environmental Policy and Regulatory Requirements Could Influence The Demand Growth Profile
- Mexico Energy Reform Outcomes Are Still Unclear