

FRACTAL SYSTEMS BEGINS RETROFIT FOR THE COMMERCIAL DEMONSTRATION OF ENHANCED JET SHEAR™ AND ARP™

Enhanced JetShear™ & ARP™ Demonstration Results Expected in Second Half of 2016

Sherbrooke, Québec – Michel Chornet, VP of Technology Development and Engineering for Fractal Systems announced today that construction has begun to expand the capability of Fractal's Provost, Alberta facility to enable the commercial demonstration, at 1,000 barrels per day, of the Enhanced JetShear™ and ARP™ technology platforms. Enhanced Jetshear™ targets diluent displacement up to 60% by reducing viscosity and density while maintaining all other pipeline transportation specifications and ARP™ targets TAN (Total Acid Number) levels less than 1 mgKOH/g. The project is being undertaken in collaboration with a large oil sands producer.

Fractal Systems successfully completed the commercial demonstration phase of its patented JetShear™ technology in April 2015. The facility processed over 100,000 barrels, at rates exceeding 900 barrels per day, of partially diluted bitumen that was trucked to the site in Provost, Alberta from SAGD projects in the Athabasca region that are operated by Fractal's partner. All key targets were met or exceeded and the demonstration was deemed a success by the partners. Shortly after the successful demonstration of JetShear™, planning commenced to expand the facility to demonstrate at a commercial scale the Enhanced JetShear™ and ARP™ technologies. Civil works, engineering and procurement took place during the second half of 2015.

Fractal Systems announced in March 2015 that Sustainable Development Technology Canada had awarded \$3.7 million to the partnership to field trial this improved version of JetShear™.

Fractal Systems Inc. is a private Canadian company with offices in Calgary, Alberta and Sherbrooke, Quebec. Fractal is engaged in the business of partially upgrading heavy oil and bitumen, by applying proprietary technology that has **significant cost advantage** over alternatives. The company will be active in manufacturing & licensing systems to oil producers and mid-stream companies.

Jetshear™, Fractal System's first technology, has been **successfully field demonstrated** in Canada. The technology dramatically reduces the viscosity of heavy oil allowing the oil to move more freely in pipelines for transportation. This result provides the owner or transporter of the oil to significantly reduce their costs associated with moving it. In addition, the heavy oil processed by Jetshear™ has a reduced density and an improved distillation profile.