



**U.S.** OIL SANDS

**US Oil Sands Inc.**

**Unaudited Condensed Consolidated Financial Statements  
For the Three and Nine Months ended September 30, 2013**  
(Expressed in Canadian Dollars)

## **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated financial statements have been prepared by and are the responsibility of management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**US Oil Sands Inc.**  
**Unaudited Condensed Consolidated Statements of Financial Position**  
(Cdn\$)

As at	Notes	September 30, 2013	December 31, 2012
<b>Assets</b>			
Current Assets			
Cash and cash equivalents		\$ 2,018,175	\$ 5,327,732
Accounts receivable		37,869	137,612
Prepaid expenses		317,495	249,052
		<b>2,373,539</b>	<b>5,714,396</b>
Non-current assets			
Property, plant and equipment	3	940,136	920,297
Exploration and evaluation assets	4	13,476,637	12,453,414
Technology and patents	5	1,560,636	1,558,159
Reclamation funds on deposit		385,784	311,051
		<b>16,363,193</b>	<b>15,242,921</b>
<b>Total assets</b>		<b>\$ 18,736,732</b>	<b>\$ 20,957,317</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	6	\$ 396,664	\$ 654,502
Non-current liabilities			
Decommissioning liabilities	7	163,529	168,068
<b>Total liabilities</b>		<b>560,193</b>	<b>822,570</b>
<b>Shareholders' equity</b>			
Shareholders' capital	8	35,618,773	35,615,898
Contributed surplus	8	4,891,751	4,205,391
Warrants	8	2,088,600	2,227,995
Deficit		(24,766,714)	(21,838,577)
Accumulated other comprehensive (loss) income		344,129	(75,960)
<b>Total shareholders' equity</b>		<b>18,176,539</b>	<b>20,134,747</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 18,736,732</b>	<b>\$ 20,957,317</b>

Commitments (note 13)

**US Oil Sands Inc.**  
**Unaudited Condensed Consolidated Statements of Comprehensive Loss**  
**For the three and nine months ended September 30**

(Cdn\$)	Notes	For the Three Months Ended September 30		For the Nine Months Ended September 30	
		2013	2012	2013	2012
<b>Income</b>					
Revenue		\$ 138,382	-	\$ 136,384	-
Interest		2,497	\$ 24,778	13,171	\$ 29,929
Royalty Expense		(11,477)	-	(11,311)	-
Gain on sale of assets		-	\$ 50	-	\$ 50
		<b>129,402</b>	24,828	<b>138,244</b>	29,979
<b>Expenses</b>					
Operation costs		168,579	-	198,710	-
Amortization	3	23,246	23,151	60,643	69,678
Accretion	7	990	795	3,060	1,377
Property evaluation		72,531	3,635	264,977	234,344
Reclamation expense		-	11,512	-	11,596
Technology development		25,436	13,216	74,309	20,445
General and administrative		653,055	737,964	1,917,616	2,776,572
Share-based payment	8	47,213	94,279	546,965	536,586
		<b>991,050</b>	884,552	<b>3,066,280</b>	3,650,598
<b>Loss before taxes</b>		<b>(861,648)</b>	(859,724)	<b>(2,928,036)</b>	(3,620,619)
Income tax expense		-	-	101	100
<b>Net loss</b>		<b>(861,648)</b>	(859,724)	<b>(2,928,137)</b>	(3,620,719)
Other comprehensive income (loss)		(307,716)	(343,756)	420,089	(330,741)
<b>Total comprehensive loss</b>		<b>\$ (1,169,364)</b>	\$ (1,203,480)	<b>\$ (2,508,048)</b>	\$ (3,951,460)
<b>Loss per share – basic and diluted</b>		<b>\$ (0.00)</b>	\$ (0.00)	<b>\$ (0.01)</b>	\$ (0.01)
<b>Weighted average number of shares outstanding</b>		<b>312,856,064</b>	312,831,064	<b>312,856,064</b>	280,392,607

**US Oil Sands Inc.**

**Unaudited Condensed Consolidated Statements of Changes in Equity**

For the nine months ended September 30

(Cdn\$)

	Shareholders' Capital	Contributed Surplus	Warrants	Deficit	Accumulated other comprehensive income (loss)	Total Shareholders' Equity
<b>January 1, 2012</b>	\$27,274,939	\$3,574,978	\$ 129,137	\$ (17,442,451)	\$ 135,973	<b>\$13,672,576</b>
Net loss for the period	-	-	-	(3,620,719)	-	<b>(3,620,719)</b>
Other comprehensive loss						
– currency translation adjustment	-	-	-	-	(330,741)	<b>(330,741)</b>
Private placement, net of allocation to warrants	7,971,359	-	-	-	-	<b>7,971,359</b>
Exercise of options	225,000	-	-	-	-	<b>225,000</b>
Share issue costs	(815,893)	-	-	-	-	<b>(815,893)</b>
Share-based payments	-	536,586	-	-	-	<b>536,586</b>
Warrants	-	-	3,059,351	-	-	<b>3,059,351</b>
<b>September 30, 2012</b>	<b>\$34,655,405</b>	<b>\$4,111,564</b>	<b>\$ 3,188,488</b>	<b>\$ (21,063,170)</b>	<b>\$ (194,768)</b>	<b>\$20,697,519</b>
<b>October 1, 2012</b>	\$34,655,405	\$4,111,564	\$ 3,188,488	\$ (21,063,170)	\$ (194,768)	<b>\$20,697,519</b>
Net loss for the period	-	-	-	(775,407)	-	<b>(775,407)</b>
Other comprehensive loss						
– currency translation adjustment	-	-	-	-	118,808	<b>118,808</b>
Private placement, net of allocation to warrants	960,493	-	-	-	-	<b>960,493</b>
Share-based payments	-	93,827	-	-	-	<b>93,827</b>
Warrants	-	-	(960,493)	-	-	<b>(960,493)</b>
<b>December 31, 2012</b>	<b>\$35,615,898</b>	<b>\$4,205,391</b>	<b>\$ 2,227,995</b>	<b>\$ (21,838,577)</b>	<b>\$ (75,960)</b>	<b>\$20,134,747</b>
<b>January 1, 2013</b>	\$35,615,898	\$4,205,391	\$ 2,227,995	\$ (21,838,577)	\$ (75,960)	<b>\$20,134,747</b>
Net loss for the year	-	-	-	(2,928,137)	-	<b>(2,928,137)</b>
Other comprehensive income						
– currency translation adjustment	-	-	-	-	420,089	<b>420,089</b>
Exercise of options	2,875	-	-	-	-	<b>2,875</b>
Share-based payments	-	546,965	-	-	-	<b>546,965</b>
Warrants	-	139,395	(139,395)	-	-	<b>-</b>
<b>September 30, 2013</b>	<b>\$35,618,773</b>	<b>\$4,891,751</b>	<b>\$ 2,088,600</b>	<b>\$ (24,766,714)</b>	<b>\$ 344,129</b>	<b>\$18,176,539</b>

\* Contributed surplus is comprised of effects of share-based payment recorded in Comprehensive Loss.

**US Oil Sands Inc.**  
**Unaudited Condensed Consolidated Statements of Cash Flows**  
For the nine months ended September 30  
(Cdn\$)

	Notes	2013	2012
<b>Operating activities</b>			
Net loss		\$ (2,928,137)	\$ (3,620,719)
Adjustments for:			
Interest income		(13,171)	(29,929)
Income tax expense		101	100
Amortization	3	60,643	69,678
Accretion	7	3,060	1,377
Share-based payments	8	546,965	536,586
Service fees paid by issuance of warrants	8	-	10,258
Gain on sale of assets		-	(50)
Unrealized loss (gain) on foreign exchange		(141,362)	162,799
Income tax paid		(101)	(100)
Changes in non-cash working capital	9	(120,308)	(86,738)
		<b>(2,592,310)</b>	<b>(2,956,738)</b>
<b>Investing activities</b>			
Interest received		13,171	29,929
Purchase of property, plant and equipment	3	(78,561)	(372,765)
Proceeds from sale of assets		-	2,301
Expenditures on exploration and evaluation assets	4	(621,738)	(3,999,654)
Expenditures on technology and patents	5	(2,477)	(4,253)
Changes in reclamation funds on deposit		(62,200)	21,139
Changes in non-cash working capital	9	(106,230)	1,660,905
		<b>(858,035)</b>	<b>(2,662,398)</b>
<b>Financing activities</b>			
Proceeds from issuance of shares and warrants from private placement		-	11,020,452
Proceeds from options exercised	9	2,875	225,000
Share issue costs		-	(815,893)
		<b>2,875</b>	<b>10,429,559</b>
Effects of exchange rate changes on cash and cash equivalents		137,913	(155,299)
Net increase/(decrease) in cash and cash equivalents		<b>(3,309,557)</b>	<b>4,655,124</b>
Cash and cash equivalents, beginning of period		\$ 5,327,732	\$ 3,575,004
<b>Cash and cash equivalents, end of period</b>		<b>\$ 2,018,175</b>	<b>\$ 8,230,128</b>
<b>Cash and cash equivalents</b>			
Cash		\$ 1,134,200	\$ 2,267,880
Short-term investments		883,975	5,962,248
		<b>\$ 2,018,175</b>	<b>\$ 8,230,128</b>

**US Oil Sands Inc.**  
**Notes to Unaudited Condensed Consolidated Financial Statements**  
(Expressed in Canadian dollars, except as noted)

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**1. NATURE OF BUSINESS**

US Oil Sands Inc. (the "Company") 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. To date, the Company has not earned significant revenues as it is in the pre-production stage.

The Company's registered office is located at Suite 1600, 521 – 3<sup>rd</sup> Ave. SW., Calgary, Alberta, Canada T2P 3T3.

**2. BASIS OF PRESENTATION**

**a) Statement of compliance**

These condensed consolidated financial statements ("interim financial statements") were approved by the Board of Directors of the Company on November 12, 2013.

The interim financial statements have been prepared using the accounting policies under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and have been prepared in accordance with International Standards ("IAS") 34 "Interim Financial Reporting".

The interim financial statements do not include all of the information required for annual financial statements and should be read in conjunction with the Audited Consolidated Financial Statements for the year ended December 31, 2012. The Company has prepared these interim financial statements using the same significant accounting policies, critical judgments, accounting estimates and methods of computation applied in the 2012 audited financial statements, except as noted below.

**b) Adoption of Accounting Policies and Disclosures**

On January 1, 2013 the Company adopted new standards with respect to consolidations (IFRS 10), joint arrangements (IFRS 11), disclosure of interests in other entities (IFRS 12), fair value measurements (IFRS 13), and amendments to financial instrument disclosures (IFRS 7). The adoption of these standards had no impact on the amounts recorded in the consolidated financial statements as at January 1, 2013 or on the comparative periods.

**c) Basis of measurement**

The interim financial statements are presented in Canadian dollars which is the Company's functional and presentation currency. The Company has a wholly owned subsidiary which previously used the Canadian dollar as functional currency. The Company follows the foreign currency translation method prescribed in IAS 12.

### 3. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Shop and Laboratory Equipment	Automotive Equipment	Corporate and Other	Total
<b>Cost</b>					
As at January 1, 2012	\$ 820,110	\$ 569,335	\$ 25,955	\$ 142,976	\$ 1,558,376
Additions	555,754	15,223	-	80,689	651,666
Dispositions	-	-	-	(3,068)	(3,068)
Foreign exchange effect	-	(30)	(238)	(667)	(935)
As at December 31, 2012	\$ 1,375,864	\$ 584,528	\$ 25,717	\$ 219,930	\$ 2,206,039
Additions	68,742	7,913	-	1,906	78,561
Foreign exchange effect	-	42	362	2,469	2,873
<b>As at September 30, 2013</b>	<b>\$ 1,444,606</b>	<b>\$ 592,483</b>	<b>\$ 26,079</b>	<b>\$ 224,305</b>	<b>\$ 2,287,473</b>
<b>Accumulated amortization</b>					
As at January 1, 2012	\$ 623,479	\$ 482,880	\$ 15,756	\$ 67,609	\$ 1,189,724
Amortization	40,993	28,214	3,011	24,913	97,131
Adjustment upon disposition	-	-	-	(817)	(817)
Foreign exchange effect	-	(6)	(47)	(243)	(296)
As at December 31, 2012	\$ 664,472	\$ 511,088	\$ 18,720	\$ 91,462	\$ 1,285,742
Amortization	21,522	17,122	1,616	20,383	60,643
Foreign exchange effect	-	17	152	783	952
<b>As at September 30, 2013</b>	<b>\$ 685,994</b>	<b>\$ 528,227</b>	<b>\$ 20,488</b>	<b>\$ 112,628</b>	<b>\$ 1,347,337</b>
<b>Carrying value</b>					
As at December 31, 2012	\$ 711,392	\$ 73,440	\$ 6,997	\$ 128,468	\$ 920,297
<b>As at September 30, 2013</b>	<b>\$ 758,612</b>	<b>\$ 64,256</b>	<b>\$ 5,591</b>	<b>\$ 111,677</b>	<b>\$ 940,136</b>

No impairment on PP&E has been identified as at September 30, 2013 and December 31, 2012.

### 4. EXPLORATION AND EVALUATION ASSETS

<b>Cost and carrying value</b>	
As at January 1, 2012	\$ 8,083,127
Additions	4,488,586
Changes in estimates of decommissioning liabilities (note 8)	19,000
Decommissioning liabilities incurred (note 8)	52,903
Foreign exchange effect	(190,202)
As at December 31, 2012	\$ 12,453,414
Additions	621,738
Changes in estimates of decommissioning liabilities (note 8)	(13,226)
Foreign exchange effect	414,711
<b>As at September 30, 2013</b>	<b>\$ 13,476,637</b>

Exploration and evaluation assets are not subject to depletion as the properties have not been developed and technical feasibility or commercial viability has not been determined.

No impairment on E&E has been identified as at September 30, 2013 and December 31, 2012.



## 5. TECHNOLOGY AND PATENTS

As at January 1, 2012	\$	1,549,977
Additions		8,182
As at December 31, 2012	\$	1,558,159
Additions		2,477
<b>As at September 30, 2013</b>	<b>\$</b>	<b>1,560,636</b>

No impairment on technology and patents has been identified as at June 30, 2013 and December 31, 2012.

## 6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	<b>September 30</b>	December 31
	<b>2013</b>	2012
Accounts payables	<b>\$ 356,303</b>	\$ 371,197
Accrued liabilities	<b>40,361</b>	283,305
	<b>\$ 396,664</b>	\$ 654,502

## 7. DECOMMISSIONING LIABILITIES

	<b>September 30</b>	December 31
	<b>2013</b>	2012
Balance, beginning of period	<b>\$ 168,068</b>	\$ 96,534
Changes in estimates	<b>-</b>	19,000
Liabilities incurred (note 5)	<b>(12,922)</b>	52,903
Accretion	<b>3,060</b>	2,176
Foreign exchange effect	<b>5,323</b>	(2,545)
Balance, end of period	<b>\$ 163,529</b>	\$ 168,068

The Company is liable for its share of reclamation of its properties upon abandonment. The estimated amount required to settle the decommissioning liabilities have been discounted using risk-free rates of interest ranging from 2.33% to 3.09%, depending on the estimated time to abandon the asset.

## 8. SHARE CAPITAL

### a) Common shares

	<b>September 30</b>		December 31	
	<b>2013</b>		2012	
	<b>Number</b>	<b>Amount</b>	Number	Amount
Balance, beginning of period	<b>312,831,064</b>	<b>\$ 35,615,898</b>	249,356,329	\$ 27,274,939
Private placement, net of allocation to warrants	-	-	61,224,735	8,931,852
Share issue costs	-	-	-	(815,893)
Exercise of options	<b>25,000</b>	<b>2,875</b>	2,250,000	225,000
Balance, end of period	<b>312,856,064</b>	<b>\$ 35,618,773</b>	312,831,064	\$ 35,615,898
Weighted average common shares outstanding, basic and diluted	<b>312,856,064</b>		288,546,536	

On February 29, 2012, a former US Oil Sands consultant exercised 2,000,000 stock options at a price of \$0.10 per share. The weighted average share price on the date of exercise was \$0.20 per share.

On March 1, 2012, a former US Oil Sands consultant exercised 250,000 stock options at a price of \$0.10 per share. The weighted average share price on the date of exercise was \$0.2125 per share.

On May 23, 2012, US Oil Sands completed a private placement and issued 61,224,735 units at a price of \$0.18 per unit for gross proceeds of \$11,020,452. Each unit consists of one common share and one common share purchase warrant exercisable at a price of \$0.26 per share expiring May 23, 2014. US Oil Sands assigned a fair

value of \$0.0341 per warrant using the Black-Scholes pricing model for a total of \$2,088,600. US Oil Sands paid commission fees in the amount of \$651,432 and other share issue costs in the amount of \$164,461.

On September 24, 2013, a former US Oil Sands employee exercised 25,000 stock options at a price of \$0.115 per share. The weighted average share price on the date of exercise was \$0.19 per share.

## b) Warrants

	September 30 2013		December 31 2012	
	Number	Fair Value	Number	Fair Value
Balance, beginning of period	84,224,735	\$ 2,227,995	22,000,000	\$ 129,137
Issued on private placement (note 8a)	-	-	61,224,735	2,088,600
Issued per agreement	-	-	1,000,000	10,258
Expired	(23,000,000)	(139,395)	-	-
Balance, end of period	61,224,735	\$ 2,088,600	84,224,735	\$ 2,227,995

The weighted average exercise price for the warrants issued is \$0.26 (2012 – \$0.30) per warrant.

Fair value of the warrants is estimated on the date of issuance using the Black-Scholes pricing model with the following weighted assumptions:

	June 30 2012	May 23 2012	March 31 2012	December 31 2011
Risk-free interest rate	1.04%	1.16%	1.20%	0.89-0.97%
Expected life (years)	1.00	2.0	1.25	1.50-1.75
Expected volatility	70%	70%	70%	80%
Dividend per share	0.0	0.0	0.0	0.0

Based on the Black-Scholes pricing model, the weighted average fair value per warrant is \$0.0037 for the warrants issued on June 30, 2012, \$0.0341 for the warrants issued on May 23, 2012 and \$0.0168 for the warrants issued on March 31, 2012.

## c) Stock options

The following table summarizes the changes in stock options and the weighted average exercise prices:

	September 30 2013		December 31 2012	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	24,675,000	\$ 0.270	24,175,000	\$ 0.260
Options exercised	(25,000)	0.115	(2,250,000)	0.100
Options granted	4,825,000	0.115	2,750,000	0.180
Options expired	(11,000,000)	0.284	-	-
Options cancelled & forfeited	(175,000)	0.161	-	-
Outstanding, end of period	18,300,000	\$ 0.221	24,675,000	\$ 0.270
Exercisable, end of period	15,256,250	\$ 0.240	21,481,250	\$ 0.270

The following table summarizes information about stock options outstanding and exercisable as at June 30, 2013:

Exercise price	Number Outstanding	Number Exercisable	Expiry Date
0.1000	1,250,000	1,250,000	December 23, 2019
0.3600	7,200,000	7,200,000	April 18, 2021
0.1800	2,725,000	2,043,750	May 28, 2017
0.1150	4,725,000	2,362,500	March 18, 2018
0.1250	2,400,000	2,400,000	May 15, 2016
	18,300,000	15,256,250	

As at September 30, 2013, the exercise prices of the options outstanding ranged from \$0.10 to \$0.36 per option with a weighted average remaining life of 5.44 years.

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing

model with the following weighed assumptions:

	May 15, 2013 Extension	Mar 18, 2013 options	May 28, 2012 options	Aug 23, 2011 options	Apr 18, 2011 options	2010 Modifications
Risk-free interest rate	1.15%	1.34%	1.32%	2.38%	3.37%	1.94%
Expected life (years)	3.00	5.00	5.00	10.0	10.0	3.0
Expected volatility	107%	106%	70%	80%	80%	80%
Forfeiture rate	0%	0%	0%	0%	0%	0%
Dividend per share	0.0	0.0	0.0	0.0	0.0	0.0

The Company grants stock options to certain directors, officers, employees, charities and consultants pursuant to individual stock option agreements. The exercise price, terms of vesting and expiry date of stock options are fixed by directors of the Company at the time of grant.

The Company adopted a “rolling” Stock Option Plan (the “Plan”) in compliance with the TSX Venture Exchange policy for granting shares. Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The exercise price of each option shall not be less than the market price of the Company’s stock at the date of grant with a minimum exercise price of \$0.10. Options can be granted for a maximum term of ten years and will vest on issuance unless otherwise determined by the board of directors.

On May 28, 2012, 2,750,000 options to purchase common shares were granted to directors, officers, employees and consultants of the Company at an exercise price of \$0.18 per share expiring on May 28, 2017. The weighted average fair value of these options is \$0.10 per option.

On March 18, 2013, 4,825,000 options to purchase common shares were granted to directors, officers and employees of the Company at an exercise price of \$0.115 per share expiring on March 18, 2018. The weighted average fair value of these options is \$0.09 per option.

On May 15, 2013 and prior to the expiry date of July 7, 2013, 2,400,000 options to purchase common shares previously granted to employees of the Company on July 7, 2008 were extended for a period of three years to May 15, 2016. The incremental fair value granted totaled \$131,964, as determined by the difference in the modified options to that of the original, both measured as at May 15, 2013 using the assumptions noted above. The exercise price of the options remains at \$0.125 per share and the weighted average fair value of the modified options is \$0.07 per option.

#### d) Contributed surplus

	September 30 2013	December 31 2012
Balance, beginning of period	\$ 4,205,391	\$ 3,574,978
Share-based payments	546,965	630,413
Warrants Expired	139,395	-
Balance, end of period	\$ 4,891,751	\$ 4,205,391

## 9. CASH FLOW

For the nine months ended September 30	2013	2012
Accounts receivable	\$ 99,743	\$ 33,074
Prepaid expenses	(68,443)	(267,707)
Accounts payable and accrued liabilities	(257,838)	1,808,800
Changes in non-cash working capital	\$ (226,538)	\$ 1,574,167
Changes in non-cash working capital – operating	\$ (120,308)	\$ (86,738)
Changes in non-cash working capital – investing	(106,230)	1,660,905
	\$ (226,538)	\$ 1,574,167

## 10. SEGMENT INFORMATION

Management has segmented the Company's business based on nature of products and services. The Company conducts its oil sands development predominately through its wholly-owned subsidiary, US Oil Sands (Utah) Inc. The accounting policy for each segment is the same as the Company and information regarding the results of each segment is included as below:

### a) Reconciliation of non-current segment assets

As at September 30, 2013	Corporate	Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 907,959	\$ 32,177	\$ 940,136
Exploration and evaluation assets	260,000	13,216,637	13,476,637
Technology and patents	1,560,636	-	1,560,636
Reclamation funds on deposits	-	385,784	385,784
<b>Segment non-current assets</b>	<b>\$ 2,728,595</b>	<b>\$ 13,634,598</b>	<b>\$ 16,363,193</b>

As at December 31, 2012	Corporate	Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 880,183	\$ 40,114	\$ 920,297
Exploration and evaluation assets	260,000	12,193,414	12,453,414
Technology and patents	1,558,159	-	1,558,159
Reclamation funds on deposits	-	311,051	311,051
<b>Segment non-current assets</b>	<b>\$ 2,698,342</b>	<b>\$ 12,544,579</b>	<b>\$ 15,242,921</b>

### b) Reconciliation of reported segment loss

For the three months ended September 30	Corporate		Utah Oil Sand Development		Consolidated	
	2013	2012	2013	2012	2013	2012
<b>Income</b>						
Revenue	\$ -	\$ -	\$ 138,382	\$ -	\$ 138,382	\$ -
Interest income	2,497	24,778	-	-	2,497	24,778
Royalty Expense	-	-	(11,477)	-	(11,477)	-
Gain on sale of assets	-	50	-	-	-	50
	<b>\$ 2,497</b>	<b>\$ 24,828</b>	<b>\$ 126,905</b>	<b>\$ -</b>	<b>\$ 129,402</b>	<b>\$ 24,848</b>
<b>Less: Expenses</b>						
Operation costs	-	-	168,579	-	168,579	-
Amortization	20,118	18,885	3,128	4,266	23,246	23,151
Accretion	-	-	990	795	990	795
Reclamation expense	-	-	-	11,512	-	11,512
Acquisition expense	-	-	-	3,635	-	3,635
Property evaluation	62,886	-	9,645	-	72,531	-
Technology development	10,017	13,216	15,419	-	25,436	13,216
General and administrative	618,513	706,042	34,542	31,922	653,055	737,964
Share-based payments	47,213	94,279	-	-	47,213	94,279
	<b>758,747</b>	<b>832,422</b>	<b>232,303</b>	<b>52,130</b>	<b>991,050</b>	<b>884,552</b>
Loss before taxes	<b>(756,250)</b>	<b>(807,594)</b>	<b>(105,398)</b>	<b>(52,130)</b>	<b>(861,648)</b>	<b>(859,724)</b>
Income tax expense	-	-	-	-	-	-
<b>Segment net loss</b>	<b>\$ (756,250)</b>	<b>\$ (807,594)</b>	<b>\$ (105,398)</b>	<b>\$ (52,130)</b>	<b>\$ (861,648)</b>	<b>\$ (859,724)</b>

For the nine months ended September 30	Corporate		Utah Oil Sand Development		Consolidated	
	2013	2012	2013	2012	2013	2012
<b>Income</b>						
Revenue	\$ -	\$ -	\$ 136,384	\$ -	\$ 136,384	\$ -
Interest income	12,594	29,734	577	195	13,171	29,929
Royalty expense	-	-	(11,311)	-	(11,311)	-
Gain on sale of assets	-	50	-	-	-	50
	\$ 12,594	\$ 29,784	\$ 125,650	\$ 195	\$ 138,244	\$ 29,979
<b>Less: Expenses</b>						
Operation costs	-	-	198,710	-	198,710	-
Amortization	51,396	56,867	9,247	12,811	60,643	69,678
Accretion	-	-	3,060	1,377	3,060	1,377
Reclamation expense	-	-	-	11,596	-	11,596
Property evaluation	154,738	-	110,239	234,344	264,977	234,344
Technology development	59,113	20,445	15,196	-	74,309	20,445
General and administrative	1,815,403	2,658,686	102,213	117,886	1,917,616	2,776,572
Share-based payments	546,965	536,586	-	-	546,965	536,586
	2,627,615	3,272,584	438,665	378,014	3,066,280	3,650,598
Loss before taxes	(2,615,021)	(3,242,800)	(313,015)	(377,819)	(2,928,036)	(3,620,619)
Income tax expense	-	-	101	100	101	100
<b>Segment net loss</b>	<b>\$(2,615,021)</b>	<b>\$(3,242,800)</b>	<b>\$(313,116)</b>	<b>\$(377,919)</b>	<b>\$(2,928,137)</b>	<b>\$(3,620,719)</b>

## 11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, reclamation funds on deposit, and accounts payable and accrued liabilities. All financial instruments must be classified into one of the following five categories: loans and receivables, held-to-maturity, fair value through profit or loss, available-for-sale financial assets or financial liabilities measured at amortized cost. The Company classified all of the financial instruments as loans and receivables with accounts payable and accrued liabilities as other financial liabilities measured at amortized cost.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments except as otherwise disclosed, as all of the Company's cash are held at high-rated financial institutions.

### Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company enters into transactions denominated in United States currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. The following items are denominated in United States currency:

	September 30 2013	December 31
Cash and cash equivalents	\$ 1,387,719	\$ 4,840,597
Accounts payable	69,893	110,962
Accrued liabilities	8,650	80,637

As at September 30, 2013, the exchange rate between Canadian dollars and US dollars was US\$1 to CAD\$1.029. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a \$13,092 increase in the gain or loss of foreign exchange, respectively.

### Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into transactions for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of a negative net cash flow. All financial instruments are short-term in nature and are settled within 90 days.

## 12. CAPITAL MANAGEMENT

The Company's objectives when managing capital are to maintain financial flexibility to meet financial obligations; to facilitate growth; and to optimize the use of capital sources to provide an appropriate investment return to its shareholders. The Company is not subject to any externally imposed capital requirements.

The Company strives to properly exploit its current asset base. Currently, the Company's capital structure is comprised of equity as follows:

	<b>September 30 2013</b>	December 31
Shareholders' capital	\$ 35,618,773	\$ 35,615,898
Contributed surplus	4,891,751	4,205,391
Warrants	2,088,600	2,227,995
Deficit	<b>(24,766,714)</b>	(21,838,577)

The Company's capital management objectives, evaluation measures, definitions and targets have remained unchanged over the periods presented.

## 13. COMMITMENTS

The Company has three forms of future commitments.

The Company leases office equipment in Calgary. The lease expires on July 2016 with quarterly lease payment of \$564.

The Company leases office and office/development premises in Calgary and Grande Prairie, respectively. The lease on the Calgary office space had an 8-month term sublease expiring May 31, 2013 with gross quarterly rental fees of \$32,937 and thereafter, a 3-year term headlease expiring May 31, 2016 with gross quarterly rental fees of \$44,875. The office and technology development facility lease in Grande Prairie has a 3-year term expiring March 31, 2016 with gross quarterly rental fees of \$36,135. The Company assigned its original Calgary office space which expires December 31, 2013 to a third party at full costs. Should the assignee default on future payments, the Company will need to fulfil the lease obligation with gross quarterly rental fees of \$9,800.

The Company's resource properties are leased from the State of Utah. With 32,005 acres held under separate leases and each having differing expiry terms, the aggregate minimum quarterly payments are US\$81,234.

## 14. SUBSEQUENT EVENTS

On October 18, 2013 the Company announced the closing of a previously announced \$80 million private placement financing with strategic investors Blue Pacific Investments Group L.L.C. (through Oil Associates, S.A.), Anchorage Capital Group, L.L.C. (through ACOMO S.à.r.l.) and Spitfire Ventures, LLC and certain accredited investors.

The company received subscriptions for 540,036,331 common shares at a price of \$0.15 per Common Share for gross proceeds of \$81 million. The Financing was approved by a majority of the Company's shareholders through written consents. Following the completion of the Financing, the Company will have a total of 852,892,395 Common Shares outstanding on a non-diluted basis.