



U.S. OIL SANDS

US Oil Sands Inc.

**Unaudited Condensed Consolidated Financial Statements
For the Three Months ended March 31, 2014**

(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.
Consolidated Statements of Financial Position
(Cdn\$)

As at	Notes	March 31, 2014	December 31, 2013
Assets			
Current Assets			
Cash and cash equivalents	3	\$ 75,947,372	\$ 77,582,389
Accounts receivable		116,596	227,747
Prepaid expenses		232,859	278,219
		76,296,827	78,088,355
Non-current assets			
Property, plant and equipment	4	1,069,420	901,358
Exploration and evaluation assets	5	15,282,197	14,231,160
Intangible Assets	6	1,589,596	1,584,888
Reclamation funds on deposit		414,591	398,950
		18,355,804	17,116,356
Total assets		\$ 94,652,631	\$ 95,204,711
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 1,134,028	\$ 821,042
Non-current liabilities			
Decommissioning liabilities	8	138,096	167,583
Total liabilities		1,272,124	988,625
Shareholders' equity			
Share capital	9	113,634,766	113,606,016
Contributed surplus	9	7,715,796	7,285,996
Warrants	9	2,088,600	2,088,600
Deficit		(31,440,867)	(29,586,258)
Accumulated other comprehensive income		1,382,212	821,732
Total shareholders' equity		93,380,507	94,216,086
Total liabilities and shareholders' equity		\$ 94,652,631	\$ 95,204,711

Commitments (note 15)

US Oil Sands Inc.
Consolidated Statements of Comprehensive Loss
For the three months ended March 31
(Cdn\$)

	Notes	2014	2013
Income			
Interest		\$ 345,471	\$ 5,782
Expenses			
Amortization	4,6	22,025	17,873
Accretion	8	1,032	816
Property evaluation		18,995	34,425
Technology development		78,964	28,327
General and administrative		1,649,153	616,531
Share-based payments	9	429,801	294,603
		2,199,970	992,575
Loss before taxes		(1,854,499)	(986,793)
Income tax expense		110	101
Net loss		(1,854,609)	(986,894)
Other comprehensive income – currency translation adjustment		560,480	260,163
Total comprehensive loss		\$ (1,294,129)	\$ (726,731)
Loss per share – basic and diluted		\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding		853,103,506	312,831,064

US Oil Sands Inc.
Unaudited Condensed Consolidated Statements of Changes in Equity
For the three months ended March 31
(Cdn\$)

	Shareholders' Capital	Contributed Surplus	Warrants	Deficit	Accumulated other comprehensive income (loss)	Total Shareholders' Equity
January 1, 2013	\$35,615,898	\$ 4,205,391	\$ 2,227,995	\$ (21,838,577)	\$ (75,960)	\$ 20,134,747
Net loss for the period	-	-	-	(986,894)	-	(986,894)
Other comprehensive loss – currency translation adjustment	-	-	-	-	260,163	260,163
Share-based payments	-	294,603	-	-	-	294,603
March 31, 2013	\$35,615,898	\$ 4,499,994	\$ 2,227,995	\$ (22,825,471)	\$ 184,203	\$ 19,702,619
April 1, 2013	\$35,615,898	\$ 4,499,994	\$ 2,227,995	\$ (22,825,471)	\$ 184,203	\$ 19,702,619
Net loss for the period	-	-	-	(6,760,787)	-	(6,760,787)
Other comprehensive loss – currency translation adjustment	-	-	-	-	637,529	637,529
Common shares issued						
Private placement	81,005,452	-	-	-	-	81,005,452
Exercise of options	2,875	-	-	-	-	2,875
Share issue costs	(3,018,209)	-	-	-	-	(3,018,209)
Share-based payments	-	2,646,607	-	-	-	2,646,607
Warrants	-	139,395	(139,395)	-	-	-
December 31, 2013	\$113,606,016	\$ 7,285,996	\$ 2,088,600	\$ (29,586,258)	\$ 821,732	\$ 94,216,086
January 1, 2014	\$113,606,016	\$ 7,285,996	\$ 2,088,600	\$ (29,586,258)	\$ 821,732	\$ 94,216,086
Net loss for the year	-	-	-	(1,854,609)	-	(1,854,609)
Other comprehensive income – currency translation adjustment	-	-	-	-	560,480	560,480
Exercise of options	28,750	-	-	-	-	28,750
Share-based payments	-	429,801	-	-	-	429,801
March 31, 2014	\$113,634,766	\$ 7,715,797	\$ 2,088,600	\$ (31,440,867)	\$ 1,382,212	\$ 93,380,508

US Oil Sands Inc.
Consolidated Statements of Cash Flows
For the three months ended March 31
(Cdn\$)

	Notes	2014	2013
Operating activities			
Net loss		\$ (1,854,609)	\$ (986,894)
Adjustments for:			
Interest income		(345,471)	(5,782)
Income tax expense		110	101
Amortization	4,6	22,025	17,873
Accretion	8	1,032	816
Share-based payments	9	429,801	294,603
Unrealized loss (gain) on foreign exchange		270,274	(82,102)
Income tax paid		(110)	(101)
Changes in non-cash working capital	10	387,147	(85,047)
		(1,089,801)	\$ (846,533)
Investing activities			
Interest received		345,471	5,782
Purchase of property, plant and equipment	4	(181,259)	(67,333)
Expenditures on exploration and evaluation assets	5	(538,358)	(150,606)
Expenditures on intangible assets	6	(6,158)	(1,444)
Changes in non-cash working capital	10	82,350	(102,710)
		(297,954)	(316,311)
Financing activities			
Proceeds from options exercised	9	28,750	-
Effects of exchange rate changes on cash and cash equivalents		(276,012)	(83,786)
Net decrease in cash and cash equivalents		(1,635,017)	(1,079,058)
Cash and cash equivalents, beginning of period		\$ 77,582,389	\$ 5,327,732
Cash and cash equivalents, end of period		\$ 75,947,372	\$ 4,248,674

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

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 – 3rd 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 May 14, 2014.

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, 2013. 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 2013 audited financial statements, except as noted below.

b) Adoption of Accounting Policies and Disclosures

On January 1, 2014, the Company adopted IFRIC 21 "Levies", which provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The adoption of this standard has no impact on the amounts recorded in the consolidated financial statements as at January 1, 2014 or on the comparative periods.

c) Basis of measurement

The financial statements are presented in Canadian dollars which is the Company's functional and presentation currency. The Company follows the foreign currency translation method prescribed in IAS 12.

3. CASH AND CASH EQUIVALENTS

	March 31 2014	December 31 2013
Cash	\$ 948,183	\$ 1,263,591
Short-term investments	74,999,189	76,318,798
	\$ 75,947,372	\$ 77,582,389

4. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Shop and Laboratory Equipment	Automotive Equipment	Corporate and Other	Total
Cost					
As at January 1, 2013	\$ 1,375,864	\$ 584,528	\$ 25,717	\$ 161,629	\$ 2,147,738
Additions	69,462	13,449	-	4,096	87,007
Foreign exchange effect	-	85	740	3,798	4,623
As at December 31, 2013	\$ 1,445,326	\$ 598,062	\$ 26,457	\$ 169,523	\$ 2,239,368
Additions	-	84,765	36,300	60,194	181,259
Foreign exchange effect	-	51	4,272	2,457	6,780
As at March 31, 2014	\$ 1,445,326	\$ 682,878	\$ 67,029	\$ 232,174	\$ 2,427,407
Accumulated amortization					
As at January 1, 2013	\$ 664,472	\$ 511,088	\$ 18,720	\$ 57,413	\$ 1,251,693
Amortization	28,695	23,272	2,167	29,923	84,057
Foreign exchange effect	-	43	362	1,855	2,260
As at December 31, 2013	\$ 693,167	\$ 534,403	\$ 21,249	\$ 89,191	\$ 1,338,010
Amortization	5,022	6,207	1,398	7,022	19,649
Foreign exchange effect	-	31	263	34	328
As at March 31, 2014	\$ 698,189	\$ 540,641	\$ 22,910	\$ 96,247	\$ 1,357,987
Carrying value					
As at December 31, 2013	\$ 752,159	\$ 63,659	\$ 5,208	\$ 80,332	\$ 901,358
As at March 31, 2014	\$ 747,137	\$ 142,237	\$ 44,119	\$ 135,927	\$ 1,069,420

5. EXPLORATION AND EVALUATION ASSETS

Cost and carrying value	
As at January 1, 2013	\$ 12,453,414
Additions	921,944
Changes in estimates of decommissioning liabilities	(15,829)
Foreign exchange effect	\$ 871,631
As at December 31, 2013	\$ 14,231,160
Additions	538,358
Changes in estimates of decommissioning liabilities	(35,992)
Foreign exchange effect	548,671
As at March 31, 2014	\$ 15,282,197

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 March 31, 2014 and December 31, 2013.

6. INTANGIBLE ASSETS

	Technology & Patents	Computer Software	Total
Cost			
As at January 1, 2013	\$ 1,558,159	\$ 54,622	\$ 1,612,781
Additions	2,477	-	2,477
Foreign exchange effect	-	3,680	3,680
As at December 31, 2013	\$ 1,560,636	\$ 58,302	\$ 1,618,938
Additions	6,158	-	6,158
Foreign exchange effect	-	2,231	2,231
As at March 31, 2014	\$ 1,566,794	\$ 60,533	\$ 1,627,327
Accumulated amortization			
As at January 1, 2013	\$ -	\$ 22,165	\$ 22,165
Amortization	-	10,072	10,072
Foreign exchange effect	-	1,813	1,813
As at December 31, 2013	\$ -	\$ 34,050	\$ 34,050
Amortization	-	2,376	2,376
Foreign exchange effect	-	1,305	1,305
As at March 31, 2014	\$ -	\$ 37,731	\$ 37,731
Carrying value			
As at December 31, 2013	\$ 1,560,636	\$ 24,252	\$ 1,584,888
As at March 31, 2014	\$ 1,566,794	\$ 22,802	\$ 1,589,596

No impairment on intangible assets have been identified as at March 31, 2014 and December 31, 2013.

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	March 31 2014	December 31 2013
Accounts payables	\$ 1,118,559	\$ 407,032
Accrued liabilities	15,469	414,010
	\$ 1,134,028	\$ 821,042

8. DECOMMISSIONING LIABILITIES

	March 31 2014	December 31 2013
Balance, beginning of period	\$ 167,583	\$ 168,068
Changes in estimates	(35,992)	(15,829)
Accretion	1,032	4,121
Foreign exchange effect	5,473	11,223
Balance, end of period	\$ 138,096	\$ 167,583

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 a risk-free rate of 3.24% and an inflation rate of 1.5%. The properties are estimated to require reclamation in 16 years as at March 31, 2014.

9. SHARE CAPITAL

a) Common shares

	March 31 2014		December 31 2013	
	Number	Amount	Number	Amount
Balance, beginning of period	852,892,395	\$ 113,606,016	312,831,064	\$ 35,615,898
Private placement, net of allocation to warrants	-	-	540,036,331	81,005,452
Share issue costs	-	-	-	(3,018,209)
Exercise of options	250,000	28,750	25,000	2,875
Balance, end of period	853,142,395	\$ 113,634,766	852,892,395	\$ 113,606,016
Weighted average common shares outstanding, basic and diluted	853,103,506		423,804,214	

On October 18, 2013, the Company completed a private placement and issued 540,036,331 common shares at a price of \$0.15 per share for gross proceeds of \$81,005,452. US Oil Sands paid share issue costs in the amount of \$3,018,209.

b) Warrants

	March 31 2014		December 31 2013	
	Number	Fair Value	Number	Fair Value
Balance, beginning of period	61,224,735	\$ 2,088,600	84,224,735	\$ 2,227,995
Expired	-	-	(23,000,000)	(139,395)
Balance, end of period	61,224,735	\$ 2,088,600	61,224,735	\$ 2,088,600

The weighted average exercise price for the warrants issued is \$0.26 (2013 – \$0.26) 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:

	May 23 2012
Risk-free interest rate	1.16%
Expected life (years)	2.0
Expected volatility	70%
Dividend per share	0.0

Based on the Black-Scholes pricing model, the weighted average fair value per warrant is \$0.0341 for the warrants issued on May 23, 2012.

c) Stock options

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

	March 31 2014		December 31 2013	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	45,200,000	\$ 0.203	24,675,000	\$ 0.270
Options exercised	(250,000)	0.115	(25,000)	0.115
Options granted	20,000	0.145	31,725,000	0.179
Options expired	(1,250,000)	0.154	(11,000,000)	0.284
Options cancelled & forfeited	-	-	(175,000)	0.161
Outstanding, end of period	43,720,000	\$ 0.205	45,200,000	\$ 0.203
Exercisable, end of period	28,762,500	\$ 0.215	28,706,250	\$ 0.216

c) **Stock Options - continued**

The following table summarizes information about stock options outstanding and exercisable as at March 31, 2014:

Exercise price	Number Outstanding	Number Exercisable	Expiry Date
0.100	1,250,000	1,250,000	December 23, 2019
0.360	7,200,000	7,200,000	April 18, 2021
0.180	1,975,000	1,481,250	May 28, 2017
0.115	3,975,000	2,981,250	March 18, 2018
0.125	2,400,000	2,400,000	May 15, 2016
0.190	26,900,000	13,450,000	November 12, 2018
0.145	20,000	-	March 12, 2019
	43,720,000	28,762,500	

As at March 31, 2014, the exercise prices of the options outstanding ranged from \$0.10 to \$0.36 per option with a weighted average remaining life of 4.79 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:

	Mar 12, 2014 options	Nov 12, 2013 options	May 15, 2013 Extension	Mar 18, 2013 options	May 28, 2012 options	Apr 18, 2011 options
Risk-free interest rate	1.64%	1.86%	1.15%	1.34%	1.32%	3.37%
Expected life (years)	5.00	5.00	3.00	5.00	5.00	10.0
Expected volatility	120%	122%	107%	106%	70%	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 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.

On November 12, 2013, 26,900,000 options to purchase common shares were granted to directors, officers, employees and consultants of the Company at an exercise price of \$0.19 per share expiring on November 12, 2018. The weighted average fair value of these options is \$0.16 per option.

On March 12, 2014, 20,000 options to purchase common shares were granted to an employee of the Company at an exercise price of \$0.145 per share expiring on March 12, 2019. The weighted average fair value of these options is \$0.12 per option.

d) **Contributed surplus**

	March 31 2014	December 31 2013
Balance, beginning of period	\$ 7,285,996	\$ 4,205,391
Share-based payments	429,801	2,941,210
Warrants Expired	-	139,395
Balance, end of period	\$ 7,715,797	\$ 7,285,996

10. **CASH FLOW**

For the three months ended March 31	2014	2013
Accounts receivable	\$ 111,151	\$ 11,831
Prepaid expenses	45,360	62,699
Accounts payable and accrued liabilities	312,986	(262,287)
Changes in non-cash working capital	\$ 469,497	\$ (187,757)
Changes in non-cash working capital – operating	\$ 387,147	\$ (85,047)
Changes in non-cash working capital – investing	82,350	(102,710)
	\$ 469,497	\$ (187,757)

11. **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 March 31, 2014	Canada & Corporate	US & Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 1,019,214	\$ 50,206	\$ 1,069,420
Exploration and evaluation assets	260,000	15,022,197	15,282,197
Intangible assets	1,566,793	22,803	1,589,596
Reclamation funds on deposits	-	414,591	414,591
Segment non-current assets	\$ 2,846,007	\$ 15,509,797	\$ 18,355,804

As at December 31, 2013	Canada & Corporate	US & Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 895,007	\$ 6,351	\$ 901,358
Exploration and evaluation assets	260,000	13,971,160	14,231,160
Intangible assets	1,561,166	23,722	1,584,888
Reclamation funds on deposits	-	398,950	398,950
Segment non-current assets	\$ 2,716,173	\$ 14,400,183	\$ 17,116,356

b) Reconciliation of reported segment loss

For the three months ended March 31	Canada & Corporate		US & Utah Oil Sand Development		Consolidated	
	2014	2013	2014	2013	2014	2013
Income						
Interest income	\$ 345,471	\$ 5,782	\$ -	\$ -	\$ 345,471	\$5,782
Less: Expenses						
Amortization	18,510	14,835	3,515	3,038	22,025	17,873
Accretion	-	-	1,032	816	1,032	816
Property evaluation	18,995	12,772	-	21,653	18,995	34,425
Technology development	78,964	28,327	-	-	78,964	28,327
General and administrative	1,516,488	578,511	132,665	38,020	1,649,153	616,531
Share-based payments	429,801	294,603	-	-	429,801	294,603
	2,062,758	929,048	137,212	63,527	2,199,970	992,575
Loss before taxes	(1,717,287)	(923,266)	(137,212)	(63,527)	(1,854,499)	(986,793)
Income tax expense	-	-	110	101	110	101
Segment net loss	\$ (1,717,287)	\$ (923,266)	\$ (137,322)	\$ (63,628)	\$ (1,854,609)	\$ (986,894)

12. 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.

Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, reclamation funds, accounts payable and accrued liabilities is approximated by their fair value due to their short-term nature. The Company classifies fair value measurements using a fair value hierarchy with the following levels:

- Level 1 – Unadjusted quoted price in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

All of the financial instruments held by the Company are recorded at amortized cost; therefore, the fair value hierarchy is not applicable and the Company does not have financial instruments of which fair values were based on Level 1, 2 or Level 3 measurement.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has not entered into any mitigating interest rate hedges or swaps, however the Company has \$75 million of cashable GICs. Had the interest rate on the investments been 100 basis points higher (or lower) throughout the three months ended March 31, 2014, earnings would have been affected by \$186,556 (2013 – \$52,744) based on the average investment balance outstanding during the three month period.

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:

	March 31 2014	December 31 2013
Cash and cash equivalents	\$ 52,532,462	\$ 1,065,727
Accounts payable	200,411	23,234
Accrued liabilities	13,995	86,430

As at March 31, 2014, the exchange rate between Canadian dollars and US dollars was US\$1 to CAD\$1.1053. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a \$523,181 increase in the gain or loss of foreign exchange, respectively.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum risk to credit exposure is equal to the Accounts Receivable balance, the majority of which consists of receivables due from the Government of Canada.

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.

13. 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:

	March 31 2014	December 31 2013
Shareholders' capital	\$ 113,634,766	\$ 113,606,016
Contributed surplus	7,715,796	7,285,996
Warrants	2,088,600	2,088,600
Deficit	(31,440,867)	(29,586,258)

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

14. RELATED PARTY TRANSACTIONS

The key management personnel of the Company are comprised of members of the US Oil Sands Board of Directors and executives of the Company. Directors only receive share-based payment compensation, and no cash compensation was received. The remuneration of key management personnel during the three months ended March 31 are as follows:

	2014	2013
Short-term employee benefits	\$ 726,096	\$ 235,577
Share-based payments	390,541	83,595
	\$ 1,116,637	\$ 319,172

15. COMMITMENTS

The Company leases equipment and office premises in Calgary and Grande Prairie with the estimated minimum annual payments as follows:

2014	\$	426,007
2015		574,575
2016		467,794
2017		434,607
2018		108,652
		<hr/>
	\$	2,011,635

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 annual payments are as follows (in US dollars):

2014	\$	286,516
2015		304,029
2016		304,029
2017		304,029
2018		283,074
Thereafter		548,988
		<hr/>
	\$	2,030,665

16. SUBSEQUENT EVENTS

On May 7, 2014 the Company paid a USD \$50,000 deposit to secure a key piece of equipment for the PR Spring Project. Total purchase price of the equipment is USD \$800,000, due in stages as work is completed.