



**U.S.** OIL SANDS

**US Oil Sands Inc.**

**Unaudited Condensed Consolidated Financial Statements  
For the Three and Nine Months ended September 30, 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	September 30, 2014	December 31, 2013
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	3	\$ 68,551,791	\$ 77,582,389
Accounts receivable		73,405	227,747
Prepaid expenses		414,838	278,219
Inventory		39,066	-
		<b>69,079,100</b>	<b>78,088,355</b>
Non-current assets			
Property, plant and equipment	4	\$ 1,180,453	901,358
Exploration and evaluation assets	5	22,621,222	14,231,160
Intangible Assets	6	1,632,853	1,584,888
Reclamation funds on deposit		679,085	398,950
		<b>26,113,613</b>	<b>17,116,356</b>
<b>Total assets</b>		<b>\$ 95,192,713</b>	<b>\$ 95,204,711</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 3,095,779	\$ 821,042
Non-current liabilities			
Decommissioning liabilities	8	429,855	167,583
<b>Total liabilities</b>		<b>3,525,634</b>	<b>988,625</b>
<b>Shareholders' equity</b>			
Shareholders' capital	9	113,634,766	113,606,016
Contributed surplus	9	10,699,441	7,285,996
Warrants	9	-	2,088,600
Deficit		(34,264,012)	(29,586,258)
Accumulated other comprehensive income		1,596,884	821,732
<b>Total shareholders' equity</b>		<b>91,667,079</b>	<b>94,216,086</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 95,192,713</b>	<b>\$ 95,204,711</b>

Commitments (note 15)

**US Oil Sands Inc.**  
**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	
		2014	2013	2014	2013
<b>Income</b>					
Revenue		\$ -	\$ 138,382	\$ -	\$ 136,384
Interest		75,612	2,497	575,079	13,171
Royalty Expense		-	(11,477)	-	(11,311)
		<b>75,612</b>	<b>129,402</b>	<b>575,079</b>	<b>138,244</b>
<b>Expenses</b>					
Operation costs		8,505	168,579	29,612	198,710
Amortization	4,5	27,090	23,246	74,098	60,643
Accretion	8	6,444	990	8,531	3,060
Property evaluation		34,069	72,531	177,990	264,977
Technology development		75,637	25,436	254,309	74,309
General and administrative		1,321,125	607,105	4,016,024	2,059,112
Foreign Exchange loss (gain)		(3,080,927)	45,950	(632,685)	(141,496)
Share-based payment	9	456,748	47,213	1,324,845	546,965
		<b>(1,151,309)</b>	<b>991,050</b>	<b>5,252,724</b>	<b>3,066,280</b>
<b>Income (loss) before taxes</b>		<b>1,226,921</b>	<b>(861,648)</b>	<b>(4,677,645)</b>	<b>(2,928,036)</b>
Income tax expense		-	-	109	101
<b>Net income (loss)</b>		<b>1,226,921</b>	<b>(861,648)</b>	<b>(4,677,754)</b>	<b>(2,928,137)</b>
Other comprehensive income (loss)		774,809	(307,716)	775,152	420,089
<b>Total comprehensive income (loss)</b>		<b>\$ 2,001,730</b>	<b>\$ (1,169,364)</b>	<b>\$ (3,902,602)</b>	<b>\$ (2,508,048)</b>
<b>Loss per share – basic and diluted</b>		<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>		<b>852,892,395</b>	<b>312,856,064</b>	<b>853,123,058</b>	<b>312,856,064</b>

**US Oil Sands Inc.**  
**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, 2013</b>	\$35,615,898	\$ 4,205,391	\$ 2,227,995	\$ (21,838,577)	\$ (75,960)	\$ 20,134,747
Net loss for the period	-	-	-	(2,928,137)	-	(2,928,137)
Other comprehensive loss – currency translation adjustment	-	-	-	-	420,089	420,089
Exercise of options	2,875	-	-	-	-	2,875
Share-based payments	-	546,965	-	-	-	546,965
Warrants	-	139,395	(139,395)	-	-	-
<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>
<b>October 1, 2013</b>	\$35,618,773	\$ 4,891,751	\$ 2,088,600	\$ (24,766,714)	\$ 344,129	\$ 18,176,539
Net loss for the period	-	-	-	(4,819,544)	-	(4,819,544)
Other comprehensive loss – currency translation adjustment	-	-	-	-	477,603	477,603
Common shares issued						
Private placement	81,005,452	-	-	-	-	81,005,452
Share issue costs	(3,018,209)	-	-	-	-	(3,018,209)
Share-based payments	-	2,394,245	-	-	-	2,394,245
<b>December 31, 2013</b>	<b>\$113,606,016</b>	<b>\$ 7,285,996</b>	<b>\$ 2,088,600</b>	<b>\$ (29,586,258)</b>	<b>\$ 821,732</b>	<b>\$ 94,216,086</b>
<b>January 1, 2014</b>	\$113,606,016	\$ 7,285,996	\$ 2,088,600	\$ (29,586,258)	\$ 821,732	\$ 94,216,086
Net loss for the year	-	-	-	(4,677,754)	-	(4,677,754)
Other comprehensive income – currency translation adjustment	-	-	-	-	775,152	775,152
Exercise of options	28,750	-	-	-	-	28,750
Share-based payments	-	1,324,845	-	-	-	1,324,845
Warrants	-	2,088,600	(2,088,600)	-	-	-
<b>September 30, 2014</b>	<b>\$113,634,766</b>	<b>\$ 10,699,441</b>	<b>\$ -</b>	<b>\$ (34,264,012)</b>	<b>\$ 1,596,884</b>	<b>\$ 91,667,079</b>

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

	Notes	2014	2013
<b>Operating activities</b>			
Net loss		\$ (4,677,754)	\$ (2,928,137)
Adjustments for:			
Interest income		(575,079)	(13,171)
Income tax expense		109	101
Amortization	4,5	74,098	60,643
Accretion	8	8,531	3,060
Share-based payments	9	1,324,845	546,965
Unrealized loss (gain) on foreign exchange		(632,818)	(141,362)
Income tax paid		(109)	(101)
Changes in non-cash working capital	10	(322,679)	(120,308)
		<b>(4,800,856)</b>	<b>(2,592,310)</b>
<b>Investing activities</b>			
Interest received		575,079	13,171
Purchase of property, plant and equipment	4	(314,116)	(78,561)
Expenditures on exploration and evaluation assets	5	(7,210,160)	(621,738)
Expenditures on intangible assets	6	(49,608)	(2,477)
Changes in reclamation funds on deposit		(280,135)	(62,200)
Changes in non-cash working capital	10	2,576,073	(106,230)
		<b>(4,702,867)</b>	<b>(858,035)</b>
<b>Financing activities</b>			
Proceeds from options exercised	9	28,750	2,875
		<b>28,750</b>	<b>2,875</b>
Effects of exchange rate changes on cash and cash equivalents		444,375	137,913
Net increase/(decrease)in cash and cash equivalents		<b>(9,030,598)</b>	<b>(3,309,557)</b>
Cash and cash equivalents, beginning of period		\$ 77,582,389	\$ 5,327,732
<b>Cash and cash equivalents, end of period</b>		<b>\$ 68,551,791</b>	<b>\$ 2,018,175</b>

**US Oil Sands Inc.**  
**Notes to 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 18, 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**

	September 30 2014	December 31 2013
Cash	\$ 1,168,507	\$ 1,263,591
Short-term investments	67,383,284	76,318,798
	\$ 68,551,791	\$ 77,582,389

#### 4. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Shop and Laboratory Equipment	Automotive Equipment	Corporate and Other	Total
<b>Cost</b>					
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	-	109,299	79,331	125,486	314,116
Foreign exchange effect	-	72	10,199	22,278	32,549
<b>As at September 30, 2014</b>	<b>\$ 1,445,326</b>	<b>\$ 707,433</b>	<b>\$ 115,987</b>	<b>\$ 317,287</b>	<b>\$ 2,586,033</b>
<b>Accumulated amortization</b>					
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	15,065	23,896	5,826	22,174	66,961
Foreign exchange effect	-	44	497	68	609
<b>As at September 30, 2014</b>	<b>\$ 708,232</b>	<b>\$ 558,343</b>	<b>\$ 27,572</b>	<b>\$ 111,433</b>	<b>\$ 1,405,580</b>
<b>Carrying value</b>					
As at December 31, 2013	\$ 752,159	\$ 63,659	\$ 5,208	\$ 80,332	\$ 901,358
<b>As at September 30, 2014</b>	<b>\$ 737,094</b>	<b>\$ 149,090</b>	<b>\$ 88,415</b>	<b>\$ 205,854</b>	<b>\$ 1,180,453</b>

#### 5. EXPLORATION AND EVALUATION ASSETS

<b>Cost and carrying value</b>	
As at January 1, 2013	\$ 12,453,414
Additions	921,944
Changes in estimates of decommissioning liabilities (note 8)	(15,829)
Foreign exchange effect	\$ 871,631
As at December 31, 2013	\$ 14,231,160
Additions	7,210,160
Changes in estimates of decommissioning liabilities (note 8)	247,249
Foreign exchange effect	932,653
<b>As at September 30, 2014</b>	<b>\$ 22,621,222</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, 2014 and December 31, 2013.



## 6. INTANGIBLE ASSETS

	Technology & Patents	Computer Software	Corporate & Other	Total
<b>Cost</b>				
As at January 1, 2013	\$ 1,558,159	\$ 54,622	\$ 81,695	\$ 1,694,476
Additions	2,477	-	-	2,477
Foreign exchange effect	-	3,680	-	3,680
As at December 31, 2013	\$ 1,560,636	\$ 58,302	\$ 81,695	\$ 1,700,633
Additions	7,076	42,532	-	49,608
Foreign exchange effect	3,357	4,083	-	7,440
<b>As at September 30, 2014</b>	<b>\$ 1,571,069</b>	<b>\$ 104,917</b>	<b>\$ 81,695</b>	<b>\$ 1,757,681</b>
<b>Accumulated amortization</b>				
As at January 1, 2013	\$ -	\$ 22,165	\$ 81,695	\$ 103,860
Amortization	-	10,072	-	10,072
Foreign exchange effect	-	1,813	-	1,813
As at December 31, 2013	\$ -	\$ 34,050	\$ 81,695	\$ 115,745
Amortization	-	7,138	-	7,138
Foreign exchange effect	-	1,945	-	1,945
<b>As at September 30, 2014</b>	<b>\$ -</b>	<b>\$ 43,133</b>	<b>\$ 81,695</b>	<b>\$ 124,828</b>
<b>Carrying value</b>				
As at December 31, 2013	\$ 1,560,636	\$ 24,252	\$ -	\$ 1,584,888
<b>As at September 30, 2014</b>	<b>\$ 1,571,069</b>	<b>\$ 61,784</b>	<b>\$ -</b>	<b>\$ 1,632,853</b>

No impairment on intangible assets have been identified as at September 30, 2014 and December 31, 2013.

## 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30 2014	December 31 2013
Accounts payables	\$ 2,354,756	\$ 407,032
Accrued liabilities	741,023	414,010
	<b>\$ 3,095,779</b>	<b>\$ 821,042</b>

## 8. DECOMMISSIONING LIABILITIES

	September 30 2014	December 31 2013
Balance, beginning of period	\$ 167,583	\$ 168,068
Changes in estimates	(30,668)	(15,829)
Liabilities incurred (note 5)	269,385	-
Accretion	8,531	4,121
Foreign exchange effect	15,024	11,223
Balance, end of period	<b>\$ 429,855</b>	<b>\$ 167,583</b>

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 between 2.67% and 3.24% and an inflation rate of 1.7%. The properties are estimated to require reclamation in 16 years as at September 30, 2014.

## 9. SHARE CAPITAL

### a) Common shares

	September 30 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	853,123,058		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

	September 30 2014		December 31 2013	
	Number of Warrants	Fair Value	Number of Warrants	Fair Value
Balance, beginning of period	61,224,735	\$ 2,088,600	84,224,735	\$ 2,227,995
Expired	(61,224,735)	(2,088,600)	(23,000,000)	(139,395)
Balance, end of period	-	\$ -	61,224,735	\$ 2,088,600

On May 23, 2014, 61,224,735 warrants expired leaving no outstanding warrants as at September 30, 2014. The weighted average exercise price for the warrants issued is \$nil (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	-

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:

	September 30 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	4,085,000	0.125	31,725,000	0.179
Options expired	(1,250,000)	0.154	(11,000,000)	0.284
Options cancelled & forfeited	(400,000)	0.120	(175,000)	0.161
Outstanding, end of period	47,385,000	\$ 0.198	45,200,000	\$ 0.203
Exercisable, end of period	29,256,250	\$ 0.214	28,706,250	\$ 0.216

**c) Stock options - continued**

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

Issue Date	Exercise Price	Number Outstanding	Number Exercisable	Expiry Date
December 23, 2009	0.1000	1,250,000	1,250,000	December 23, 2019
April 18, 2011	0.3600	7,200,000	7,200,000	April 18, 2021
May 28, 2012	0.1800	1,975,000	1,975,000	May 28, 2017
March 18, 2013	0.1150	3,975,000	2,981,250	March 18, 2018
May 15, 2013	0.1250	2,400,000	2,400,000	May 15, 2016
November 12, 2013	0.1900	26,900,000	13,450,000	November 12, 2018
March 12, 2014	0.1450	20,000	-	March 12, 2019
April 15, 2014	0.1250	1,500,000	-	April 15, 2019
April 21, 2014	0.1400	100,000	-	April 21, 2019
May 14, 2014	0.1300	400,000	-	May 14, 2019
August 13, 2014	0.1200	665,000	-	August 13, 2019
September 2, 2014	0.1250	1,000,000	-	September 2, 2019
		47,385,000	29,256,250	

As at September 30, 2014, the exercise prices of the options outstanding ranged from \$0.10 to \$0.36 per option with a weighted average remaining life of 4.32 years.

The fair value of stock options granted during the nine months ended September 30, 2013 were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	September 30 2014	September 30 2013
Risk-free interest rate	1.59%	1.27%
Expected life (years)	5.00	4.25
Expected volatility	119%	106%
Forfeiture rate	0.00%	0.00%
Dividend per share	0.00%	0.00%

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.

**c) Stock options – continued**

On April 15, 2014, 1,500,000 options to purchase common shares were granted to a director of the Company at an exercise price of \$0.125 per share expiring on April 15, 2019. The weighted average fair value of these options is \$0.10 per option.

On April 21, 2014, 100,000 options to purchase common shares were granted to an employee of the Company at an exercise price of \$0.14 per share expiring on April 21, 2019. The weighted average fair value of these options is \$0.12 per option.

On May 14, 2014, 400,000 options to purchase common shares were granted to employees of the Company at an exercise price of \$0.13 per share expiring on March 12, 2019. The weighted average fair value of these options is \$0.11 per option.

On August 13, 2014, 1,065,000 options to purchase common shares were granted to employees of the Company at an exercise price of \$0.12 per share expiring on August 13, 2019. The weighted average fair value of these options is \$0.10 per option. Prior to the end of the quarter, 400,000 options were forfeited by employees, all options were unvested.

On September 2, 2014, 1,000,000 options to purchase common shares were granted to an employee of the Company at an exercise price of \$0.125 per share expiring on September 2, 2019. The weighted average fair value of these options is \$0.10 per option.

**d) Contributed surplus**

	September 30 2014	December 31 2013
Balance, beginning of period	\$ 7,285,996	\$ 4,205,391
Share-based payments	1,324,845	2,941,210
Warrants Expired	2,088,600	139,395
Balance, end of period	\$ 10,699,441	\$ 7,285,996

**10. CASH FLOW**

For the nine months ended September 30	2014	2013
Accounts receivable	\$ 154,342	\$ 99,743
Prepaid expenses	(136,619)	(68,443)
Inventory	(39,066)	-
Accounts payable and accrued liabilities	2,274,737	(257,838)
Changes in non-cash working capital	\$ 2,253,394	\$ (226,538)
Changes in non-cash working capital – operating	\$ (322,679)	\$ (120,308)
Changes in non-cash working capital – investing	2,576,073	(106,230)
	\$ 2,253,394	\$ (226,538)

## 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 September 30, 2014	Corporate	Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 1,052,072	\$ 128,381	\$ 1,180,453
Exploration and evaluation assets	260,000	22,361,222	22,621,222
Intangible assets	1,567,598	65,255	1,632,853
Reclamation funds on deposits	-	679,085	679,085
<b>Segment non-current assets</b>	<b>\$ 2,879,670</b>	<b>\$ 23,233,943</b>	<b>\$ 26,113,613</b>

As at December 31, 2013	Corporate	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
<b>Segment non-current assets</b>	<b>\$ 2,716,173</b>	<b>\$ 14,400,183</b>	<b>\$ 17,116,356</b>

### b) Reconciliation of reported segment loss

For the three months ended September 30	Corporate		Utah Oil Sand Development		Consolidated	
	2014	2013	2014	2013	2014	2013
<b>Income</b>						
Revenue	\$ -	\$ -	\$ -	\$ 138,382	\$ -	\$ 138,382
Interest income	75,612	2,497	-	-	75,612	2,497
Royalty expense	-	-	-	(11,477)	-	(11,477)
	<b>\$ 75,612</b>	<b>\$ 2,497</b>	<b>\$ -</b>	<b>\$ 126,905</b>	<b>\$ 75,612</b>	<b>\$ 129,402</b>
<b>Less: Expenses</b>						
Operation costs	-	-	8,505	168,579	8,505	168,579
Amortization	21,334	20,118	5,756	3,128	27,090	23,246
Accretion	-	-	6,444	990	6,444	990
Property evaluation	34,069	62,886	-	9,645	34,069	72,531
Technology development	75,637	10,017	-	15,419	75,637	25,436
General and administrative	1,093,465	572,563	227,660	34,542	1,321,125	653,055
Foreign Exchange	(3,080,927)	45,950	-	-	(3,080,927)	653,055
Share-based payments	456,748	47,213	-	-	456,748	47,213
	<b>(1,399,674)</b>	<b>758,747</b>	<b>248,365</b>	<b>232,303</b>	<b>(1,151,309)</b>	<b>991,050</b>
Loss before taxes	1,475,286	(756,250)	(248,365)	(105,398)	1,226,921	(11,477)
Income tax expense	-	-	-	-	-	-
<b>Segment net loss</b>	<b>\$ 1,475,286</b>	<b>\$ (756,250)</b>	<b>\$ (248,365)</b>	<b>\$ (105,398)</b>	<b>\$ 1,226,921</b>	<b>\$ (861,648)</b>

b) Reconciliation of reported segment loss – continued

For the nine months ended September 30	Corporate		Utah Oil Sand Development		Consolidated	
	2014	2013	2014	2013	2014	2013
<b>Income</b>						
Revenue	\$ -	\$ -	\$ -	\$ 136,384	\$ -	\$ 136,384
Interest income	574,970	12,594	109	577	575,079	13,171
Royalty expense	-	-	-	(11,311)	-	(11,311)
	\$ 574,970	\$ 12,594	\$ 109	\$ 125,650	\$ 575,079	\$ 138,244
<b>Less: Expenses</b>						
Operation costs	-	-	29,612	198,710	29,612	198,710
Amortization	60,797	51,396	13,301	9,247	74,098	60,643
Accretion	-	-	8,531	3,060	8,531	3,060
Property evaluation	165,309	154,738	12,681	110,239	177,990	264,977
Technology development	254,309	59,113	-	15,196	254,309	74,309
General and administrative	3,476,243	1,956,899	539,781	102,213	4,016,024	2,059,112
Foreign Exchange	(632,685)	(141,496)	-	-	(632,685)	(141,496)
Share-based payments	1,324,845	546,965	-	-	1,324,845	546,965
	4,648,818	2,627,615	603,906	438,665	5,252,724	3,066,280
Loss before taxes	(4,073,848)	(2,615,021)	(603,797)	(313,015)	(4,677,645)	(2,928,036)
Income tax expense	-	-	109	101	109	101
<b>Segment net loss</b>	<b>\$ (4,073,848)</b>	<b>\$ (2,615,021)</b>	<b>\$ (603,906)</b>	<b>\$ (313,116)</b>	<b>\$ (4,677,754)</b>	<b>\$ (2,928,137)</b>

c) 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 \$67 million of cashable GICs. Had the interest rate on the investments been 100 basis points higher (or lower) throughout the nine months ended September 30, 2014, earnings would have been affected by \$531,520 (2013 – \$13,092) based on the average investment balance outstanding during the nine month period.

	<b>September 30 2014</b>	December 31 2013
Short-term investments	<b>\$ 67,383,284</b>	\$ 76,318,798
Average Rate	<b>0.71%</b>	1.58%
Change in Earnings +/- 1%	<b>531,520</b>	168,300

### **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:

	<b>September 30 2014</b>	December 31 2013
Cash and cash equivalents	<b>\$ 52,955,757</b>	\$ 1,065,727
Accounts payable	<b>1,788,978</b>	23,234
Accrued liabilities	<b>634,388</b>	86,430

As at September 30, 2014, the exchange rate between Canadian dollars and US dollars was US\$1 to CAD\$1.1208. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a \$505,324 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.

## **d) 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 2014</b>	December 31 2013
Shareholders' capital	<b>\$ 113,634,766</b>	\$ 113,606,016
Contributed surplus	<b>10,699,441</b>	7,285,996
Warrants	-	2,088,600
Deficit	<b>(34,264,012)</b>	(29,586,258)

**e) 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. The remuneration of key management personnel during the nine months ended September 30 are as follows:

	2014	2013
Short-term employee benefits	\$ 1,250,750	\$ 660,096
Share-based payments	1,188,454	393,119
	<b>\$ 2,439,204</b>	<b>\$ 1,053,215</b>

**f) COMMITMENTS**

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

2014	\$ 145,584
2015	574,575
2016	467,794
2017	434,607
2018	108,652
	<b>\$ 1,731,212</b>

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	\$ -
2015	304,029
2016	304,029
2017	304,029
2018	283,074
Thereafter	548,988
	<b>\$ 1,744,149</b>

As at September 30, 2014, the capital expenditure commitments for the PR Spring Project are US\$10,214,308 and expected to be paid during Q4 2014 and Q1 2015. The committed costs pertain to detailed engineering, construction management and capital equipment. Subsequent to the end of the quarter, the Company committed to an additional US\$2,284,280 of capital equipment to be paid in 2014 and 2015.