



**U.S.** OIL SANDS

**US Oil Sands Inc.**

**Unaudited Condensed Consolidated Financial Statements  
For the Three and Nine Months ended September 30, 2015**  
(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, 2015	December 31, 2014
<b>Assets</b>			
Current Assets			
Cash and cash equivalents	4	\$ 38,292,439	\$ 64,390,338
Accounts receivable		92,963	121,848
Prepaid expenses		783,159	298,155
Inventory		46,685	40,435
		<b>39,215,246</b>	<b>64,850,776</b>
Non-current assets			
Property, plant and equipment	5	1,277,493	1,285,917
Exploration and evaluation assets	6	75,282,483	29,610,658
Intangible assets	7	1,662,345	1,634,085
Reclamation funds on deposit		832,214	702,897
		<b>79,054,535</b>	<b>33,233,557</b>
<b>Total assets</b>		<b>\$ 118,269,781</b>	<b>\$ 98,084,333</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 15,638,656	\$ 4,237,338
Current portion of bank debt	9	13,229	11,458
		<b>15,651,885</b>	<b>4,248,796</b>
Non-current liabilities			
Bank debt	9	34,695	36,425
Decommissioning liabilities	10	530,774	445,486
<b>Total liabilities</b>		<b>16,217,354</b>	<b>4,730,707</b>
<b>Shareholders' equity</b>			
Shareholders' capital	11	113,634,766	113,634,766
Contributed surplus		13,062,925	12,075,635
Deficit		(33,212,708)	(34,499,675)
Accumulated other comprehensive income		8,567,444	2,142,900
<b>Total shareholders' equity</b>		<b>102,052,427</b>	<b>93,353,626</b>
<b>Total liabilities and shareholders' equity</b>		<b>\$ 118,269,781</b>	<b>\$ 98,084,333</b>

Commitments (note 17)

**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	
		2015	2014	2015	2014
<b>Income</b>					
Investment income and interest		(80,329)	75,612	65,712	575,079
<b>Expenses</b>					
Operation costs		140,067	8,505	153,562	29,612
Amortization	5,7	57,920	27,090	182,288	74,098
Accretion	10	2,402	6,444	5,445	8,531
Property evaluation		-	34,069	3,413	177,990
Technology development		46,928	75,637	120,800	254,309
General and administrative		1,161,563	1,321,125	3,706,415	4,016,024
Foreign exchange gain		(2,821,968)	(3,080,927)	(6,380,594)	(632,685)
Share-based payment	11	318,203	456,748	987,290	1,324,845
		<b>(1,094,885)</b>	<b>(1,151,309)</b>	<b>(1,221,381)</b>	<b>5,252,724</b>
<b>Income (loss) before taxes</b>		<b>1,014,556</b>	<b>1,226,921</b>	<b>1,287,093</b>	<b>(4,677,645)</b>
Income tax expense		-	-	126	109
<b>Net income (loss)</b>		<b>1,014,556</b>	<b>1,226,921</b>	<b>1,286,967</b>	<b>(4,677,754)</b>
Other comprehensive income		3,756,998	774,809	6,424,544	775,152
<b>Total comprehensive income (loss)</b>		<b>\$ 4,771,554</b>	<b>\$ 2,001,730</b>	<b>\$ 7,711,511</b>	<b>\$ (3,902,602)</b>
<b>Earnings (loss) per share – basic and diluted</b>					
		<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ 0.00</b>	<b>\$ (0.01)</b>
<b>Weighted average number of shares outstanding</b>					
		<b>853,142,395</b>	<b>852,892,395</b>	<b>853,142,395</b>	<b>853,123,058</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, 2014</b>	\$ 113,606,016	\$ 7,285,996	\$ 2,088,600	\$ (29,586,258)	\$ 821,732	\$ 94,216,086
Net loss	-	-	-	(4,677,754)	-	(4,677,754)
Other comprehensive loss – currency translation adjustment	-	-	-	-	775,152	775,152
Exercise of options	28,750	-	-	-	-	28,750
Share-based payments	-	1,324,845	-	-	-	1,324,845
Warrants expired	-	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>
<b>July 1, 2014</b>	\$ 113,634,766	\$ 10,699,441	\$ -	\$ (34,264,012)	\$ 1,596,884	\$ 91,667,079
Net loss	-	-	-	(235,663)	-	(235,663)
Other comprehensive income – currency translation adjustment	-	-	-	-	546,016	546,016
Exercise of options	-	-	-	-	-	-
Share-based payments	-	1,376,194	-	-	-	1,376,194
<b>December 31, 2014</b>	<b>\$ 113,634,766</b>	<b>\$ 12,075,635</b>	<b>\$ -</b>	<b>\$ (34,499,675)</b>	<b>\$ 2,142,900</b>	<b>\$ 93,353,626</b>
<b>January 1, 2015</b>	\$ 113,634,766	\$ 12,075,635	\$ -	\$ (34,499,675)	\$ 2,142,900	\$ 93,353,626
Net loss	-	-	-	1,286,967	-	1,286,967
Other comprehensive income – currency translation adjustment	-	-	-	-	6,424,544	6,424,544
Share-based payments	-	987,290	-	-	-	987,290
<b>September 30, 2015</b>	<b>\$ 113,634,766</b>	<b>\$ 13,062,925</b>	<b>\$ -</b>	<b>\$ (33,212,708)</b>	<b>\$ 8,567,444</b>	<b>\$102,052,427</b>

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

	Notes	2015	2014
<b>Operating activities</b>			
Net income (loss)		\$ 1,286,967	\$ (4,677,754)
Adjustments for:			
Investment income and interest		(65,712)	(575,079)
Amortization	5,7	182,288	74,098
Accretion	10	5,445	8,531
Share-based payments	11	987,290	1,324,845
Unrealized (gain) loss on foreign exchange		(6,706,873)	(632,818)
Changes in non-cash working capital	12	(443,335)	(322,679)
		<b>(4,753,930)</b>	<b>(4,800,856)</b>
<b>Investing activities</b>			
Investment income and interest received		65,712	575,079
Purchase of property, plant and equipment	5	(129,874)	(314,116)
Expenditures on exploration and evaluation assets	6	(38,681,529)	(7,210,160)
Expenditures on intangible assets	7	(35,055)	(49,608)
Changes in reclamation funds on deposit		-	(280,135)
Changes in non-cash working capital	12	11,382,284	2,576,073
		<b>(27,398,462)</b>	<b>(4,702,867)</b>
<b>Financing activities</b>			
Proceeds from options exercised	11	-	28,750
Effects of exchange rate changes on cash and cash equivalents		6,054,493	444,375
Net decrease in cash and cash equivalents		<b>(26,097,899)</b>	<b>(9,030,598)</b>
Cash and cash equivalents, beginning of period		\$ 64,390,338	\$ 77,582,389
<b>Cash and cash equivalents, end of period</b>		<b>\$ 38,292,439</b>	<b>\$ 68,551,791</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 27, 2015.

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". These consolidated financial statements have been prepared on a going concern basis.

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, 2014. 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 2014 audited financial statements, except as noted below.

**b) Basis of measurement**

The interim financial statements are presented on a historical cost basis and in Canadian dollars which is the Company's functional and presentation currency. The Company has a wholly owned subsidiary which uses the US dollar as its functional currency. The Company follows the foreign currency translation method prescribed in IAS 21.

**3. FUTURE ACCOUNTING STANDARDS**

On January 1, 2017, the Corporation will be required to adopt IFRS 15, "Revenue from Contracts with Customers". IFRS 15 provides a single, principle-based five-step model that will apply to all contracts with customers with limited exceptions. In addition to the five-step model, the standard specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities. The extent of the impact of the adoption of IFRS 15 has not yet been determined.

IFRS 9 Financial Instruments, finalized in July 2014 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. The standard is effective for annual periods beginning on or after January 1, 2018. The extent of the impact of the adoption of IFRS 9 amendments has not yet been determined.

**4. CASH AND CASH EQUIVALENTS**

	September 30 2015	December 31 2014
Cash	\$ 1,399,323	\$ 656,535
Short-term investments	36,893,116	63,733,803
	<b>\$ 38,292,439</b>	<b>\$ 64,390,338</b>

## 5. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Shop and Laboratory Equipment	Automotive Equipment	Corporate and Other	Total
<b>Cost</b>					
As at January 1, 2014	\$ 1,445,326	\$ 598,062	\$ 26,457	\$ 169,523	\$ 2,239,368
Additions	-	209,895	79,331	170,278	459,504
Disposals	-	(14,867)	-	-	(14,867)
Foreign exchange effect	-	120	13,741	8,898	22,759
As at December 31, 2014	\$ 1,445,326	\$ 793,210	\$ 119,529	\$ 348,699	\$ 2,706,764
Additions	-	112,087	-	17,787	129,874
Foreign exchange effect	-	535	16,155	15,607	32,297
<b>As at September 30, 2015</b>	<b>\$ 1,445,326</b>	<b>\$ 905,832</b>	<b>\$ 135,684</b>	<b>\$ 382,093</b>	<b>\$ 2,868,935</b>
<b>Accumulated amortization</b>					
As at January 1, 2014	\$ 693,167	\$ 534,403	\$ 21,249	\$ 89,191	\$ 1,338,010
Amortization	20,087	34,456	9,570	31,374	95,487
Disposals	-	(14,013)	-	-	(14,013)
Foreign exchange effect	-	79	1,079	205	1,363
As at December 31, 2014	\$ 713,254	\$ 554,925	\$ 31,898	\$ 120,770	\$ 1,420,847
Amortization	10,546	60,860	21,410	72,349	165,165
Foreign exchange effect	-	166	3,999	1,265	5,430
<b>As at September 30, 2015</b>	<b>\$ 723,800</b>	<b>\$ 615,951</b>	<b>\$ 57,307</b>	<b>\$ 194,384</b>	<b>\$ 1,591,442</b>
<b>Carrying value</b>					
As at December 31, 2014	\$ 732,072	\$ 238,285	\$ 87,631	\$ 227,929	\$ 1,285,917
<b>As at September 30, 2015</b>	<b>\$ 721,526</b>	<b>\$ 289,881</b>	<b>\$ 78,377</b>	<b>\$ 187,709</b>	<b>\$ 1,277,493</b>

## 6. EXPLORATION AND EVALUATION ASSETS

<b>Cost and carrying value</b>	
As at January 1, 2014	\$ 14,231,160
Additions	13,185,452
Changes in decommissioning liabilities (note 10)	250,108
Foreign exchange effect	1,943,938
As at December 31, 2014	\$ 29,610,658
Additions	38,681,529
Changes in decommissioning liabilities (note 10)	15,461
Foreign exchange effect	6,974,835
<b>As at September 30, 2015</b>	<b>\$ 75,282,483</b>

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

No impairment on E&E has been identified as at September 30, 2015 and December 31, 2014.



## 7. INTANGIBLE ASSETS

	Technology and Patents	Computer Software	Corporate & Other	Total
<b>Cost</b>				
As at January 1, 2014	\$ 1,560,636	\$ 58,302	\$ 81,695	\$ 1,700,633
Additions	10,008	45,503	-	55,511
Foreign exchange effect	562	7,301	-	7,863
As at December 31, 2014	\$ 1,571,206	\$ 111,106	\$ 81,695	\$ 1,764,007
Additions	8,766	26,289	-	35,055
Foreign exchange effect	630	17,906	-	18,536
<b>As at September 30, 2015</b>	<b>\$ 1,580,602</b>	<b>\$ 155,301</b>	<b>\$ 81,695</b>	<b>\$ 1,817,598</b>
<b>Accumulated amortization</b>				
As at January 1, 2014	\$ -	\$ 34,050	\$ 81,695	\$ 115,745
Amortization	-	10,656	-	10,656
Foreign exchange effect	-	3,521	-	3,521
As at December 31, 2014	\$ -	\$ 48,227	\$ 81,695	\$ 129,922
Amortization	-	17,123	-	17,123
Foreign exchange effect	-	8,208	-	8,208
<b>As at September 30, 2015</b>	<b>\$ -</b>	<b>\$ 73,558</b>	<b>\$ 81,695</b>	<b>\$ 155,253</b>
<b>Carrying value</b>				
As at December 31, 2014	\$ 1,571,206	\$ 62,879	\$ -	\$ 1,634,085
<b>As at September 30, 2015</b>	<b>\$ 1,580,602</b>	<b>\$ 81,743</b>	<b>\$ -</b>	<b>\$ 1,662,345</b>

No impairment on intangible assets have been identified as at September 30, 2015 and December 31, 2014.

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	September 30 2015	December 31 2014
Accounts payables	\$ 11,480,010	\$ 1,044,434
Accrued liabilities	4,158,646	3,192,904
	<b>\$ 15,638,656</b>	<b>\$ 4,237,338</b>

## 9. BANK DEBT

	September 30 2015	December 31 2014
Current portion of bank debt	\$ 13,229	\$ 11,458
Non-current portion of bank debt	34,695	36,425
	<b>\$ 47,924</b>	<b>\$ 47,883</b>

The Company entered into a US \$42,000 loan at 6.47% APR for a term of five years. A Company-owned vehicle is held as collateral on the loan, and there are no specified financial covenants.

## 10. DECOMMISSIONING LIABILITIES

	September 30 2015	December 31 2014
Balance, beginning of period	\$ 445,486	\$ 167,583
Changes in estimates	10,016	(17,489)
Liabilities added (note 6)	-	256,750
Accretion	5,445	10,847
Foreign exchange effect	69,827	27,795
Balance, end of period	\$ 530,774	\$ 445,486

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 2.21% and 3.24% and an inflation rate of 1.3%. The properties are estimated to require reclamation in 15.25 years as at September 30, 2015.

## 11. SHARE CAPITAL

### a) Common shares

	September 30 2015		December 31 2014	
	Number	Amount	Number	Amount
Balance, beginning of period	853,142,395	\$ 113,634,766	852,892,395	\$ 113,606,016
Exercise of options	-	-	250,000	28,750
Balance, end of period	853,142,395	\$ 113,634,766	853,142,395	\$ 113,634,766
Weighted average common shares outstanding, basic and diluted	853,142,395		853,123,806	

### b) Warrants

	September 30 2015		December 31 2014	
	Number of Warrants	Fair Value	Number of Warrants	Fair Value
Balance, beginning of period	-	\$ -	61,224,735	\$ 2,088,600
Expired	-	-	(61,224,735)	(2,088,600)
Balance, end of period	-	\$ -	-	\$ -

On May 23, 2014, 61,224,735 warrants expired leaving no outstanding warrants as at December 31, 2014. The weighted average exercise price for the warrants issued is \$nil (2013 – \$0.26) per warrant.

Fair value of the warrants was estimated on the date of issuance, May 23, 2012, using the Black-Scholes pricing model with the following weighted assumptions:

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 was \$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:

	<b>September 30 2015</b>		December 31 2014	
	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	<b>47,810,000</b>	<b>\$ 0.197</b>	45,200,000	\$ 0.203
Options exercised	-	-	(250,000)	0.115
Options granted	<b>8,300,000</b>	<b>0.100</b>	4,585,000	0.111
Options cancelled & forfeited	<b>(2,915,000)</b>	<b>(0.135)</b>	(1,725,000)	0.145
Outstanding, end of period	<b>53,195,000</b>	<b>\$ 0.186</b>	47,810,000	\$ 0.197
Exercisable, end of period	<b>36,627,500</b>	<b>\$ 0.207</b>	35,891,250	\$ 0.210

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	7,050,000	7,050,000	April 18, 2021
May 28, 2012	0.1800	1,925,000	1,925,000	May 28, 2017
March 18, 2013	0.1150	3,875,000	3,875,000	March 18, 2018
May 15, 2013	0.1250	1,600,000	1,600,000	May 15, 2016
November 12, 2013	0.1900	26,750,000	20,062,500	November 12, 2018
March 12, 2014	0.1450	20,000	6,667	March 12, 2019
April 15, 2014	0.1250	1,500,000	500,000	April 15, 2019
April 21, 2014	0.1400	100,000	33,333	April 21, 2019
May 14, 2014	0.1300	400,000	133,333	May 14, 2019
August 13, 2014	0.1200	575,000	191,667	August 13, 2019
November 18, 2014	0.1000	500,000	-	November 18, 2019
March 11, 2015	0.1000	7,650,000	-	March 11, 2020
		<b>53,195,000</b>	<b>36,627,500</b>	

As at September 30, 2015, the exercise prices of the options outstanding ranged from \$0.10 to \$0.36 per option with a weighted average remaining life of 3.52 years.

The fair value of stock options granted were estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	<b>September 30 2015</b>	December 31 2014
Risk-free interest rate	1.77%	1.58%
Expected life (years)	5.00	5.00
Expected volatility	101%	119%
Forfeiture rate	1.00%	0.88%
Dividend per share	0.00%	0.00%

The Company may grant stock options to 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 \$0.05. Options can be granted for a maximum term of ten years and will vest on issuance unless otherwise determined by the board of directors.

#### d) Restricted Share Units

The Company has a Restricted Share Unit Plan which authorizes the Board of Directors to granted restricted share units ("RSUs") to directors, officers, employees and consultants of US Oil Sands Inc. and its subsidiary.

On March 11, 2015, 14,118,000 RSUs were granted to officers, and employees of the Company, on May 27, 2015, 965,556 RSUs were granted to employees of the Company, and on August 25, 2015, 682,635 RSUs were granted to employees of the Company. The RSUs vest one-third on the first, second, and third anniversary dates of the grant. On the vesting dates, the Corporation has the option of settling the award value in cash or common shares of the Corporation.

For the purpose of calculating share-based compensation, the fair value of each award is determined at the grant date using the closing price of the common shares. An estimated forfeiture rate of 1% was used to value all awards granted for the period ended September 30, 2015.

The number of restricted share units outstanding are as follows:

	September 30 2015	December 31 2014
	Number	Number
Balance, beginning of period	-	-
Granted	15,766,191	-
Cancelled & forfeited	(2,434,333)	-
Balance, end of period	13,331,858	-

#### e) Share-based Payments

A reconciliation of the share-based payments expense is provided below:

For the nine months ended September 30	2015	2014
Share-based payments on stock options	\$ 611,233	\$ 1,324,845
Share-based payments on RSUs	376,057	-
Total share-based payment expense	\$ 987,290	\$ 898,097

## 12. SUPPLEMENTAL CASH FLOW INFORMATION

For the nine months ended September 30	2015	2014
Accounts receivable	\$ 28,885	\$ 154,342
Prepaid expenses	(485,004)	(136,619)
Inventory	(6,250)	(39,066)
Accounts payable and accrued liabilities	11,401,318	2,274,737
Changes in non-cash working capital	\$ 10,938,949	\$ 2,253,394
Changes in non-cash working capital – operating	\$ (443,335)	\$ (322,679)
Changes in non-cash working capital – investing	11,382,284	2,576,073
	\$ 10,938,949	\$ 2,253,394

### 13. 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, 2015	Corporate	Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 1,116,744	\$ 160,749	\$ 1,277,493
Exploration and evaluation assets	260,000	75,022,483	75,282,483
Intangible assets	1,580,981	81,364	1,662,345
Reclamation funds on deposits	-	832,214	832,214
<b>Segment non-current assets</b>	<b>\$ 2,957,725</b>	<b>\$ 76,096,810</b>	<b>\$ 79,054,535</b>

  

As at December 31, 2014	Corporate	Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 1,136,472	\$ 149,445	\$ 1,285,917
Exploration and evaluation assets	260,000	29,350,658	29,610,658
Intangible assets	1,570,153	63,932	1,634,085
Reclamation funds on deposits	-	702,897	702,897
<b>Segment non-current assets</b>	<b>\$ 2,966,625</b>	<b>\$ 30,266,932</b>	<b>\$ 33,233,557</b>

#### b) Reconciliation of reported segment loss

For the three months ended September 30	Corporate		Utah Oil Sand Development		Consolidated	
	2015	2014	2015	2014	2015	2014
<b>Income</b>						
Investment income (loss) and interest	\$ (81,190)	\$ 75,612	\$ 861	-	\$ (80,329)	75,612
<b>Less: Expenses</b>						
Operation costs	-	-	140,067	8,505	140,067	8,505
Amortization	40,694	21,334	17,226	5,756	57,920	27,090
Accretion	-	-	2,402	6,444	2,402	6,444
Property evaluation	-	34,069	-	-	-	34,069
Technology development	46,928	75,637	-	-	46,928	75,637
General and administrative	836,033	1,093,465	325,530	227,660	1,161,563	1,321,125
Foreign exchange	(2,821,968)	(3,080,927)	-	-	(2,821,968)	(3,080,927)
Share-based payments	318,203	456,748	-	-	318,203	456,748
	(1,580,110)	(1,399,674)	485,225	248,365	(1,094,885)	(1,151,309)
Income (loss) before taxes	1,498,920	1,475,286	(484,364)	(248,365)	1,014,556	1,226,921
Income tax expense	-	-	-	-	-	-
<b>Segment net income (loss)</b>	<b>\$ 1,498,920</b>	<b>\$ 1,475,286</b>	<b>\$ (484,364)</b>	<b>\$ (248,365)</b>	<b>\$ 1,014,556</b>	<b>\$ 1,226,921</b>

For the nine months ended September 30	Corporate		Utah Oil Sand Development		Consolidated	
	2015	2014	2015	2014	2015	2014
<b>Income</b>						
Investment income and interest	\$ 63,967	\$ 574,970	\$ 1,745	\$ 109	\$ 65,712	\$ 575,079
<b>Less: Expenses</b>						
Operation costs	-	-	153,562	29,612	153,562	29,612
Amortization	134,070	60,797	48,218	13,301	182,288	74,098
Accretion	-	-	5,445	8,531	5,445	8,531
Property evaluation	558	165,309	2,855	12,681	3,413	177,990
Technology development	120,800	254,309	-	-	120,800	254,309
General and administrative	2,861,236	3,476,243	845,179	539,781	3,706,415	4,016,024
Foreign exchange	(6,380,594)	(632,685)	-	-	(6,380,594)	(632,685)
Share-based payments	987,290	1,324,845	-	-	987,290	1,324,845
	(2,276,640)	4,648,818	1,055,259	603,906	(1,221,381)	5,252,724
Income (loss) before taxes	2,340,607	(4,073,848)	(1,053,514)	(603,797)	1,287,093	(4,677,645)
Income tax expense	-	-	126	109	126	109
<b>Segment net loss</b>	<b>\$ 2,340,607</b>	<b>\$(4,073,848)</b>	<b>\$(1,053,640)</b>	<b>\$ (603,906)</b>	<b>\$ 1,286,967</b>	<b>\$ (4,677,754)</b>

#### 14. 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, accounts payable, accrued liabilities, and bank debt. 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, accrued liabilities and bank debt 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, accrued liabilities and bank debt 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 \$36 million of cashable short-term investments. Had the interest rate on the investments been 100 basis points higher (or lower) throughout the nine months ended September 30, 2015, earnings would have been affected by \$395,253 (2014 – \$505,324) based on the average investment balance outstanding during the nine 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:

September 30

December 31

	2015 (US Dollars)	2014 (US Dollars)
Cash and cash equivalents	\$ 26,134,068	\$ 48,773,993
Accounts payable	8,089,678	795,007
Accrued liabilities	2,950,580	2,504,256

As at September 30, 2015, the exchange rate between Canadian dollars and US dollars was US\$1 to CAD\$1.339, while at December 31, 2014 the exchange rate was US\$1 to CAD\$1.160. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a \$150,938 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 and Cash and Cash Equivalents balances. The majority of Accounts Receivable consists of receivables due from the Government of Canada. The Company holds cash and cash equivalents with large and reputable North American banks.

#### **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.

### **15. 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:

	September 30 2015	December 31 2014
Shareholders' capital	\$ 113,634,766	\$ 113,634,766
Contributed surplus	13,062,925	12,075,635
Deficit	(33,212,708)	(34,499,675)

### **16. 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:

	2015	2014
Short-term employee benefits	\$ 757,500	\$ 1,250,750
Share-based payments	692,677	1,188,454
	\$ 1,450,177	\$ 2,439,204

There were no other related party transactions during the nine months ended September 30, 2015.

## 17. COMMITMENTS

	Office and equipment	Resource properties (US dollars)	Exploration and evaluation (US dollars)
2015	\$ 156,704	\$ -	\$ 9,478,435
2016	501,725	351,549	-
2017	454,570	351,549	-
2018	114,494	330,594	-
2019	1,833	330,594	-
Thereafter	-	265,914	-
	<b>\$ 1,229,326</b>	<b>\$ 1,630,200</b>	<b>\$ 9,478,435</b>

The Company leases equipment and office premises in Canada and USA. The resource properties are leased from the State of Utah, with 32,005 acres held under separate leases and each having differing expiry terms.

As at September 30, 2015, the capital expenditure commitments for the PR Spring Project are US\$9,478,435 and expected to be paid during Q4 2015 and Q1 2016. The committed costs pertain to detailed engineering, construction management and capital equipment.