US Oil Sands Inc.

Audited Consolidated Financial Statements
For the Years ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

Management's Report

To the Shareholders of US Oil Sands Inc.

The preparation and presentation of US Oil Sands Inc.'s consolidated financial statements is the responsibility of management. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and include management's best estimates and judgments, where required. The financial information contained elsewhere in this report is consistent with these financial statements.

Management is responsible for installing and maintaining a system of internal controls to provide reasonable assurance that assets are safeguarded and that reliable financial information is produced for preparation of the consolidated financial statements.

The Board of Directors (the "Board") is responsible for ensuring management fulfils its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the consolidated financial statements. The Board carries out this responsibility through its Audit Committee (the "Committee").

The Committee is appointed by the Board and all of its members are independent directors. The Committee meets periodically with management, as well as the independent auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues; to satisfy itself that each party is properly discharging its responsibilities; and, to review the annual report, the consolidated financial statements and the independent auditor's report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the independent auditor.

(signed) "Cameron Todd"
Chief Executive Officer

(signed) "Glen Snarr"
Chief Financial Officer

Calgary, Alberta
April 13, 2017

Deloitte.

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Independent Auditor's Report

To the Shareholders of US Oil Sands Inc.:

We have audited the accompanying consolidated financial statements of US Oil Sands Inc., which comprise the consolidated statements of financial position as at December 31, 2016 and December 31, 2015, and the consolidated statements of comprehensive income (loss), changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of US Oil Sands Inc. as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements which describe matters and conditions that indicate the existence of material uncertainties that may cast significant doubt about US Oil Sands Inc.'s ability to continue as a going concern.

Chartered Professional Accountants
April 13, 2017
Calgary, Alberta

US Oil Sands Inc.
Consolidated Statements of Financial Position
(Cdn$)

As at	Notes	December 31, 2016	December 31, 2015
Assets			
Current Assets			
Cash and cash equivalents	6	**$ 306,601**	$ 18,529,111
Accounts receivable		**362,216**	134,280
Prepaid expenses		**921,853**	1,481,451
Inventory		**-**	48,239
		1,590,670	20,193,081
Non-current assets			
Property, plant and equipment	7	**2,899,606**	1,337,594
Exploration and evaluation assets	8	**67,787,604**	86,737,570
Intangible assets	9	**1,667,529**	1,665,684
Reclamation funds on deposit		**597,152**	614,255
		72,951,891	90,355,103
Total assets		**$ 74,542,561**	$ 110,548,184
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	10	**$ 9,004,272**	$ 6,130,555
Current portion of bank debt	11	**287,664**	13,669
		9,291,936	6,144,224
Non-current liabilities			
Bank debt	11	**359,045**	33,229
Decommissioning liabilities	12	**1,179,042**	1,015,987
Total liabilities		**10,830,023**	7,193,440
Shareholders' equity			
Shareholders' capital	13	**124,234,790**	113,634,766
Contributed surplus		**16,414,346**	13,410,532
Deficit		**(85,311,467)**	(34,331,504)
Accumulated other comprehensive income		**8,374,869**	10,640,950
Total shareholders' equity		**63,712,538**	103,354,744
Total liabilities and shareholders' equity		**$ 74,542,561**	$ 110,548,184

Going Concern (note 2)
Commitments (note 20)

Approved on behalf of the Board:

(signed) "Harry Quarls"
Director

(signed) "Ed Chwyl"
Director

US Oil Sands Inc.
Consolidated Statements of Comprehensive Income (Loss)
For the years ended December 31
(Cdn$)

	Notes	2016	2015
Income			
Investment income & interest		**$ 47,817**	$ 117,670
Expenses			
Impairment	8	**44,000,000**	-
Operation costs		**1,360,860**	542,151
Amortization	7,9	**457,452**	242,596
Accretion	12	**22,563**	25,685
Property evaluation		**6,947**	54,928
Technology development		**688,448**	823,357
General and administrative		**3,383,894**	4,414,777
Foreign exchange loss (gain)		**45,681**	(7,489,020)
Share-based payment	13	**1,061,803**	1,334,897
		51,027,648	(50,629)
Income (loss) before taxes		**(50,979,831)**	168,299
Income tax expense	14	**132**	128
Net income (loss)		**(50,979,963)**	168,171
Other comprehensive income (loss)		**(2,266,081)**	8,498,050
Total comprehensive income (loss)		**$ (53,246,044)**	$ 8,666,221
Loss per share – basic and diluted		**$ (1.88)**	$ 0.01
Weighted average number of shares outstanding	13	**27,093,211**	17,062,847

**Certain comparative figures have been adjusted to reflect current account presentation (note 21)*

The accompanying notes are an integral part of these consolidated financial statements

US Oil Sands Inc.
Consolidated Statements of Changes in Equity
For the years ended December 31
(Cdn$)

	Shareholders' Capital	Contributed Surplus	Deficit	Accumulated other comprehensive income (loss)	**Total Shareholders' Equity**
January 1, 2015	$113,634,766	$ 12,075,635	$ (34,499,675)	$ 2,142,900	**$ 93,353,626**
Net income (loss)	-	-	168,171	-	**168,171**
Other comprehensive income (loss) – currency translation adjustment	-	-	-	8,498,050	**8,498,050**
Share-based payments	-	1,334,897	-	-	**1,334,897**
December 31, 2015	**$113,634,766**	**$ 13,410,532**	**$ (34,331,504)**	**$ 10,640,950**	**$103,354,744**
January 1, 2016	$113,634,766	$ 13,410,532	$ (34,331,504)	$ 10,640,950	**$103,354,744**
Net income (loss)	-	-	(50,979,963)	-	**(50,979,963)**
Other comprehensive income (loss) – currency translation adjustment	-	-	-	(2,266,081)	**(2,266,081)**
Rights offering, net of share issuance costs	10,168,615	-	-	-	**10,168,615**
Share-based payments	-	1,061,803	-	-	**1,061,803**
Warrants expired	-	2,373,420	-	-	**2,373,420**
Restricted Share Unit release	431,409	(431,409)	-	-	**-**
December 31, 2016	**$124,234,790**	**$ 16,414,346**	**$ (85,311,467)**	**$ 8,374,869**	**$ 63,712,538**

US Oil Sands Inc.
Consolidated Statements of Cash Flows
For the years ended December 31
(Cdn$)

	Notes		**2016**		2015
Operating activities					
Net income (loss)		**$**	**(50,979,963)**	$	168,171
Adjustments for:					
Investment income & interest			**(47,817)**		(117,670)
Amortization	7,9		**457,452**		242,596
Accretion	12		**22,563**		25,685
Share-based payments	13		**1,061,803**		1,334,897
Impairment	8		**44,000,000**		-
Unrealized gain on foreign exchange			**(12,379)**		(7,866,998)
Changes in non-cash working capital	15		**901,094**		(776,898)
			(4,597,247)		(6,990,217)
Investing activities					
Investment income & interest			**47,817**		117,670
Purchase of property, plant and equipment	7		**(1,979,649)**		(242,236)
Expenditures on exploration and evaluation assets	8		**(27,071,467)**		(47,099,117)
Expenditures on intangible assets	9		**(26,891)**		(35,390)
Changes in non-cash working capital	15		**2,352,524**		1,466,583
			(26,677,666)		(45,792,490)
Financing activities					
Proceeds from rights offering	13		**12,797,136**		-
Share issue costs	13		**(255,101)**		-
Bank debt funding	11		**902,549**		-
Bank debt payments	11		**(261,573)**		(12,629)
			13,183,011		(12,629)
Effects of exchange rate changes on cash and cash equivalents			**(130,607)**		6,934,109
Net decrease in cash and cash equivalents			**(18,222,510)**		(45,861,227)
Cash and cash equivalents, beginning of the year		**$**	**18,529,111**	$	64,390,338
Cash and cash equivalents, end of the year		**$**	**306,601**	$	18,529,111
Cash paid:					
Interest		**$**	**27,769**	$	3,181
Taxes		**$**	**132**	$	128

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. GOING CONCERN

These consolidated financial statements ("financial statements") have been prepared on a going concern basis which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business for the foreseeable future. The Company has historically met its day to day working capital requirements and funded its capital and operating expenditures through funding received from the proceeds of share issuances.

The Company pursued various strategies during 2016 to improve the liquidity position, including asset-based, debt and equity financing. On January 12, 2017 the Company signed a US$7.5 million senior secured loan facility carried at 15% annual interest rate, repayable after one year and extendable for an additional 12 months subject to certain conditions. The loan facility funds are to be used to complete commissioning and startup of the PR Spring Project, fund operations and corporate general and administrative costs.

Future operations are dependent on the commissioning and startup of the PR Spring Project and the successful commercialization of the Company's proprietary bitumen extraction technology, the generation of positive cashflows from operations and the ability to discharge obligations as they come due. There can be no assurance that the steps management will take will be successful. As such, there is significant doubt and there can be no assurance the Company will be able to continue as a going concern.

The timing and extent of forecast capital and operating expenditures is based on the Company's 2017 budget and on management's estimate of expenditures expected to be incurred beyond 2017. The Company has a significant degree of control and flexibility over both the extent and timing of payments relating to creditors, as the Company carries minimal bank debt.

Management has applied significant judgement in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at December 31, 2016, the availability of additional financing, and the timing and extent of capital and operating expenditures.

The financial statements have been prepared on a basis which asserts the Company has the ability to continue to realize its assets and discharge its liabilities and commitments in a planned manner giving consideration to the above and expected possible outcomes. Conversely, if the going concern assumption is not appropriate, adjustments to the carrying amounts of the Company's assets, liabilities, revenues, expenses and balance sheet classifications may be necessary, and adjustments may be material.

The financial statements reflect management's best estimates after giving consideration to likely outcomes. The financial statements continue to be prepared in accordance with International Financial Reporting Standards ("IFRS") and are consistent with the Company's accounting policies as outlined in financial statement note 3.

3. BASIS OF PRESENTATION

a) Statement of compliance

These financial statements were approved by the Board of Directors of the Company on April 13, 2017.

The financial statements have been prepared using the accounting policies IFRS as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared on a going concern basis.

b) Basis of measurement

The 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.

4. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The financial statements include the accounts of the Company and its wholly owned United States subsidiary, US Oil Sands (Utah) Inc. All intercompany transactions and balances have been eliminated.

b) Use of estimates and judgments

The timely preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or action, actual results ultimately may differ from those estimates. Accordingly, actual reported amounts may differ from estimated amounts as future confirming events occur. Significant judgments involve the determination of the functional currency of the subsidiary, cash generating unit identification, and the time when intangible assets are expected to be used for commercial production.

Property, Plant and Equipment ("PP&E")
Capitalized assets, including property, plant and equipment assets are amortized over their respective estimated useful lives. All estimates of useful lives are set out in 3(d) below.

Decommissioning Liabilities
The determination of decommissioning liabilities requires the Company to make estimates regarding the useful life of certain operating facilities, the timing and dollar value of future remediation activities, discount rates and the interpretation and changes to various environmental laws and regulations. Any differences between estimates and actual results will impact the Company's accrual for decommissioning liabilities and will result in an impact to net earnings.

Asset Impairments

PP&E, exploration and evaluation assets, and technology and patents are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. The methods of calculating recoverable amounts are set out in 3(g) below.

Share-based Payment

The Company's estimate of share-based payment is dependent upon estimates of historic volatility and forfeiture rates.

Income taxes

Related assets and liabilities are recognized for the estimated tax consequences between amounts included in the financial statements and their tax base using substantively enacted future income tax rates. Timing of future revenue streams and future capital spending changes can affect the timing of any temporary differences, and accordingly affect the amount of the deferred tax asset or liability calculated at a point in time. These differences could materially impact earnings.

c) Cash and cash equivalents

Cash and cash equivalents includes short-term, highly liquid investments that mature within three months of their purchase.

d) Property, plant and equipment

PP&E is initially recorded at cost. Amortization is provided using methods and rates intended to amortize the cost of assets over their estimated useful lives. Items of PP&E are not amortized until they are placed into service.

	Method	Rate
Automotive equipment	declining balance	30 %
Computer hardware	declining balance	30 %
Leasehold improvements	straight-line	3 years
Office furniture and equipment	declining balance	20 %
Processing equipment	declining balance	30 %
Mining equipment	declining balance	30 %
Shop and laboratory equipment	declining balance	30 %

Based on the analysis of PP&E, the Company did not have significant components within each class of asset that requires componentization accounting as at December 31, 2016 and 2015.

e) Exploration and evaluation assets (“E&E”)

Expenditures incurred prior to acquiring the legal right to explore are charged to expense as incurred and recorded as expense in the consolidated statements of comprehensive loss.

Once mineral rights have been obtained all costs directly associated with exploration and evaluation of oil and gas reserves are initially capitalized. E&E costs are those expenditures where technical feasibility and commercial viability has not yet been determined and include license and unproved property acquisition costs, geological and geophysical costs, drilling resource delineation wells, and directly attributable general and administrative costs.

Upon establishment of technical feasibility and commercial viability, E&E assets will be first tested for impairment and then reclassified to property, plant and equipment. No reserves have been assigned to the E&E assets.

f) Intangible assets

Technology and patents are recorded at cost, including the acquisition of the intellectual property (“IP”), patent application, IP maintenance and related professional fees. Amortization will commence when the technology reaches commercial production.

Computer software is recorded at cost and amortized at 30% once placed into service.

g) Impairment of non-financial assets

Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets (the “cash-generating unit” or “CGU”).

The carrying value of PP&E is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. The carrying value of E&E assets is tested for impairment when events or changes in circumstance indicate that the carrying value of an asset may exceed its recoverable value and upon transfer of E&E costs to PP&E. The carrying value of technology and patents is tested for impairment upon commencement of commercial production of the properties or when events or changes in circumstance indicate that the carrying value of an asset may exceed its recoverable value.

A CGU’s recoverable amount is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the CGU and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Where the carrying amount of a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount. The impairment amount reduces first the carrying amount of any goodwill allocated to the CGU. Any remaining impairment is allocated to the individual assets in the CGU on a pro rata basis. Impairment is charged to net income (loss) in the period in which it occurs.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depletion and depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in net income (loss). After such a reversal, the depletion or depreciation charge is adjusted in future periods to allocate the asset’s revised carrying amount, less any residual value, on a systematic basis over its remaining useful life. Impairment losses recognized in relation to goodwill and E&E are not reversed for subsequent increases in its recoverable amount.

h) Research and development

The Company engages in research and development activities to develop or improve processes and techniques to extract bitumen from oil sand deposits. Research involves planned investigation with the goal of attaining new knowledge and is not directly related to specific E&E projects. Development involves translating that knowledge into a new technology or process. Research costs are expensed as incurred. Development costs are capitalized with exploration and evaluation assets, in accordance with IAS 38 “Intangible Assets”, as the Company assess commercial viability and technical feasibility. These costs are capitalized until the development is ready for use, considered to the commencement of commercial operations or production. Otherwise, development costs are expensed as incurred.

i) Financial instruments

Financial instruments are measured at fair value on initial recognition of the instrument and are classified into one of the following five categories: fair value through profit or loss (“FVTPL”), loans and receivables, held-to-maturity investments, available-for-sale financial assets or financial liabilities measured at amortized cost.

Subsequent measurement of financial instruments is based on their initial classification. FVTPL financial assets are measured at fair value and changes in fair value are recognized in net income (loss). Available-for-sale financial assets are measured at fair value with changes in fair value recorded in other comprehensive income (loss) until the instrument is derecognized or impaired. The remaining categories of financial instruments are recognized at amortized cost using the effective interest rate method.

j) Decommissioning liabilities

The Company recognizes a decommissioning liability on its oil sands properties, related facilities, and removal of equipment from leased acreage and for returning such land to its original condition, in the period in which the asset is explored or acquired. The decommissioning liability is estimated using the present value of the estimated expected future cash outflows at a risk-free interest rate. The obligation is reviewed regularly by management, based upon current regulations, costs, technologies and industry standards. The effects of changes resulting from revisions to the timing, the discount rate or the amount of the original estimate of the provision are reflected on a prospective basis, generally by adjustment to the carrying amount of the related E&E assets. The discounted obligation is initially capitalized as part of the carrying amount of the E&E assets and a corresponding liability is recognized. The amount of the capitalized retirement obligation is depleted and depreciated on the same basis as the other capitalized E&E assets. Actual abandonment and reclamation expenditures are charged to the accumulated obligation as incurred and obligations related to properties disposed are removed.

k) Revenue recognition

Investment income and Interest is recognized in the period in which it is earned. Incidental revenues are recognized in net income as incurred.

l) Income taxes

Current and deferred income taxes are recognized in the consolidated statements of comprehensive loss, except when they relate to items that are recognized directly in equity.

The Company follows the liability method accounting for income taxes. Under this method, deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

m) Share-based payment

The Company uses the fair value method for valuing stock options, restricted share unites (“RSUs”), and warrants. Under the fair value method, compensation costs attributable to all stock options and RSUs are measured at fair value at the date of grant and expensed over the vesting period with a corresponding increase to contributed surplus. A forfeiture rate is estimated on the date of grant and is adjusted to reflect the actual number of awards that vest.

The fair value of each option, and warrant is estimated using the Black-Scholes option pricing model that takes into account the grant date, the exercise price and expected life of the option, the price of the underlying security, the expected volatility, and the risk-free interest rate. The fair value of RSUs is determined with reference to the trading price of the Company's common shares on the date of grant. Upon the exercise of the stock options and RSUs, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital and the contributed surplus balance is reduced.

n) Foreign currency

The financial statements are presented in Canadian dollars which is the Company’s functional and presentation currency. The Company has a wholly owned US subsidiary which has a US dollar functional currency reflecting that the US dollar is the currency of the primary environment in which the subsidiary operates. Transactions denominated in non-functional currencies are translated at rates prevailing at the date of the transaction. Any monetary items held in a currency which is not the functional currency of the subsidiary are translated into the functional currency at the rate prevailing at the balance sheet date. Income statement items are translated at the average rate for the period. All exchange differences arising as a result of the translation to the functional currency of the subsidiary are recorded in net income (loss).

Translation of all assets and liabilities from the subsidiary's functional currency to the presentation currency are performed using the rate prevailing at the balance sheet date. The difference arising from translation from the functional currency to the presentation currency are recorded as currency translation adjustments in other comprehensive income (loss) and are held within accumulated other comprehensive income (loss) until a disposal or partial disposal of a subsidiary. A disposal or partial disposal will then give rise to a realized foreign exchange (gain) loss which is recorded in net income (loss).

Within the consolidated group there are outstanding intercompany loans which in substance represent an investment in the subsidiary. When these loans are identified as being part of the net investment in the foreign subsidiary, any exchange difference arising on those loans are recorded to currency translation adjustment within other comprehensive income (loss) until a disposal or partial disposal of the subsidiary.

o) Earnings per share

Basic loss per share is calculated using the weighted average number of shares outstanding during the year. The treasury stock method is used to calculate diluted earnings per share. This method assumes that only in-the-money stock options and warrants are exercised and that any proceeds would be used to purchase common shares at the average market price during the year.

5. FUTURE ACCOUNTING STANDARDS

On January 1, 2018, the Company 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 2015 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.

IFRS 16 Leases replaces IAS 17 Leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less. This removes the classification of leases as either operating leases or finance leases. All leases will be treated as finance leases, effective January 1, 2019.

The Company has not completed its evaluation of the effect of adopting these standards on its financial statements.

6. CASH AND CASH EQUIVALENTS

		December 31 2016		December 31 2015
Cash	**$**	**305,799**	$	4,846,468
Short-term investments		**802**		13,682,643
	$	**306,601**	$	18,529,111

The average interest rate earned on cash and cash equivalents in 2016 was 0.70% (2015 – 0.45%).

7. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Shop and Laboratory Equipment	Automotive Equipment	Mining Equipment	Corporate and Other	Total
Cost						
As at January 1, 2015	$ 1,445,326	$ 793,210	$ 119,529	$ -	$ 348,699	$ 2,706,764
Additions	-	218,871	-	-	23,365	242,236
Foreign exchange effect	-	375	20,174	-	15,608	36,157
As at December 31, 2015	$ 1,445,326	$ 1,012,456	$ 139,703	$ -	$ 387,672	$ 2,985,157
Additions	-	72,406	46,289	1,860,311	643	1,979,649
Foreign exchange effect	-	(89)	(3,095)	25,136	(3,058)	18,894
As at December 31, 2016	$ 1,445,326	$ 1,084,773	$ 182,897	$ 1,885,447	$ 385,257	$ 4,983,700
Accumulated amortization						
As at January 1, 2015	$ 713,254	$ 554,925	$ 31,898	$ -	$ 120,770	$ 1,420,847
Amortization	14,061	84,365	28,969	-	91,430	218,825
Foreign exchange effect	-	215	5,694	-	1,982	7,891
As at December 31, 2015	$ 727,315	$ 639,505	$ 66,561	$ -	$ 214,182	$ 1,647,563
Amortization	9,843	119,424	27,950	232,539	45,240	434,996
Foreign exchange effect	-	(37)	(1,168)	3,142	(402)	1,535
As at December 31, 2016	$ 737,158	$ 758,892	$ 93,343	$ 235,681	$ 259,020	$ 2,084,094
Carrying value						
As at December 31, 2015	$ 718,011	$ 372,951	$ 73,142	$ -	$ 173,490	$ 1,337,594
As at December 31, 2016	**$ 708,168**	**$ 325,881**	**$ 89,554**	**$ 1,649,766**	**$ 126,237**	**$ 2,899,606**

8. EXPLORATION AND EVALUATION ASSETS

Cost and carrying value	
As at January 1, 2015	$ 29,610,658
Additions	47,099,117
Changes in decommissioning liabilities (note 12)	570,501
Foreign exchange effect	9,457,294
As at December 31, 2015	$ 86,737,570
Additions	27,071,467
Changes in decommissioning liabilities (note 12)	163,055
Impairment	(44,000,000)
Foreign exchange effect	(2,184,488)
As at December 31, 2016	**$ 67,787,604**

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. The Company performs impairment tests when events and/or circumstances indicate that the carrying value of an asset or CGU may exceed the recoverable amount. At December 31, 2016, the Company determined that indicators of impairment existed with respect to its E&E assets and an impairment analysis was performed.

The estimated recoverable amounts are classified as Level 3 fair value measurements as certain key assumptions are not based on observable market data, but rather management's best estimates. Refer to Note 17 for information on fair value hierarchy classifications.

The Company incorporated the net present value of the before-tax cash flows from contingent resources estimated by the Company's external resource evaluator, as well as consideration of the fair value of the remaining Discovered Resource initially-in-place that is not valued in the external resource report.

For the year ended December 31, 2016, the Company recognized non-cash impairment of $44 million (2015 - nil) on E&E assets related to its PR Spring Project where the carrying values exceeded the recoverable amounts. An 11% discount rate on future cash flows, as well as other market metrics were applied in determination of the impairment. Impairment is recognized as an expense included in the Company's consolidated statement of comprehensive income (loss) in the period in which it occurs. The impairment recorded at December 31, 2016 may be reversed at such time that the fair value of the impaired E&E assets increases.

Further declines or recoveries to commodity prices for crude oil and natural gas could result in additional impairment charges or impairment reversals in future periods

The key assumptions in determining the estimated recoverable amounts and future net cash flows for the PR Spring project were the following:

Commodity Prices

In its assessment of commodity prices, the Company utilized benchmark pricing forecasts from its external resource evaluator, which are outlined below:

Year	WTI Crude Oil (US$/bbl)	WCS at Hardisty (CDN$/bbl)	US$/CDN$
2017	$55.00	$53.70	0.750
2018	$58.70	$58.20	0.775
2019	$62.40	$61.90	0.800
2020	$69.00	$66.50	0.825
2021	$75.80	$71.00	0.850
Thereafter % change	2.0%	2.0%	NIL

Discount rate

Future net cash flows of contingent resources were estimated based on a discount rate of 11%.

Timing of future capital investment

The timing of future capital investment was determined based on estimated available liquidity, capital development plans, and future economic conditions in the industry.

9. INTANGIBLE ASSETS

	Technology and Patents	Computer Software	Corporate & Other	Total
Cost				
As at January 1, 2015	$ 1,571,206	$ 111,106	$ 81,695	$ 1,764,007
Additions	8,766	26,624	-	35,390
Foreign exchange effect	8,311	22,471	-	30,782
As at December 31, 2015	$ 1,588,283	$ 160,201	$ 81,695	$ 1,830,179
Additions	25,642	1,249	-	26,891
Foreign exchange effect	(144)	(4,521)	-	(4,665)
As at December 31, 2016	$ 1,613,781	$ 156,929	$ 81,695	$ 1,852,405
Accumulated amortization				
As at January 1, 2015	$ -	$ 48,227	$ 81,695	$ 129,922
Amortization	-	23,771	-	23,771
Foreign exchange effect	-	10,802	-	10,802
As at December 31, 2015	$ -	$ 82,800	$ 81,695	$ 164,495
Amortization	-	22,456	-	22,456
Foreign exchange effect	-	(2,075)	-	(2,075)
As at December 31, 2016	$ -	$ 103,181	$ 81,695	$ 184,876
Carrying value				
As at December 31, 2015	$ 1,588,283	$ 77,401	$ -	$ 1,665,684
As at December 31, 2016	**$ 1,613,781**	**$ 53,748**	**$ -**	**$ 1,667,529**

No impairment on intangible assets have been identified as at December 31, 2016 and December 31, 2015.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31 2016		December 31 2015
Accounts payables	**$**	**8,472,832**	$	5,035,422
Accrued liabilities		**531,440**		1,095,133
	$	**9,004,272**	$	6,130,555

11. BANK DEBT

		December 31 2016		December 31 2015
Current portion of bank debt	**$**	**287,664**	$	13,669
Non-current portion of bank debt		**359,045**		33,229
	$	**646,709**	$	46,898

In January 2016, the Company entered into a three-year loan at 3.70% interest for US$645,000. Also held is a US$42,000 loan at 6.47% interest for term of five years, ending November 2019. The current portion of bank debt is comprised of 12 monthly payments of US$19,780. The equipment under each loan is held as collateral, and there are no specified covenants.

12. DECOMMISSIONING LIABILITIES

		December 31 2016		December 31 2015
Balance, beginning of the year	**$**	**1,015,987**	$	445,486
Changes in estimates		**168,232**		(60,401)
Liabilities added (note 8)		**-**		482,373
Accretion		**22,563**		25,685
Foreign exchange effect		**(27,740)**		122,844
Balance, end of the year	**$**	**1,179,042**	$	1,015,987

The Company is liable for its share of dismantling, decommissioning, and site disturbance remediation activities of its properties upon abandonment. The estimated amount required to settle the decommissioning liabilities have been discounted using risk-free rates between 2.37% and 3.24% and an inflation rate of 2.1% (2015 – 0.7%). The properties are estimated to require reclamation in 15.25 (2015 – 15.5) years as at December 31, 2016.

13. SHARE CAPITAL

The Company completed a 50:1 share consolidation effective January 3, 2017. All 2016 and 2015 share capital figures have been retroactively adjusted to reflect the 50:1 consolidation.

a) Common shares

		December 31 2016		December 31 2015
	Number	**Amount**	Number	Amount
Balance, beginning of the year	17,062,847	**$ 113,634,766**	17,062,847	$113,634,766
Rights offering, net of allocation to warrants	17,062,847	**10,423,716**	-	-
Restricted Share Unit release	130,060	**431,409**	-	-
Share issue costs	-	**(255,101)**	-	-
Share Consolidation Rounding	(18)	**-**	-	-
Balance, end of the year	34,255,736	**$ 124,234,790**	17,062,847	$113,634,766
Weighted average common shares outstanding, basic and diluted	27,093,211		17,062,847	

On May 31, 2016, the Company completed a Rights Offering and issued 17,062,847 common shares at a price of $0.75 per common share for gross proceeds of $12.8 million. Pursuant to a Standby Agreement backstopping the Rights Offering, 3,214,500 warrants exercisable at a price of $0.75 per share expiring November 30, 2016 were granted to ACMO S.à R.L. (“ACMO”). The Company paid legal and regulatory fees in the amount of $255,101 in completing the Rights Offering.

b) Warrants

	December 31	2016		December 31 2015
	Number	**Amount**	Number	Amount
Balance, beginning of the year	**-**	**$ -**	-	$ -
Issued on rights offering	**3,214,500**	**2,373,420**	-	-
Expired	**3,214,500**	**(2,373,420)**	-	-
Balance, end of the year	**-**	**$ -**	-	$ -

The fair value of the warrants is estimated on the date of issuance using the Black-Scholes pricing model with the following assumptions: Risk-free interest rate 0.61%, expected life 0.5 years, expected volatility 170%, dividend per share $0.00. Based on this model, the weighted average fair value per warrant is $0.80. The warrants expired November 30, 2016.

c) Stock options

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

	December 31	2016		December 31 2015
	Number	**Weighted Average Exercise Price**	Number	Weighted Average Exercise Price
Outstanding, beginning of the year	**1,037,160**	**$ 9.32**	956,200	$ 9.90
Granted	**-**	**-**	160,000	5.00
Expired	**(16,000)**	**(6.25)**	(85,040)	7.43
Forfeited	**(6,520)**	**(5.38)**	-	-
Outstanding, end of the year	**1,014,640**	**$ 9.39**	1,037,160	$ 9.32
Exercisable, end of the year	**896,680**	**$ 9.95**	849,692	$ 10.22

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	5.0000	25,000	25,000	December 23, 2019
April 18, 2011	18.0000	138,000	138,000	April 18, 2021
May 28, 2012	9.0000	37,500	37,500	May 28, 2017
March 18, 2013	5.7500	75,500	75,500	March 18, 2018
November 12, 2013	9.5000	532,000	532,000	November 12, 2018
March 12, 2015	7.2500	400	267	March 12, 2019
April 15, 2015	6.2500	30,000	20,000	April 15, 2019
April 21,2015	7.0000	2,000	1,333	April 21, 2019
May 14, 2015	6.5000	8,000	5,333	May 14, 2019
August 13, 2015	6.0000	9,000	6,000	August 13, 2019
November 18, 2015	5.0000	10,000	6,667	November 18, 2019
March 11, 2015	5.0000	147,240	49,080	March 11, 2020
		1,014,640	896,680	

As at December 31, 2016, the exercise prices of the options outstanding ranged from $5.00 to $18.00 per option with a weighted average remaining life of 2.35 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:

	December 31 2016	December 31 2015
Risk-free interest rate	Nil	0.89%
Expected life (years)	Nil	5.00
Expected volatility	Nil	101%
Forfeiture rate	Nil	1.00%
Dividend per share	Nil	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.

Unless otherwise modified by the Board of Directors, the RSUs vest one-third on the first, second, and third anniversary dates of the grant. On the vesting dates, the Company has the option of settling the award value in cash or common shares of the Company.

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 14.5% was used to value all awards granted for the period ended December 31, 2016.

The number of restricted share units outstanding are as follows:

	December 31 2016	December 31 2015
Balance, beginning of the year	**265,246**	-
Granted	**880,724**	315,321
Vested	**(170,068)**	-
Forfeited	**(13,735)**	(50,075)
Balance, end of the year	**962,167**	265,246

e) Share-based Payments

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

For the years ended December 31		**2016**		2015
Share-based payments on stock options[(1)]	**$**	**(7,427)**	$	720,123
Share-based payments on RSUs		**1,069,230**		614,774
Total share-based payment expense	**$**	**1,061,803**	$	1,334,897

(1) Share-based payment expense for stock options was adjusted for forfeited awards and prior year over-recording of expense.

14. INCOME TAXES

The Company’s income tax provision differs from the taxes that would be obtained by applying the statutory tax rates applicable to each legal entity and is reconciled as follows:

		2016		2015
Income (loss) before income taxes	**$**	**(50,979,831)**	$	168,299
Statutory income tax rate		**27.0%**		26.0%
Expected income tax expense (recovery)		**(13,764,554)**		43,758
Differences resulting from:				
Share-based payment		**286,687**		371,738
Tax differential on foreign jurisdictions		**(5,692,754)**		1,374,952
Changes to opening tax pool		**(905,443)**		-
Other permanent differences		**5,366**		-
		(20,070,698)		1,790,448
Change in deferred tax benefits (liabilities) not recognized		**20,070,830**		(1,790,448)
Income tax expense	**$**	**132**	$	-

Income tax expenses included in the consolidated statements of comprehensive loss are the minimum tax paid to the State of Utah.

The components of the Company's deferred tax asset (liability) are calculated using the expected future tax rates and are as follows:

		2016		2015
Tax pools in excess of long lived assets	**$**	**9,306,894**	$	(18,763,696)
Share issue costs		**218,084**		391,799
Non-capital losses		**14,618,853**		22,591,799
Other		**164,124**		17,355
		24,307,955		4,237,257
Deferred tax benefits not recognized		**(24,307,955)**		(4,237,257)
Deferred tax asset	**$**	**-**	$	-

As at December 31, 2016, the Company has, for tax purposes, non-capital losses in Canada available to carry forward to future years total $16,542,511 (2015 – $21,366,287) expiring between 2026 and 2035 if not fully utilized.

The Company, through its wholly-owned US subsidiary has, for tax purposes, net operating loss carryover in the USA to carry forward to future years total US$19,387,601 (2015 - US$31,167,373) expiring by 2036 if not fully utilized.

15. SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended December 31		2016		2015
Accounts receivable	**$**	**(227,936)**	$	(12,432)
Prepaid expenses		**559,598**		(1,183,296)
Inventory		**48,239**		(7,804)
Accounts payable and accrued liabilities		**2,873,717**		1,893,217
Changes in non-cash working capital	**$**	**3,253,618**	$	689,685
Changes in non-cash working capital – operating	**$**	**901,094**	$	(776,898)
Changes in non-cash working capital – investing		**2,352,524**		1,466,583
	$	**3,253,618**	$	689,685

16. 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) Non-current segment assets

As at December 31, 2016		**Corporate**		**Utah Oil Sand Development**		**Consolidated**
Property, plant and equipment	$	1,096,990	$	1,802,616	$	2,899,606
Exploration and evaluation assets		260,000		67,527,604		67,787,604
Intangible assets		1,612,197		55,332		1,667,529
Reclamation funds on deposits		-		597,152		597,152
Segment non-current assets	$	2,969,187	$	69,982,704	$	72,951,891

As at December 31, 2015		**Corporate**		**Utah Oil Sand Development**		**Consolidated**
Property, plant and equipment	$	1,181,614	$	155,980	$	1,337,594
Exploration and evaluation assets		260,000		86,477,570		86,737,570
Intangible assets		1,587,896		77,788		1,665,684
Reclamation funds on deposits		-		614,255		614,255
Segment non-current assets	$	3,029,510	$	87,325,593	$	90,355,103

b) Reported segment income (loss)

	Corporate		Utah Oil Sand Development		Consolidated	
For the year ended Dec 31	**2016**	2015	**2016**	2015	**2016**	2015
Income						
Investment income & interest	**$ 46,572**	$ 115,772	**$ 1,245**	$ 1,898	**$ 47,817**	$ 117,670
Less: Expenses						
Impairment	**-**	-	**44,000,000**	542,151	**44,000,000**	542,151
Operation costs	**-**	-	**1,360,860**	542,151	**1,360,860**	542,151
Amortization	**158,371**	176,338	**299,081**	66,258	**457,452**	242,596
Accretion	**-**	-	**22,563**	25,685	**22,563**	25,685
Property evaluation	**929**	5,725	**6,018**	49,203	**6,947**	54,928
Technology development	**688,448**	823,357	**-**	-	**688,448**	823,357
General and administrative	**2,458,891**	3,263,049	**925,003**	1,151,728	**3,383,894**	4,414,777
Foreign exchange	**45,681**	(7,489,020)	**-**	-	**45,681**	(7,489,020)
Share-based payments	**1,061,803**	1,334,897	**-**	-	**1,061,803**	1,334,897
	4,414,123	(1,885,654)	**46,613,525**	1,835,025	**51,027,648**	(50,629)
Income (loss) before taxes	**(4,367,551)**	2,001,426	**(46,612,280)**	(1,833,127)	**(50,979,831)**	168,299
Income tax expense	**-**	-	**132**	128	**132**	128
Segment net income (loss)	**$(4,367,551)**	$ 2,001,426	**$ (46,612,412)**	$ (1,833,255)	**$ (50,979,963)**	$ 168,171
Capital Expenditures	**$ 72,406**	$ 231,698	**$ 28,978,710**	$ 46,937,809	**$ 29,051,116**	$ 47,169,507

**Certain comparative figures have been adjusted to reflect current account presentation (note 21)*

17. 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, 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.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy level.

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 held cashable short-term investments throughout 2016. Had the interest rate on the investments been 100 basis points higher (or lower) throughout the year ended December 31, 2016, earnings would have been affected by $68,416 (2015 – $412,405) based on the average investment balance outstanding during the 12 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:

	December 31 2016 (US Dollars)	December 31 2015 (US Dollars)
Cash and cash equivalents	**$ 167,185**	$ 12,090,699
Accounts payable	**5,616,615**	3,302,292
Accrued liabilities	**163,321**	592,339

As at December 31, 2016, the exchange was 1.3427 USD/CAD. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in an $56,128 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. For the year ended December 31, 2016, the Company had a negative working capital of $7.7 million (2015 - $14.0 million surplus) and an accumulated deficit of $85.3 million (2015 - $34.3 million). The Company's ability to remain a going concern is dependent on successful commercialization of the Company's proprietary bitumen extraction technology, the generation of positive cashflows from operations and the ability to discharge obligations as they become due.

18. 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:

	December 31 2016	December 31 2015
Shareholders' capital	**$ 124,234,790**	$ 113,634,766
Contributed surplus	**16,414,346**	13,410,532
Deficit	**(85,311,467)**	(34,331,504)

19. 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 year ended December 31 are as follows:

	2016	2015
Short-term employee benefits	**$ 870,154**	$ 1,044,789
Share-based payments	**673,853**	837,604
	$ 1,544,007	$ 1,882,393

The Rights Offering completed May 31, 2016 was backstopped by ACMO, who is the Company's largest shareholder and during 2016 held two seats on the Board along with one observer seat.

As a result of the issuance of RSUs to executives, the Company remitted income tax payable, on behalf of the executives in respect of such RSUs. The full amount of any such income tax remitted by the Company are repaid to the Company by way of payroll deduction or immediate cash payment.

20. COMMITMENTS

	Office and equipment		Resource properties (US dollars)
2017	$	680,815	$	357,049
2018		212,605		336,094
2019		3,301		336,094
2020		-		318,934
2021		-		53,020
Thereafter		-		164,560
	$	**896,721**	**$**	**1,565,751**

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.

21. ADJUSTMENT OF COMPARATIVE FIGURES

Salaries and wages previously disclosed as General and administrative expenses were reallocated to Technology development for the 2015 comparative period to comply with current account grouping.

For the year ended December 31, 2015		Current Presentation		Prior Period Presentation
General and administrative	**$**	**4,414,777**	$	5,003,911
Technology development		**823,357**		234,223
	$	**5,238,134**	$	5,238,134

22. SUBSEQUENT EVENTS

SHARE CONSOLIDATION

A 50:1 share consolidation was completed on January 3, 2017. The consolidation was approved by shareholders at the annual and special meeting of shareholders held on May 18, 2016. The share and per share amounts reflect the retrospective disclosure of the share consolidation.

SENIOR SECURED LOAN FACILITY

On January 12, 2017 the Company closed a financing agreement with ACMO, the Company's largest shareholder. The US$7.5 million senior secured loan facility carries a 15% annual interest rate, is repayable after one year and is extendible for an additional 12 months if, by the end of the initial 12-month term, the Company has produced an average of 1,500 barrels per day for 30 consecutive days at a cost of less than US$45.00 per barrel, inclusive of all operating, transportation and marketing costs, together with corporate G&A. The deal also increases ACMO's seats on the Board from 2 to 3 seats, plus the right to appoint one observer.

Security is a first priority interest on all present and future property, assets of the Company and its wholly owned subsidiary, US Oil Sands (Utah) Inc. A provision allows the Company to market and obtain a US$3.0 million loan facility (the "AR Facility") using accounts receivable and inventory as security, where ACMO will postpone its security in favour of a first place position.

As an inducement to provide the financing, ACMO was granted, on a post-consolidation basis, 24,000,000 warrants that are exercisable into one common share per warrant at $0.75 for a term of five years.

LEGAL CLAIM

A lawsuit was filed in the State of Utah on March 12, 2017 by a contractor engaged on the PR Spring Project during 2015 and 2016. The contractor is suing for payment of US$1,107,567, including accrued interest for work they claim was performed during 2015 and 2016 but have not been paid for. The Company disputes the value of work performed, validity of invoices, timing of invoicing, and calculation of interest accrued.

There is no indication to the decision of the lawsuit, and it is the Company's opinion that costs are adequately accrued at year-end.

SHARES FOR DEBT

The Company entered into agreements in 2017 with four of its service provider creditors to issue 793,857 common shares at a deemed price of $1.15 per common share in settlement of an aggregate of $912,934 in debt.