



U.S. OIL SANDS

US Oil Sands Inc.

**Unaudited Condensed Consolidated Financial Statements
For the Three and Six Months ended June 30, 2016**

(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	June 30, 2016	December 31, 2015
Assets			
Current Assets			
Cash and cash equivalents	4	\$ 9,926,497	\$ 18,529,111
Accounts receivable		307,207	134,280
Prepaid expenses		652,005	1,481,451
Inventory		45,343	48,239
		10,931,052	20,193,081
Non-current assets			
Property, plant and equipment	5	1,329,635	1,337,594
Exploration and evaluation assets	6	98,472,567	86,737,570
Intangible assets	7	1,676,852	1,665,684
Reclamation funds on deposit		578,524	614,255
		102,057,578	90,355,103
Total assets		\$ 112,988,630	\$ 110,548,184
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	8	\$ 4,082,220	\$ 6,130,555
Current portion of bank debt	9	307,881	13,669
		4,390,101	6,144,224
Non-current liabilities			
Bank debt	9	459,186	33,229
Decommissioning liabilities	10	1,076,430	1,015,987
Total liabilities		5,925,717	7,193,440
Shareholders' equity			
Shareholders' capital	11	123,540,920	113,634,766
Contributed surplus		13,806,664	13,410,532
Warrants	11	2,635,881	-
Deficit		(38,629,258)	(34,331,504)
Accumulated other comprehensive income		5,708,706	10,640,950
Total shareholders' equity		107,062,913	103,354,744
Total liabilities and shareholders' equity		\$ 112,988,630	\$ 110,548,184

Commitments (note 17)

US Oil Sands Inc.
Consolidated Statements of Comprehensive Loss
For the three and six months ended June 30
(Cdn\$)

	Notes	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2016	2015	2016	2015
Income					
Investment income & interest		33,765	83,921	37,489	146,055
Expenses					
Operation costs		411,324	7,238	868,026	18,362
Amortization	5,7	63,010	54,571	125,160	124,394
Accretion	10	4,858	18	11,428	3,072
Property evaluation		4,051	-	4,153	3,358
Technology development		209,524	154,402	332,636	386,771
General and administrative		893,140	1,098,608	1,775,229	2,233,731
Foreign exchange loss (gain)		(405,574)	1,355,995	822,346	(3,558,626)
Share-based payment	11	97,018	413,961	396,132	669,087
		1,277,351	3,084,793	4,335,110	(119,851)
Income (loss) before taxes		(1,243,586)	(3,000,872)	(4,297,621)	265,906
Income tax expense		129	-	133	124
Net income (loss)		(1,243,715)	(3,000,872)	(4,297,754)	265,782
Other comprehensive income (loss)		39,401	(132,610)	(4,932,244)	2,667,546
Total comprehensive income (loss)		\$ (1,204,314)	\$ (3,133,482)	\$ (9,229,998)	\$ 2,933,328
Loss per share – basic and diluted					
		\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ 0.00
Weighted average number of shares outstanding					
		1,143,773,321	853,142,395	998,457,858	853,142,395

*Certain comparative figures have been adjusted to reflect current account presentation

US Oil Sands Inc.
Consolidated Statements of Changes in Equity
For the six months ended June 30
(Cdn\$)

	Shareholders' Capital	Contributed Surplus	Warrants	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 loss	-	-	-	3,307,583	-	3,307,583
Other comprehensive loss – currency translation adjustment	-	-	-	-	2,759,229	2,759,229
Share-based payments	-	255,126	-	-	-	255,126
June 30, 2015	\$113,634,766	\$ 12,330,761	\$ -	\$ (31,192,092)	\$ 4,902,129	\$ 99,675,564
July 1, 2015	\$113,634,766	\$ 12,330,761	\$ -	\$ (31,192,092)	\$ 4,902,129	\$ 99,675,564
Net loss	-	-	-	(3,139,412)	-	(3,139,412)
Other comprehensive income – currency translation adjustment	-	-	-	-	5,738,821	5,738,821
Exercise of options	-	-	-	-	-	-
Share-based payments	-	1,079,771	-	-	-	1,079,771
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 loss	-	-	-	(4,297,754)	-	(4,297,754)
Other comprehensive income – currency translation adjustment	-	-	-	-	(4,932,244)	(4,932,244)
Rights offering	9,906,154	-	-	-	-	9,906,154
Share-based payments	-	396,132	-	-	-	396,132
Warrants	-	-	2,635,881	-	-	2,635,881
June 30, 2016	\$123,540,920	\$ 13,806,664	\$ 2,635,881	\$ (38,629,258)	\$ 5,708,706	\$107,062,913

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

	Notes	2016	2015
Operating activities			
Net income (loss)		\$ (4,297,754)	\$ 265,782
Adjustments for:			
Investment income & interest		(37,489)	(146,055)
Amortization	5,7	125,160	124,394
Accretion	10	11,428	3,072
Share-based payments	11	396,132	669,087
Unrealized (gain) loss on foreign exchange		1,562,476	(3,684,817)
Changes in non-cash working capital	12	368,896	(545,177)
		(1,871,151)	(3,313,714)
Investing activities			
Interest received		37,489	146,055
Purchase of property, plant and equipment	5	(115,841)	(94,591)
Expenditures on exploration and evaluation assets	6	(17,184,473)	(18,075,277)
Expenditures on intangible assets	7	(26,896)	(19,521)
Changes in non-cash working capital	12	(1,757,816)	4,386,494
		(19,047,537)	(13,656,840)
Financing activities			
Proceeds from issuance of shares from rights offering	11	12,797,136	-
Share issue costs		(255,101)	-
Net bank loan inflows (outflows)		(12,629)	-
		12,529,406	-
Effects of exchange rate changes on cash and cash equivalents		(213,332)	3,926,038
Net decrease in cash and cash equivalents		(8,579,941)	(13,044,516)
Cash and cash equivalents, beginning of period		\$ 18,529,111	\$ 64,390,338
Cash and cash equivalents, end of period		\$ 9,926,497	\$ 51,345,822

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

1. NATURE OF BUSINESS

US Oil Sands Inc. (the “Company”) is engaged in the exploration and development of oil sands properties and, through its wholly owned United States subsidiary US Oil Sands (Utah) Inc., has a 100% interest in bitumen leases covering 32,005 acres of land in Utah. To date, the Company has not earned significant revenues as it is in the pre-production stage.

The Company’s registered office is located at Suite 1600, 521 – 3rd Ave. SW., Calgary, Alberta, Canada T2P 3T3.

2. BASIS OF PRESENTATION

a) Statement of compliance

These condensed consolidated financial statements (“interim financial statements”) were approved by the Board of Directors of the Company on August 22, 2016.

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, 2015. 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 2015 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 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 Corporation has not completed its evaluation of the effect of adopting these standards on its financial statements.

4. CASH AND CASH EQUIVALENTS

	June 30 2016	December 31 2015
Cash	\$ 5,065,270	\$ 4,846,468
Short-term investments	4,861,227	13,682,643
	\$ 9,926,497	\$ 18,529,111

5. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Shop and Laboratory Equipment	Automotive 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	-	68,718	46,478	645	115,841
Foreign exchange effect	-	(179)	(8,511)	(6,183)	(14,873)
As at June 30, 2016	\$ 1,445,326	\$ 1,080,995	\$ 177,670	\$ 382,134	\$ 3,086,125
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	4,922	58,633	14,032	36,310	113,897
Foreign exchange effect	-	(92)	(3,417)	(1,461)	(4,970)
As at June 30, 2016	\$ 732,237	\$ 698,046	\$ 77,176	\$ 249,031	\$ 1,756,490
Carrying value					
As at December 31, 2015	\$ 718,011	\$ 372,951	\$ 73,142	\$ 173,490	\$ 1,337,594
As at June 30, 2016	\$ 713,089	\$ 382,949	\$ 100,494	\$ 133,103	\$ 1,329,635

6. 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 10)	570,501
Foreign exchange effect	9,457,294
As at December 31, 2015	\$ 86,737,570
Additions	17,184,473
Changes in decommissioning liabilities (note 10)	60,443
Foreign exchange effect	(5,509,919)
As at June 30, 2016	\$ 98,472,567

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 June 30, 2016 and December 31, 2015.

7. 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	1,254	-	26,896
Foreign exchange effect	(291)	(9,157)	-	(9,448)
As at June 30, 2016	\$ 1,613,634	\$ 152,298	\$ 81,695	\$ 1,847,627
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	-	11,263	-	11,263
Foreign exchange effect	-	(4,983)	-	(4,983)
As at June 30, 2016	\$ -	\$ 89,080	\$ 81,695	\$ 170,775
Carrying value				
As at December 31, 2015	\$ 1,588,283	\$ 77,401	\$ -	\$ 1,665,684
As at June 30, 2016	\$ 1,613,634	\$ 63,218	\$ -	\$ 1,676,852

No impairment on intangible assets have been identified as at June 30, 2016 and December 31, 2015.

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30 2016	December 31 2015
Accounts payables	\$ 3,689,635	\$ 5,035,422
Accrued liabilities	392,585	1,095,133
	\$ 4,082,220	\$ 6,130,555

9. BANK DEBT

	June 30 2016	December 31 2015
Current portion of bank debt	\$ 307,881	\$ 13,669
Non-current portion of bank debt	459,186	33,229
	\$ 767,067	\$ 46,898

The Company finalized a three-year loan at 3.70% APR for US\$645,000 in January 2016 to partially fund the purchase of US\$1.3 million of mining equipment, with the balance of the purchase price paid in cash. Also held is a US\$42,000 loan at 6.47% APR for term of five years, ending November 2019. The equipment under each loan is held as collateral, and there are no specified covenants.

10. DECOMMISSIONING LIABILITIES

	June 30 2016	December 31 2015
Balance, beginning of period	\$ 1,015,987	\$ 445,486
Changes in estimates	112,754	(60,401)
Liabilities added (note 6)	-	482,373
Accretion	11,428	25,685
Foreign exchange effect	(63,739)	122,844
Balance, end of period	\$ 1,076,430	\$ 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 1.0%. The properties are estimated to require reclamation in 15.2 years as at June 30, 2016.

11. SHARE CAPITAL

a) Common shares

	June 30 2016		December 31 2015	
	Number	Amount	Number	Amount
Balance, beginning of period	853,142,395	\$ 113,634,766	853,142,395	\$ 113,634,766
Rights offering, net of allocation to warrants	853,142,395	\$ 10,161,255	-	-
Share issue costs	-	\$ (255,101)	-	-
Balance, end of period	1,706,284,790	\$ 123,540,920	853,142,395	\$ 113,634,766
Weighted average common shares outstanding, basic and diluted	998,457,858		853,142,395	

On May 31, 2016, the Company completed a Rights Offering and issued 853,142,395 common shares at a price of \$0.015 per common share for gross proceeds of \$12,797,136. Pursuant to a Standby Agreement, 160,725,000 warrants exercisable at a price of \$0.015 per share expiring November 30, 2016 were also granted to ACMO S.à.r.l.. The Company paid legal and regulatory fees in the amount of \$255,101 in completing the rights offering.

b) Warrants

	June 30 2016		December 31 2015	
	Number of Warrants	Fair Value	Number of Warrants	Fair Value
Balance, beginning of the period	-	\$ -	-	\$ -
Issued on rights offering	160,725,000	\$ 2,635,881	-	-
Balance, end of the period	160,725,000	\$ 2,635,881	-	\$ -

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 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 \$0.016.

c) Stock options

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

	June 30 2016		December 31 2015	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	51,858,000	\$ 0.186	47,810,000	\$ 0.197
Options granted	-	-	8,300,000	0.100
Options forfeited	(800,000)	0.002	(4,252,000)	0.143
Outstanding, end of period	51,058,000	\$ 0.187	51,858,000	\$ 0.186
Exercisable, end of period	44,626,000	\$ 0.199	42,231,667	\$ 0.205

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	6,900,000	6,900,000	April 18, 2021
May 28, 2012	0.1800	1,875,000	1,875,000	May 28, 2017
March 18, 2013	0.1150	3,775,000	3,775,000	March 18, 2018
November 12, 2013	0.1900	26,600,000	26,600,000	November 12, 2018
March 12, 2015	0.1450	20,000	13,333	March 12, 2019
April 15, 2015	0.1250	1,500,000	1,000,000	April 15, 2019
April 21, 2015	0.1400	100,000	66,666	April 21, 2019
May 14, 2015	0.1300	400,000	266,667	May 14, 2019
August 13, 2015	0.1200	575,000	191,667	August 13, 2019
November 18, 2015	0.1000	500,000	166,667	November 18, 2019
March 11, 2015	0.1000	7,563,000	2,521,000	November 18, 2019
		51,058,000	44,626,000	

As at June 30, 2016, the exercise prices of the options outstanding ranged from \$0.10 to \$0.36 per option with a weighted average remaining life of 2.86 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:

	June 30 2016	December 31 2015
Risk-free interest rate	Nil	1.58%
Expected life (years)	Nil	5.00
Expected volatility	Nil	119%
Forfeiture rate	Nil	0.88%
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.

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 June 30, 2016.

The number of restricted share units outstanding are as follows:

	June 30 2016	December 31 2015
Balance, beginning of period	13,262,383	-
Granted	-	15,766,191
Forfeited	(654,809)	(2,503,808)
Balance, end of period	12,607,574	13,262,383

e) Share-based Payments

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

For the three months ended June 30	2016		2015	
Share-based payments on stock options	\$	123,300	\$	217,757
Share-based payments on RSUs		272,832		37,369
Total share-based payment expense	\$	396,132	\$	225,126

12. SUPPLEMENTAL CASH FLOW INFORMATION

For the three months ended June 30	2016		2015	
Accounts receivable	\$	(172,927)	\$	(16,780)
Prepaid expenses		829,446		63,222
Inventory		2,896		(3,772)
Accounts payable and accrued liabilities		(2,048,335)		428,936
Changes in non-cash working capital	\$	(1,388,920)	\$	471,606
Changes in non-cash working capital – operating	\$	368,896	\$	(15,208)
Changes in non-cash working capital – investing		(1,757,816)		486,814
	\$	(1,388,920)	\$	471,606

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) Non-current segment assets

As at June 30, 2016	Corporate	Utah Oil Sand Development	Consolidated
Property, plant and equipment	\$ 1,159,175	\$ 170,460	\$ 1,329,635
Exploration and evaluation assets	260,000	98,212,567	98,472,567
Intangible assets	1,612,868	63,984	1,676,852
Reclamation funds on deposits	-	578,524	578,524
Segment non-current assets	\$ 3,032,043	\$ 99,025,535	\$ 102,057,578

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)

For the three months ended June 30	Corporate		Utah Oil Sand Development		Consolidated	
	2016	2015	2016	2015	2016	2015
Income						
Investment income & interest	\$ 32,625	\$ 83,921	\$ 1,140	\$ -	\$ 33,765	\$ 83,921
Less: Expenses						
Operation costs	-	-	411,324	7,238	411,324	7,238
Amortization	46,794	38,926	16,216	15,645	63,010	54,571
Accretion	-	-	4,858	18	4,858	18
Property evaluation	900	-	3,151	-	4,051	-
Technology development	209,524	154,402	-	-	209,524	154,402
General and administrative	687,223	771,562	205,917	327,046	893,140	1,098,608
Foreign exchange	(405,574)	1,355,995	-	-	(405,574)	1,355,995
Share-based payments	97,018	413,961	-	-	97,018	413,961
	635,885	2,734,847	641,466	349,946	1,277,351	3,084,793
Income (loss) before taxes	(603,260)	(2,650,926)	(640,326)	(349,946)	(1,243,586)	(3,000,872)
Income tax expense	-	-	129	-	129	-
Segment net income (loss)	\$ (603,260)	\$ (2,650,926)	\$ (640,455)	\$ (349,946)	\$ (1,243,715)	\$ (3,000,872)
Capital Expenditures	\$ 36,699	\$ 28,993	\$ 6,341,962	\$ 14,368,496	\$ 6,378,661	\$ 14,397,490

For the six months ended June 30	Corporate		Utah Oil Sand Development		Consolidated	
	2016	2015	2016	2015	2016	2015
Income						
Investment income & interest	\$ 36,312	\$ 145,157	\$ 1,177	\$ 898	\$ 37,489	\$ 146,055
Less: Expenses						
Operation costs	-	-	868,026	18,362	868,026	18,362
Amortization	91,826	93,376	33,334	31,018	125,160	124,394
Accretion	-	-	11,428	3,072	11,428	3,072
Property evaluation	900	558	3,253	2,800	4,153	3,358
Technology development	332,636	386,771	-	-	332,636	386,771
General and administrative	1,276,287	1,712,303	498,942	521,428	1,775,229	2,233,731
Foreign exchange	822,346	(3,558,626)	-	-	822,346	(3,558,626)
Share-based payments	396,132	669,087	-	-	396,132	669,087
	2,920,127	(696,531)	1,414,983	576,680	4,335,110	(119,851)
Income (loss) before taxes	(2,883,815)	841,688	(1,413,806)	(575,782)	(4,297,621)	265,905
Income tax expense	-	-	133	124	133	124
Segment net income (loss)	\$ (2,283,815)	\$ 841,688	\$ (1,413,939)	\$ (575,906)	\$ (4,297,754)	\$ 265,782
Capital Expenditures	\$ 68,718	\$ 84,453	\$ 17,295,171	\$ 18,094,684	\$ 17,363,889	\$ 18,179,137

*Certain comparative figures have been adjusted to reflect current account presentation

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 \$4.9 million of cashable short-term investments. Had the interest rate on the investments been 100 basis points higher (or lower) throughout the six months ended June 30, 2016, earnings would have been affected by \$46,662 (2015 – \$157,093) based on the average investment balance outstanding during the six 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:

	June 30 2016 (US Dollars)	December 31 2015 (US Dollars)
Cash and cash equivalents	\$ 4,518,801	\$ 12,090,699
Accounts payable	2,626,437	3,302,292
Accrued liabilities	61,218	592,339

As at June 30, 2016, the exchange was 1.3009 USD/CAD. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in an \$18,311 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. For the quarter ended June 30, 2016, the Company had a positive working capital of \$6,563,624 (2015 - \$43,715,375) and an accumulated deficit of \$38,629,258 (2015 - \$34,233,893). The Company does not carry any long-term debt for operations.

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:

	June 30 2016	December 31 2015
Shareholders' capital	\$ 123,540,920	\$ 113,634,766
Contributed surplus	13,806,664	13,410,532
Warrants	2,635,881	-
Deficit	(38,629,258)	(34,331,504)

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 six months ended June 30 are as follows:

	2016	2015
Short-term employee benefits	\$ 503,640	\$ 501,115
Share-based payments	169,038	459,612
	\$ 672,678	\$ 960,727

There were no other related party transactions during the six months ended June 30, 2016.

17. COMMITMENTS

	Office and equipment	Resource properties (US dollars)	Exploration and evaluation (US dollars)
2016	\$ 311,712	\$ 313,434	\$ 184,269
2017	615,975	357,049	-
2018	169,611	336,094	-
2019	1,890	336,094	-
2020	-	318,934	-
Thereafter	-	217,580	-
	\$ 1,099,188	\$ 1,879,185	\$ 184,269

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 June 30, 2016, the capital expenditure commitments for the PR Spring Project are US\$184,269 and expected to be paid during 2016. The committed costs pertain to detailed engineering, construction management and capital equipment.