US Oil Sands Inc.

Unaudited Condensed Consolidated Financial Statements
For the Three and Nine Months ended September 30, 2011
(Expressed in Canadian Dollars)

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

As at	Notes	September 30 2011	December 31 2010	January 1 2010
Assets				
Current Assets				
Cash and cash equivalents		**$ 7,325,554**	$ 226,869	$ 395,992
Accounts receivable		**109,675**	387,330	287,635
Prepaid expenses		**248,412**	62,946	61,422
		7,683,641	677,145	745,049
Non-current assets				
Property, plant and equipment	5	**382,947**	323,148	451,414
Exploration and evaluation assets	6	**6,821,362**	1,015,236	915,284
Technology and patents	7	**1,549,977**	1,568,785	1,557,215
Reclamation funds on deposit		**346,150**	89,549	94,086
		9,100,436	2,996,718	3,017,999
Total assets		**$ 16,784,077**	$ 3,673,863	$ 3,763,048
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	8	**$ 2,030,133**	$ 113,033	$ 150,878
Non-current liabilities				
Decommissioning liabilities	10	**266,166**	64,947	68,343
Total liabilities		**2,296,299**	177,980	219,221
Shareholders' equity				
Shareholders' capital	11	**27,274,939**	15,011,398	13,927,648
Contributed surplus	11	**3,385,243**	1,933,835	1,484,776
Warrants	11	**112,592**	-	-
Deficit		**(16,538,482)**	(13,449,350)	(11,868,597)
Accumulated other comprehensive income		**253,486**	-	-
Total shareholders' equity		**14,487,778**	3,495,883	3,543,827
Total liabilities and shareholders' equity		**$ 16,784,077**	$ 3,673,863	$ 3,763,048

Commitments (note 18)

Subsequent event (note 19)

US Oil Sands Inc.
Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)
For the three and nine months ended

(Cdn$)	Notes	For the Three Months Ended September 30 2011	2010	For the Nine Months Ended September 30 2011	2010
Income					
Interest		**$ 23,784**	$ 955	**$ 38,341**	$ 1,932
Gain on sale of capital assets		**-**	-	**-**	5,629
		23,784	955	**38,341**	7,561
Expenses					
Amortization		**32,388**	33,914	**84,350**	101,743
Accretion		**2,549**	-	**3,814**	-
Acquisition expense		**-**	-	**285,199**	-
Property evaluation		**-**	11,285	**27,667**	33,003
Technology development		**48,194**	17,101	**72,128**	56,560
General and administrative		**(3,717)**	317,214	**1,202,809**	993,901
Share-based payment	11	**208,686**	15,657	**1,451,408**	449,059
		288,100	395,171	**3,127,375**	1,634,266
Loss before taxes		**(264,316)**	(394,216)	**(3,089,034)**	(1,626,705)
Income tax expense		**-**	-	**98**	-
Net loss		**(264,316)**	(394,216)	**(3,089,132)**	(1,626,705)
Other comprehensive income – currency translation adjustment		**365,150**	-	**253,486**	-
Total comprehensive income (loss)		**$ 100,834**	$ (394,216)	**$ (2,835,646)**	$ (1,626,705)
Loss per share – basic and diluted		**$ (0.00)**	$ (0.00)	**$ (0.02)**	$ (0.02)
Weighted average number of shares outstanding		**249,512,068**	99,275,005	**160,885,332**	99,275,005

US Oil Sands Inc.
Unaudited Condensed Consolidated Statements of Changes in Equity
For the nine months ended September 30
(Cdn$)

	Shareholders' Capital	Contributed Surplus	Warrants	Deficit	Accumulated other comprehensive income	**Total Shareholders' Equity**
January 1, 2010	$ 13,927,648	$ 1,484,776	$ -	$ (11,868,597)	$ -	**$ 3,543,827**
Loss for the period	-	-	-	(1,626,705)	-	**(1,626,705)**
Common shares issued	1,083,750	-	-	-	-	**1,083,750**
Contributed surplus	-	449,059	-	-	-	**449,059**
September 30, 2010	$ 15,011,398	$ 1,933,835	$ -	$ (13,495,302)	$ -	**$ 3,449,931**
October 1, 2010	$ 15,011,398	$ 1,933,835	$ -	$ (13,495,302)	$ -	**$ 3,449,931**
Net income for the period	-	-	-	45,952	-	**45,952**
December 31, 2010	$ 15,011,398	$ 1,933,835	$ -	$ (13,449,350)	$ -	**$ 3,495,883**
January 1, 2011	$ 15,011,398	$ 1,933,835	$ -	$ (13,449,350)	$ -	**$ 3,495,883**
Loss for the period	-	-	-	(3,089,132)	-	**(3,089,132)**
Other comprehensive income – currency translation adjustment	-	-	-	-	253,486	**253,486**
Common shares issued	13,664,041	-	-	-	-	**13,664,041**
Common shares cancelled	(25,000)	-	-	-	-	**(25,000)**
Share issue costs	(1,375,500)	-	-	-	-	**(1,375,500)**
Contributed surplus	-	1,451,408	-	-	-	**1,451,408**
Warrants	-	-	112,592	-	-	**112,592**
September 30, 2011	$ 27,274,939	$ 3,385,243	$ 112,592	$ (16,538,482)	$ 253,486	**$ 14,487,778**

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

US Oil Sands Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
For the nine months ended September 30

(Cdn$)	Notes	2011	2010
Operating activities			
Net loss		$ (3,089,132)	$ (1,626,705)
Adjustments for:			
Amortization		84,350	101,743
Accretion		3,814	-
Share-based payment		1,451,408	449,059
Service fees paid by issuance of warrants	11	7,592	-
Gain on sale of capital assets		-	(5,629)
Unrealized loss (gain) on foreign exchange		(305,249)	8,154
		(1,847,217)	(1,073,378)
Changes in non-cash working capital	12	2,009,289	211,291
Non-cash working deficit from reverse asset acquisition	11	(125,015)	-
Cash flow from (used in) operating activities		37,057	(862,087)
Investing activities			
Purchase of property, plant and equipment	5	(144,149)	(4,182)
Expenditures on exploration and evaluation assets	6	(5,604,907)	(75,602)
Expenditures on technology and patents	7	(6,192)	(4,728)
Increase in reclamation funds on deposit		(256,601)	-
Cash flow used in investing activities		(6,011,849)	(84,512)
Financing activities			
Proceeds from issuance of shares from private placement	11	12,600,000	1,083,750
Proceeds from options exercised	11	73,800	-
Share issue costs	11	(756,000)	-
Cash acquired from reverse asset acquisition	11	600,755	-
Proceeds from bridge loan	9	3,000,000	-
Repayment of bridge loan	9	(3,000,000)	-
Cash flow from financing activities		12,518,555	1,083,750
Net increase in cash and cash equivalents		6,543,763	137,151
Cash and cash equivalents, beginning of period		$ 226,869	$ 395,992
Effects of exchange rate changes on cash and cash equivalents		554,922	(2,101)
Cash and cash equivalents, end of period		$ 7,325,554	$ 531,042
Supplementary information			
Interest received		$ 38,341	$ 1,932
Income tax expense		$ 98	$ -
Non-cash share issue costs	11	$ 619,500	$ -
Non-cash shares issued	11	$ 632,473	$ 11,535
Non-cash increase in decommissioning liabilities	6	$ 201,219	$ -
Non-cash shares cancelled	11	$ 25,000	$ -
Cash and cash equivalent			
Cash		$ 3,167,244	$ 531,042
Short-term investments		4,158,310	-
		$ 7,325,554	$ 531,042

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

1. ACQUISITION AND CONTINUATION OF BUSINESS

Earth Energy Resources Inc. ("Earth Energy") and US Oil Sands Inc. ("US Oil Sands", formerly International LMM Ventures Corp.) amalgamated on May 9, 2011 to continue as US Oil Sands Inc. (the "Company"). On April 18, 2011, pursuant to the terms of the Amalgamation Agreement dated March 14, 2011, US Oil Sands acquired all of the issued and outstanding common shares of Earth Energy, by the issuance of 105,231,324 common shares of US Oil Sands, such that Earth Energy became a wholly-owned subsidiary of US Oil Sands (the "Acquisition"). Common Shares were issued on the basis of four (4) Common Shares for every one (1) Earth Energy share. In addition, 13,400,000 options to purchase common shares were issued to option holders of Earth Energy in exchange for their outstanding Earth Energy options based on the same exchange ratio, and 7,200,000 new options were granted to directors, officers, employees and consultants of the Company at an exercise price of $0.36 per share expiring on April 18, 2021.

Pursuant to its mandate agreement, Endeavour Financial Ltd., was issued 2,100,000 Common Shares of the Company and was paid a cash fee of $126,000 in connection with the Acquisition.

The Acquisition effectively resulted in Earth Energy taking control of the consolidated entity and that Earth Energy was identified as the acquirer. However, as US Oil Sands did not meet the definition of a business, the Acquisition did not constitute a business combination under IFRS 3R "Business Combinations". It is rather considered a capital restructuring or a reverse asset acquisition. The comparative figures presented in these condensed financial statements are those of Earth Energy.

The Company's registered office is located at Suite 950, 633 – 6th Ave. SW., Calgary, Alberta, T2P 2Y5.

To date, the Company has not earned significant revenues as it is in the pre-production stage.

These condensed consolidated financial statements were approved by the Board of Directors of the Company on November 29, 2011.

2. BASIS OF PRESENTATION

These condensed consolidated financial statements have been prepared using the accounting policies under International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed consolidated financial statements have been prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" and International Accounting Standards ("IAS") 34 "Interim Financial Reporting" (note 17), in conjunction with the Company's annual audited financial statements to be issued under IFRS for the year ended December 31, 2011. Previously, Earth Energy prepared its annual consolidated financial statements in accordance with Canadian Generally Accepted Accounting Principles ("previous GAAP"). As a result, the comparative figures for 2010 and the financial positions as at January 1, 2010 have been restated from previous GAAP to IFRS. Reconciliations from IFRS to previous GAAP are summarized in note 17.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of consolidation

The consolidated 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 condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated 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.

The estimates and judgments that the Company has used in these condensed consolidated financial statements include the estimates of the useful life of assets, impairment of capital assets, risk-free rate, volatility rate, and forfeiture rate.

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")

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.

	Method	Rate
Automotive equipment	declining balance	30 %
Computer hardware and software	declining balance	30 %
Leasehold improvements	straight-line	6 years
Office furniture and equipment	declining balance	20 %
Processing equipment	declining balance	30 %
Shop and laboratory equipment	declining balance	30 %

Based on the review of PP&E, the Company did not have significant components within each class of asset that requires componentization accounting as at September 30, 2011.

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 statement of comprehensive income (loss).

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 and costs of drilling resource delineation wells.

E&E costs are classified as intangible assets and are not depleted until technical feasibility and commercial viability is considered to be determined. 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.

f) Technology and patents

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.

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"). Goodwill acquired is allocated to CGUs expected to benefit from synergies of the related business combination.

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 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. 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 are not reversed for subsequent increases in its recoverable amount.

h) 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. 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.

i) 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 related 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 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 property, plant and equipment. The discounted obligation is initially capitalized as part of the carrying amount of the related property, plant and equipment 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 property, plant and equipment. Actual abandonment and reclamation expenditures are charged to the accumulated obligation as incurred and obligations related to properties disposed are removed.

j) Income taxes

Current and deferred income taxes are recognized in the statement 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 consolidated 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.

k) Share-based payment

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model. The amount is expensed or capitalized and credited to contributed surplus over the vesting period. Upon exercise of the options, the exercise proceeds, together with amounts previously credited to contributed surplus, are credited to share capital. On the occurrence of forfeitures, accrued compensation for an unvested option is adjusted to earnings by decreasing the compensation cost in the period of actual forfeiture.

l) Foreign currency

Transaction amounts denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction dates. Carrying values of monetary assets and liabilities reflect the exchange rates at the balance sheet date. Gains and losses on translation or settlement are included in the determination of net income for the current period. The presentation and functional currency of the parent company is Canadian dollars.

The Company has a wholly owned subsidiary with US dollars as its functional currency. Accordingly, assets and liabilities are translated at the closing rate at the date of the statement of financial position. Income and expense are translated at exchange rates at the date of the transaction and all resulting exchange difference are recognized in other comprehensive income.

Effective April 1, 2011, the above subsidiary changed its functional currency from Canadian dollars to US dollars to reflect the change to the underlying transactions. The Company applied the translation procedures applicable to the new functional currency prospectively from the date of the change.

4. FUTURE ACCOUNTING STANDARDS NOT YET EFFECTIVE

The IASB intends to replace IAS 39 "Financial Instruments: Recognition and Measurement" in its entirety with IFRS 9 "Financial Instruments" in three main phases. IFRS 9 will be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39, and is effective for annual periods beginning on or after January 1, 2015, with earlier adoption permitted. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

In May 2011, the IASB issued the following standards which have not yet been adopted by the Company: IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements", IFRS 12 "Disclosure of Interests in Other Entities", IAS 27 "Separate Financial Statements", IFRS 13 "Fair Value Measurement" and amended IAS 28 "Investments in Associates and Joint Ventures". Each of the new standards is effective for annual periods beginning on or after January 1, 2013 with early adoption permitted. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements or whether to early adopt any of the new requirements.

5. PROPERTY, PLANT AND EQUIPMENT

	Processing Equipment	Shop and Laboratory Equipment	Automotive Equipment	Corporate and Other	Total
Cost					
As at January 1, 2010	$ 760,124	$ 551,260	$ 15,000	$ 68,089	$ 1,394,473
Additions	-	3,696	-	3,695	7,391
As at December 31, 2010	$ 760,124	$ 554,956	$ 15,000	$ 71,784	$ 1,401,864
Additions	36,486	13,380	24,591	69,692	144,149
As September 30, 2011	$ 796,610	$ 568,336	$ 39,591	$ 141,476	$ 1,546,013
Accumulated amortization					
As at January 1, 2010	$ 481,257	$ 404,253	$ 13,339	$ 44,210	$ 943,059
Amortization	83,660	44,656	498	6,843	135,657
As at December 31, 2010	$ 564,917	$ 448,909	$ 13,837	$ 51,053	$ 1,078,716
Amortization	45,977	25,251	2,646	10,476	84,350
As at September 30, 2011	$ 610,894	$ 474,160	$ 16,483	$ 61,529	$ 1,163,066
Carrying value					
As at January 1, 2010	$ 278,867	$ 147,007	$ 1,661	$ 23,879	$ 451,414
As at December 31, 2010	$ 195,207	$ 106,047	$ 1,163	$ 20,731	$ 323,148
As at September 30, 2011	$ 185,716	$ 94,176	$ 23,108	$ 79,947	$ 382,947

6. EXPLORATION AND EVALUATION ASSETS

		Petroleum Properties
Cost and carrying value		
As at January 1, 2010	$	915,284
Additions		99,952
As at December 31, 2010	$	1,015,236
Additions		5,604,907
Increase in decommissioning liabilities		201,219
As at September 30, 2011	$	6,821,362

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

No impairment has been identified as at September 30, 2011, December 31, 2010 and January 1, 2010.

7. TECHNOLOGY AND PATENTS

		Technology and Patents
As at January 1, 2010	$	1,557,215
Additions		11,570
As at December 31, 2010	$	1,568,785
Additions		6,192
Adjustments (note 11a)		(25,000)
As at September 30, 2011	$	1,549,977

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		September 30 2011		**December 31 2010**		**January 1 2010**
Accounts payables	**$**	**459,882**	$	49,468	$	86,517
Accrued liabilities		**1,570,251**		63,565		64,361
	$	**2,030,133**	$	113,033	$	150,878

9. BRIDGE LOAN

Pursuant to a loan agreement dated February 1, 2011, $3 million was advanced by a syndicate of arm's length lenders to the Company (the "Bridge Loan") to fund the acquisition of undeveloped oil sands leases in the State of Utah and to provide working capital for certain operating activities, including a coring program and engineering activities. The Bridge Loan was advanced in exchange for non-interest bearing promissory notes of the Company ("Promissory Notes") having a maturity date of August 1, 2011. The Promissory Notes were repaid on April 18, 2011.

10. DECOMMISSIONING LIABILITIES

		September 30 2011		December 31 2010
Balance, beginning of period	**$**	**64,947**	$	68,343
Adjustment for change in estimate		**(14,079)**		-
Additions		**209,442**		-
Accretion		**3,814**		-
Foreign currency fluctuation		**2,042**		(3,396)
Balance, end of period	**$**	**266,166**	$	64,947

The Company is liable for its share of reclamation of its properties upon abandonment. The decommissioning liability balance for January 1, 2010 and December 31, 2010 was the undiscounted balance as it was the Company's intention to either abandon and reclaim the site, or more likely, to begin construction of a large mine within one year which fully encompasses the area requiring reclamation. As the coring program commenced in June 2011, the Company has changed the estimated useful life of the related assets and has re-calculated the decommissioning liabilities to present value. These payments are expected to be made in 10 years. The discount factor, being the risk-free rate related to the liability, is 4.61% (December 31, 2010 – 0%).

11. SHARE CAPITAL

a) Common shares

	September 30 2011 Number	September 30 2011 Amount	December 31 2010 Number	December 31 2010 Amount
Earth Energy				
Common shares issued				
Balance, beginning of period	**25,800,528**	**$ 14,998,425**	24,393,528	$ 13,903,140
Issued for cash	**-**	**-**	867,000	1,083,750
Issued as allocated	**607,303**	**12,973**	540,000	11,535
Shares cancelled	**(100,000)**	**(25,000)**	-	-
Exchange of shares on acquisition	**(26,307,831)**	**(14,986,398)**	-	-
	-	**$ -**	25,800,528	$ 14,998,425
Common shares to be issued				
Balance, beginning of period	**607,303**	**$ 12,973**	1,147,303	$ 24,508
Issued as allocated	**(607,303)**	**(12,973)**	(540,000)	(11,535)
	-	**$ -**	607,303	$ 12,973
Balance, end of period	**-**	**$ -**	26,407,831	$ 15,011,398
US Oil Sands				
Balance, beginning of period	**99,275,005**	**$ 3,573,516**	99,275,005	$ 3,573,516
Exercise of options	**12,000**	**1,200**	-	-
Exchange of Earth Energy shares for US Oil Sands shares on acquisition	**105,231,324**	**14,986,398**	-	-
Private placement	**42,000,000**	**12,600,000**	-	-
Commissions paid in shares	**2,100,000**	**619,500**	-	-
Elimination of US Oil Sands share capital on amalgamation	**-**	**(3,574,716)**	-	-
Value assigned to US Oil Sands share capital on amalgamation	**-**	**475,741**	-	-
Share issue costs	**-**	**(1,375,500)**	-	-
Allocated to warrants	**-**	**(105,000)**	-	-
Exercise of options	**738,000**	**73,800**	-	-
	249,356,329	**$ 27,274,939**	99,275,005	$ 3,573,516
Weighted average common shares outstanding, basic and diluted	**160,885,332**		99,275,005	

Earth Energy

On April 7, 2011, Earth Energy cancelled 100,000 shares issued to a third party as consideration for IP purchased in 2005, $25,000 was originally assigned to those shares. Technology and patents balance was reduced by $25,000 accordingly.

US Oil Sands

On April 18, 2011, pursuant to the terms of the Amalgamation Agreement dated March 14, 2011, 105,231,324 common shares of US Oil Sands were issued to shareholders of Earth Energy on the basis of four (4) common shares for every one (1) Earth Energy share.

On April 18, 2011, US Oil Sands completed a private placement and issued 42,000,000 units at a price of $0.30 per unit for gross proceeds of $12,600,000. Each unit consists of one common share and one-half of one common share purchase warrant exercisable at a price of $0.40 per share expiring April 18, 2013. US Oil Sands assigned a value of $0.005 per warrant pursuant to the private placement subscription agreement. US Oil Sands paid finder's fees in the amount of $630,000.

On April 18, 2011, pursuant to its mandate agreement, Endeavour Financial Ltd., was issued 2,100,000 common shares of US Oil Sands and was paid a cash fee of $126,000 in connection with the Acquisition. The shares issued were valued at $0.295 per share pursuant to the private placement subscription agreement.

Upon amalgamation, 99,287,005 shares of US Oil Sands were transferred to the Company. These shares were valued at $475,741, which represented the excess of the cash received of $600,755 over non-cash working deficit of $125,015 from the reverse asset acquisition as discussed in note 1.

On June 7, 2011, a former US Oil Sands director exercised 250,000 of stock options at a price of $0.10 per share. As the fair value of the options is immaterial, no value has been assigned to options carried forward from US Oil Sands to the Company. Therefore, the total proceeds have been recorded in common shares.

On July 14, 2011, former US Oil Sands directors exercised 488,000 of stock options at a price of $0.10 per share. As the fair value of the options is immaterial, no value has been assigned to options carried forward from US Oil Sands to the Company. Therefore, the total proceeds have been recorded in common shares.

b) Warrants

		September 30 2011		December 31 2010
	Number of Warrants	**Fair Value**	Number of Warrants	Fair Value
Warrants issued				
Balance, beginning of period	-	$ -	-	$ -
Issued on private placement	21,000,000	105,000	-	-
Expired	-	-	-	-
	21,000,000	$ 105,000		
Warrants to be issued				
Balance, beginning of period	-	$ -	-	$ -
To be issued per agreement	500,000	7,592	-	-
	500,000	$ 7,592	-	$ -
Balance, end of period	21,500,000	$ 112,592	-	$ -

The weighted average exercise price for the warrants issued is $0.40 (December 31, 2010 – $nil) per warrant.

Subsequent to September 30, 2011 and in connection with the quarter then ended, the Company issued 500,000 warrants at an exercisable price of $0.40 expiring June 30, 2013 (notes 18 and 19). Fair value of the warrants is estimated on the date they are scheduled to be issued using the black-Scholes pricing model with the following weighted assumptions:

	Warrants scheduled to be issued on September 30, 2011
Risk-free interest rate	0.89%
Expected life (years)	1.75
Expected volatility	80%
Forfeiture rate	0%
Dividend per share	0.0

c) Stock options

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

		September 2011		December 31 2010
	Number of Options	**Weighed Average Exercise Price**	Number of Options	Weighed Average Exercise Price
Earth Energy				
Outstanding, beginning of period	3,350,000	$ 1.02	3,350,000	$ 1.02
Exchange of options on acquisition	(3,350,000)	(1.02)	-	-
Outstanding, end of period	-	$ -	3,350,000	$ 1.02
US Oil Sands				
Outstanding, beginning of period	4,250,000	$ 0.10	4,250,000	$ 0.10
Options exercised	(750,000)	0.10	-	-
Exchange of options on acquisition	13,400,000	0.26	-	-
Options granted	7,275,000	0.36	-	-
Outstanding, end of period	24,175,000	$ 0.26	4,250,000	$ 0.10
Exercisable, end of period	20,537,500	$ 0.26	4,250,000	$ 0.10

The following table summarizes information about stock options outstanding and exercisable as at September 30, 2011:

Exercise price	Number Outstanding	Number Exercisable	Expiry Date
0.1250	3,400,000	3,400,000	July 7, 2013
0.2500	2,000,000	2,000,000	August 11, 2013
0.3125	8,000,000	8,000,000	August 7, 2013
0.1000	3,500,000	3,500,000	December 23, 2019
0.3600	7,200,000	3,600,000	April 18, 2021
0.2000	75,000	37,500	August 23, 2021
	24,175,000	20,537,500	

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model with the following weighed assumptions:

	August 23, 2011 options	April 18, 2011 options	2010 Modifications	2008 options
Risk-free interest rate	2.38%	3.37%	1.94%	3.08%
Expected life (years)	10.0	10.0	3.0	5.0
Expected volatility	80%	80%	80%	80%
Forfeiture rate	0%	0%	0%	0%
Dividend per share	0.0	0.0	0.0	0.0

The Company issues stock options to certain directors, officers, employees, 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. Vesting of the stock options depends on the capacity of the individual.

The Company adopted a “rolling” Stock Option Plan (the “Plan”) in compliance with the TSX Venture Exchange policy for granting shares. Under the Plan, the number of shares reserved for issuance may not exceed 10% of the total number of issued and outstanding shares and, to any one optionee, may not exceed 5% of the issued shares on a yearly basis. The exercise price of each option shall not be less than the market price of the Company’s stock at the date of grant with a minimum exercise price of $0.10. Options can be granted for a maximum term of ten years and will vest on issuance unless otherwise determined by the board of directors.

On June 18, 2010, Earth Energy modified the expiry dates of 1,350,000 stock options (“2010 Modifications”). 850,000 of the previous options were set to expire on July 7, 2010 with the remaining 500,000 set to expire on August 11, 2010. The expiry dates of the modified options have been extended by three years and are now set to expire on July 7, 2013 and August 11, 2013, respectively. The changes in fair value of these stock options totalled $356,807 calculated by using the Black-Scholes stock pricing model and has been recorded in 2010.

Upon completion of the Acquisition described in note 1, 13,400,000 options to purchase common shares were issued to option holders of Earth Energy in exchange for their outstanding Earth Energy options based on the same exchange ratio, and 7,200,000 new options were granted to directors, officers, employees and consultants of the Company at an exercise price of $0.36 per share expiring on April 18, 2021.

On August 23, 2011, 75,000 options to purchase common shares were granted to an employee of the Company at an exercise price of $0.20 per share expiring on August 23, 2021.

d) Contributed surplus

		September 30 2011		December 31 2010
Balance, beginning of period	**$**	**1,933,835**	$	1,484,776
Share-based payment		**1,451,408**		449,059
Balance, end of period	**$**	**3,385,243**	$	1,933,835

12. CASH FLOW

For nine months ended September 30		**2011**		2010
Accounts receivable	**$**	**277,655**	$	247,026
Prepaid expenses		**(185,466)**		(28,214)
Accounts payable and accrued liabilities		**1,917,100**		(7,521)
Changes in non-cash working capital	**$**	**2,009,289**	$	211,291

13. SEGMENT INFORMATION

a) Reconciliation of segment non-current assets

For the nine months ended September 30, 2011		Canada		USA		Consolidated
Property, plant and equipment	$	307,937	$	75,010	$	382,947
Exploration and evaluation assets		260,000		6,561,362		6,821,362
Technology and patents		1,549,977		-		1,549,977
Reclamation funds on deposits		-		346,150		346,150
Segment non-current assets	$	2,117,914	$	6,982,522	$	9,100,436

For the year ended December 31, 2010		Canada		USA		Consolidated
Property, plant and equipment	$	323,148	$	-	$	323,148
Exploration and evaluation assets		260,000		755,236		1,015,236
Technology and patents		1,568,785		-		1,568,785
Reclamation funds on deposits		-		89,549		89,549
Segment non-current assets	$	2,151,933	$	844,785	$	2,996,718

b) Reconciliation of reported segment loss

For the nine months ended September 30, 2011		Canada		USA		Consolidated
Income						
Interest income	$	37,628	$	713	$	38,341
Less: Expenses						
Amortization		77,063		7,287		84,350
Accretion		-		3,814		3,814
Acquisition expense		285,199		-		285,199
Property evaluation		609		27,058		27,667
Technology development		72,128		-		72,128
General and administrative		1,195,034		7,775		1,202,809
Income tax expenses		-		98		98
Segment loss	$	(1,592,405)	$	(45,319)	$	(1,637,724)
Share-based payment						(1,451,408)
Net loss					$	(3,089,132)

For the nine months ended September 30, 2010		Canada		USA		Consolidated
Income						
Interest income	$	1,932	$	-	$	1,932
Gain on sale of capital assets		-		5,629		5,629
		1,932		5,629		7,561
Less: Expenses						
Amortization		101,743		-		101,743
Property evaluation		-		33,003		33,003
Technology development		52,000		4,560		56,560
General and administrative		976,791		17,110		993,901
Segment loss	$	(1,128,602)	$	(49,044)	$	(1,177,646)
Share-based payment						(449,059)
Net loss					$	(1,626,705)

14. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, deposits, reclamation funds, and accounts payable and accruals. All financial instruments must be classified into one of the following five categories: loans and receivables, held-to-maturity, fair value through profit or loss, available-for-sale financial assets or financial liabilities measured at amortized cost. The Company classified all of the financial instruments as loans and receivables with accounts payable and accrued liabilities as other financial liabilities measured at amortized cost.

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, deposits, reclamation funds, accounts payable and accruals 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 fair value of the financial instruments of the Company was based on Level 1 measurement and the Company does not have financial instruments of which fair values were based on Level 2 or Level 3 measurement.

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 2011	December 31 2010	January 1 2010
Cash and cash equivalents	**5,539,564**	21,053	10,249
Accounts payable	**303,062**	16,110	4,562
Accrued liabilities	**1,466,462**	-	-

As at September 30, 2011, the exchange rate between Canadian dollars and US dollars was CAD$1 to US$0.9626. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a $37,700 increase in the gain or loss of foreign exchange, respectively.

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 of short-term in nature and are settled within 90 days.

15. RELATED PARTY TRANSACTIONS

For the nine months ended September 30		**2011**		2010
Consulting fees	**$**	**50,356**	$	142,138

The consulting fees were paid to the Company's officers and directors and were measured at the exchange amount as the transactions were entered into in the normal course of business. As at September 30, 2011, the Company has no recurring related party transactions as these relationships were in place up to the closing of the Acquisition.

16. 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 shareholders' equity.

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

17. TRANSITION TO IFRS

Effective January 1, 2011, the Company adopted IFRS for its first condensed consolidated financial statements for the period ended March 31, 2011 in conjunction with the Company's annual audited consolidated financial statements to be issued under IFRS as at and for the year ended December 31, 2011. As a result, those condensed consolidated financial statements have been prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards" and with IAS 34 "Interim Financial Reporting" as issued by IASB.

IFRS 1 requires the presentation of comparative information as at January 1, 2010 ("transition date") and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters. Accordingly, those condensed consolidated financial statements were prepared using the accounting policies stated in note 4 and were retrospectively and consistently applied except where specific IFRS 1 optional and mandatory exemptions permitted an alternative treatment upon transition to IFRS for first-time adopters.

Elected exemptions from full retroactive application

a) Deemed cost election for oil and gas properties

Under previous GAAP, the Company followed the "full cost accounting" method of accounting for oil and gas activities in which all costs directly associated with the acquisition of, the exploration for, and the development of oil and natural gas reserves were capitalized. Under IFRS, exploration and evaluation costs are those expenditures for an area where technical feasibility and commercial viability has not yet been determined, are presented separately on the statement of financial position as exploration and evaluation assets and may or may not be amortized based on the Company's accounting policy. Development costs include those expenditures for areas where technical feasibility and commercial viability has been determined, are presented as a part of property, plant and equipment on the balance sheet and are depleted and depreciated on an area-by-area level. The Company adopted the IFRS 1 exemption whereby the Company deemed its January 1, 2010 IFRS asset costs to be equal to its previous GAAP capitalized value. Accordingly, exploration and evaluation costs were deemed equal to the unproved properties balance.

b) Share-based payment

The Company has elected to use the IFRS 1 exemption whereby the liabilities for share-based payments that had vested or settled prior to January 1, 2010 were not required to be retrospectively restated.

c) Leases

The Company has elected not to reassess whether an arrangement contains a lease under IFRIC 4 "Determining whether an Arrangement contains a Lease", for contracts that were assessed under previous GAAP.

d) Business combinations

IFRS 3R "Business Combinations" has not been applied to business combinations that occurred before the transition date.

e) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets were not retrospectively restated prior to transition date.

f) Additional exemptions applied

The Company applied additional exemptions for cumulative translation differences and decommissioning liabilities.

Reconciliation of Canadian GAAP to IFRS

Reconciliation of Deficit

		January 1 2010		September 30 2010		December 31 2010
Deficit under previous GAAP	$	(11,638,890)	$	(12,889,547)	$	(12,843,595)
Differences increasing reported deficit:						
Common shares issued for services		(75,000)		(75,000)		(75,000)
Share-based payment		(154,707)		(530,755)		(530,755)
Deficit under IFRS	$	(11,868,597)	$	(13,495,302)	$	(13,449,350)

Pursuant to an agreement with Earth Energy dated September 15, 2005, Envoy Capital Management Ltd. ("Envoy"), an unrelated party, was entitled to receive 3,510,916 common shares of Earth Energy which remained in treasury as allocated but unissued, and which are fully earned and paid up. These unissued common shares could not be voted until issued. Envoy was engaged by Earth Energy to provide corporate finance services, including facilitating the acquisition of the technology assets. Under previous GAAP, as the services provided were broad in nature, no expense or capital had been recorded in the accounts of Earth Energy. Upon transition to IFRS, Earth Energy assigned a value of $75,000 for the 3,510,916 common shares, in accordance with IFRS 2 “Share-based Payment” based on the value of the services received with this amount charged to retained earnings.

Under previous GAAP, the Company recorded share-based payment using the Black-Scholes pricing model with an expected volatility of 0% as the Company was an unlisted entity. IFRS requires the Company to take into account the expected volatility of the share price and that an unlisted entity could consider the historical or implied volatility of similar listed entities. On transition, the Company applied an expected volatility of 80% by benchmarking to those of similar listed entities. In determining the fair value of the options granted, the Company applied a forfeiture rate of 0% as the Company anticipated that officers and employees who received the options will continue their employment within the vesting periods based on their long-term employment history with the Company.

Reconciliation of Loss

		Three months ended September 30 2010		Nine months ended September 30 2010		Twelve months ended December 31 2010
Net loss under previous GAAP	$	(382,964)	$	(1,250,658)	$	(1,204,705)
Differences increasing reported loss:						
Share-based payment		(11,252)		(376,047)		(376,047)
Net loss under IFRS	$	(394,216)	$	(1,626,705)	$	(1,580,752)

As described above, the Company recorded share-based payment at fair value of the options using the Black-Scholes pricing model with an expected volatility of 80%. The changes in the options’ fair value in 2010 were recognized in total comprehensive loss.

Reconciliation of Cash Flow

		Three months ended September 30 2010		Nine months ended September 30 2010		Twelve months ended December 31 2010
Net loss under previous GAAP	$	(382,964)	$	(1,250,658)	$	(1,204,705)
Differences increasing reported loss:						
Share-based payment		(11,252)		(376,047)		(376,047)
Net loss under IFRS	$	(394,216)	$	(1,626,705)	$	(1,580,752)
Amortization		33,914		101,743		135,658
Gain on disposal of capital assets		-		(5,629)		(4,834)
Share-based payment		15,657		449,059		449,059
Net effect of foreign currency translation		5,018		8,154		11,883
Changes in non-cash working capital		305,117		211,291		(134,530)
Cash used in operating activities under IFRS	**$**	**(34,510)**	**$**	**(862,087)**	**$**	**(1,123,516)**
Effects of exchange rate changes on cash and cash equivalents under IFRS		**(1,283)**		**(2,101)**		**(3,862)**

There was no difference between previous GAAP and IFRS related to cash used in investing activities and cash from financing activities.

18. COMMITMENTS

The Company has three forms of future commitments.

The Company leases office and office/development premises in Calgary and Grande Prairie, respectively. The lease on the Calgary office space is a three year term expiring December 31, 2013 with gross quarterly rental fees of $10,125. The office and technology development facility lease in Grande Prairie terminates on March 31, 2013 and has gross quarterly rental fees of $33,165.

The Company's resource properties are leased from the State of Utah. With 32,005 acres held under separate leases and each having differing expiry terms, the aggregate minimum quarterly payments are US$82,114.

Pursuant to a Special Advisory Services Letter Agreement dated July 6, 2011 and as amended September 30, 2011, whereby the Company engaged with an arms-length international advisory-focused boutique investment bank to provide general advice and counsel on equity capital markets, the Company has agreed to issue 2,000,000 warrants. The warrants are to be issued quarterly as services are rendered at a price equal to the greater of Market Price (as defined in TSXV Policy) and $0.40 in the case of warrants issuable in connection with the quarters September 30, 2011 and December 31, 2011 and $0.50 in the case of warrants issuable in connection with the quarters March 31, 2012 and June 30, 2012. All of the warrants issued shall be exercisable at any time up until June 30, 2013. Subsequent to September 30, 2011 and in connection with the quarter then ended, the Company issued 500,000 warrants at $0.40 (note 19).

19. SUBSEQUENT EVENT

Subsequent to September 30, 2011 and in connection with the quarter then ended, the Company issued 500,000 warrants at an exercisable price of $0.40 expiring June 30, 2013. These warrants were valued at $7,592 using the Black-Scholes pricing model.