US Oil Sands Inc.

Management's Discussion and Analysis
For the three and nine months ended September 30, 2012
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2012

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated November 8, 2012 and should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements for the Three and Nine Months ended September 30, 2012 ("Q3 2012").

Unless otherwise noted, the amounts are expressed in Canadian dollars.

Additional information concerning US Oil Sands is available on SEDAR at www.sedar.com.

The September 30, 2012 condensed consolidated financial statements, including comparative figures, were prepared using the accounting policies under International Financial Reporting Standards ("IFRS"). The accounting policies applied in the condensed consolidated financial statements are based on IFRS issued as of September 30, 2012.

EXECUTIVE SUMMARY

US Oil Sands 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. The Company is in the pre-production stage, anticipating the commencement of bitumen production and sales in 2013.

During Q3 2012, the Company completed a field program on its 5,930 acre PR Spring oil sands development project. The program consisted of a 37 hole coring program, a water supply drilling and testing program, and surface mining equipment specification testing.

On August 29, 2012, Administrative Law Judge Sandra K. Allen appointed by the Utah Department of Environmental Quality, issued her findings related to the May 16-17, 2012 hearing and recommended her support to the Utah Water Quality Board for the Company's permit-by-rule. Subsequently October 24, 2012, the Utah Department of Environmental Quality's Water Quality Board voted by a 9-2 margin to support the Company's permit.

On August 30, 2012, Company received notice of the approval of its pending patent application relating to its bitumen extraction process from the Canadian Intellectual Property Office.

NATURE OF THE BUSINESS

US Oil Sands is a pre-production oil sands company with a large land position totalling 32,005 acres of bitumen extraction rights on leases in the State of Utah. It is expected that a significant amount of the resource on the Company's property will be accessible using surface mining methods and the Company's proprietary oil sands extraction process.

The Company has two major oil sands project areas. The Company's primary development area is the PR Spring Project Area which consists of 5,930 contiguous acres and which has been in testing and development since 2005. Within a portion of this lease the Company has an approved surface mine development project which is expected to complete construction and commence production in 2013. The Company also holds 26,075 acres of exploration land which is referred to as the Cedar Camp and NW Project Area.

The Company's proprietary extraction process is a unique highly efficient and low cost process which allows the recovery of bitumen without the need for tailings ponds. The process employs a very effective bio-solvent that is both renewable and biodegradable. The process results in extraction efficiency in excess of 96%, achieves immediate recycle of 95% of process water and is expected to achieve best-in-class environmental performance on the basis of greenhouse gas emissions, energy efficiency, surface footprint and reclamation.

OIL SANDS LEASE HOLDINGS

As of the date of this report, US Oil Sands owns a 100% working interest in its entire 32,005 acres of land holdings. All the Company's leases are within the PR Spring Special Tar Sands Area and are administered by the State of Utah School and Institutional Trust Lands Administration. Royalties paid on production from these lands are used to support the public school system in Utah.

The Company's leases are located within the Uinta Basin in Northeast Utah, which aside from extensive oil sands deposits, is also well known for its conventional oil and natural gas production. Consequently, oil field services are abundant and available to support the pre-production field work program and subsequent bitumen development and production operations. The following table summarizes the lease holdings of the Company:

Oil Sands Acreage Under Lease	Acreage
PR Spring Project Area	5,930
Cedar Camp and NW Project Area	26,075
Total	**32,005**

THIRD QUARTER HIGHLIGHTS

Operational

Major activities in the third quarter ("Q3 2012") included completion of the 2012 field work program and continuation of the work with its engineering consultants and equipment suppliers to complete final engineering design and initiate equipment orders with vendors on the PR Spring Mine Development.

Notably, the coring program, consisting of 37 core holes drilled to an average depth of approximately 200 feet that, was directed at infill delineation of known or expected bitumen deposits and all intersected bitumen pay. The results of these core holes will be integrated into the Company's resource modelling software and evaluated by the Company's independent resource evaluators for inclusion in the independent resource evaluation report in compliance with National Instrument 51-101 – *Standards for Disclosure of Oil and Gas Activities.*

The results of these wells will also be used for permitting the next phases of mine expansion beyond the existing permitted mine area.

On August 29, 2012, the Company received the Recommended Order from Administrative Law Judge Sandra K. Allen who was appointed by the Utah Department of Environmental Quality to preside over the May 16-17, 2012 hearing. The hearing was initiated through a Request for Agency Action filed by a Utah-based environmental organization in April 2011 against the Utah Division of Water Quality claiming that the Division of Water Quality improperly issued a permit-by-rule to the Company. Judge Allen's Recommended Order issued to the Utah Water Quality Board supported the Company's conclusion that shallow groundwater has not been located and may be assumed absent in the project area. The Judge further found that "US Oil Sands' proposed operation does not present a greater than de minimis risk of affecting the groundwater." Judge Allen's recommended order denied the relief sought by the intervener in its Request for Agency Action and was considered by the Utah Department of Environmental Quality's Water Quality Board in its October 24, 2012 meeting, which is authorized to rule in the matter. The Utah Department of Environmental Quality's Water Quality Board voted by a 9-2 margin to support the Company's permit and the decision was published November 1, 2012 by the chairman of the Water Quality Board.

On August 30, 2012, Company received notice of the approval of the patent application relating to its bitumen extraction process from the Canadian Intellectual Property Office. The Company has since made the required filings and fees and expects the Original Letters of Patent to be issued in the name of US Oil Sands Inc. by the end of 2012.

Overall performance

There was no revenue from operations as the Company is in the pre-production stage. As at September 30, 2012, the Company had total assets of $22,940,117 which is comprised of largely cash and cash equivalents and capital assets.

The Company recorded a net loss of $859,724 which included non-cash share-based payment of $94,279 and general and administrative expense ("G&A") of $737,964. Of the total G&A expense, $330,229 related to salary and wages paid during Q3 2012 and $157,424 represents foreign exchange loss for the quarter.

Cash used in operating activities totalled $156,176 and cash used in investing activities totalled $1,930,583.

Selected financial information

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2012	**2011**	**2012**	**2011**
Total assets	22,940,117	16,784,077	22,940,117	16,784,077
Cash from (used) in operations	(156,176)	(333,219)	(2,956,738)	(2,004,000)
Net loss	(859,724)	(264,316)	(3,620,719)	(3,089,132)
Total comprehensive loss	(1,203,480)	100,834	(3,951,460)	(2,835,646)
Loss per share – basic and diluted	(0.00)	(0.00)	(0.01)	(0.02)

- Total assets increased by $6,156,040 from $16,784,077 at September 30, 2011 ("Q3 2011") to $22,940,117 at September 30, 2012. Of the total increase, cash and cash equivalents increased by $904,574, prepaid expenses increased by $94,000, evaluation and exploration assets increased by $4,965,050 and other capital assets increased by $284,873; accounts receivable decreased by $58,109 as receivables related to SR&ED tax credits for 2011 was received in the third quarter of 2011.
- Cash flows used in operations decreased by $177,043, compared to Q3 2011. Operational expenditures in Q3 2012 were consistent with Q3 2011; however prepaid balance was lower and accounts payable was higher due to timing of the incurred expense and that majority of the balance remained in current liabilities at quarter-end.
- Net loss increased by $595,408, compared to Q3 2011. Share-based compensation expense recorded in Q3 2012 was $114,407 lower than that recorded in Q3 2011. The increase was mainly due to higher G&A expense incurred. The following provides further analysis on the changes in G&A expense:
    - Salary and benefits increased by $68,276 as a result of salary adjustments occurring in 2012.
    - A significant balance of the cash and cash equivalent is denominated in US dollars. Changes in foreign exchange rates may impose significant impact on the foreign exchange gain or loss which is included in G&A. During Q3 2012 the Canadian dollar was strengthening and during Q3 2011 the Canadian dollar was weakening against the US dollar. As a result, the Company reported a $157,424 foreign exchange loss in Q3 2012 while had a $539,589 foreign exchange gain in Q3 2011.
- Total comprehensive loss at the end of Q3 2012 included cumulative translation adjustment of negative $343,756, due to the weakening US dollar against Canadian dollar.
- There were no significant changes in financial conditions for Q3 2012, compared to the fiscal year ended December 31, 2011.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010
Interest income	**24,778**	**2,658**	**2,495**	**6,727**	**23,784**	**11,761**	**2,801**	**1,221**
(Loss)/gain on sale of capital assets	**50**	**-**	**-**	**(4,359)**	**-**	**-**	**-**	**(796)**
Net income (loss)	**(859,724)**	**(1,629,452)**	**(1,131,543)**	**(903,969)**	**(264,316)**	**(2,326,215)**	**(498,601)**	**45,952**
Earnings (loss) per share – basic and diluted	**(0.00)**	**(0.01)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.02)**	**(0.02)**	**0.00**

- The quarterly results of the quarters in 2010 and the quarter ended March 31, 2011 are those of Earth Energy. All of these quarterly financial data were prepared in accordance with IFRS. The Company is operated as a continuation of Earth Energy Resources Inc., subsequent to an acquisition (the "Acquisition") on April 18, 2011 by US Oil Sands Inc. (formerly International LMM Ventures Corp.) and a subsequent amalgamation on May 8, 2011.
- The Company does not have operating revenue as it is in the pre-production stage. Interest income is earned on cash deposits and short-term investments.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2012, the Company had cash and cash equivalents of $8,230,128, net working capital of $6,509,458 and no commitments for capital expenditures.

The Company intends to use its cash and cash equivalent balance to fulfill its liabilities and commitments and fund its development project. The Company believes it has sufficient capital to complete the current resource and engineering programs. Cash flow will be insufficient to meet planned operating and capital requirements in the next twelve months and additional sources of funding, either at a parent company level or at a project level, will be required to grow the Company's development project and fully develop its oil sand properties. Historically, the Company has used equity private placements as its external source of funding. As an alternative to equity that is highly dilutive at current share prices, the Company is engaged in a process to attract a joint venture partner to participate in the PR Spring Project Area. There is no assurance that the Company will be able to obtain additional financing on favourable terms, if at all, and any future equity issuances may be dilutive to current investors. If the Company cannot secure additional financing, it may have to delay its development project and forfeit or dilute its rights in existing oil sands property interests. If the Company elects to defer capital projects, it has sufficient working capital to support operations well beyond 2013.

As of the date of this report, the Company has no bank debt or banking credit facilities in place.

COMMITMENTS

The Company leases office and office/development premises in Calgary and Grande Prairie, respectively. The lease on the Calgary office space is an 8-month term sublease expiring May 31, 2013 with gross quarterly rental fees of $30,173 and thereafter, a 3-year term headlease expiring May 31, 2016 with gross quarterly rental fees of $40,118. 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 assigned its original Calgary office space which expires December 31, 2013 to a third party at full costs. Should the assignee default on future payments, the Company will need to fulfil the lease obligation with gross quarterly rental fees of $9,800.

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

RELATED PARTY TRANSACTIONS

There was no related party transaction during Q3 2012. As at September 30, 2012, the Company had no recurring related party transactions.

OUTSTANDING SHARE DATA

As of the date of this report there are 312,831,064 common shares outstanding, 24,675,000 options outstanding and 84,224,735 warrants outstanding.

FINANCIAL INSTRUMENTS

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 financial instruments held by the Company are recorded at amortized costs; therefore, the fair value hierarchy is not applicable and that the Company does not have financial instruments of which fair values were based on Level 1, 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.

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.

OUTLOOK

For the remainder of 2012, the Company continues to focus on the final engineering and the ordering of the long lead time major equipment, together with the final site preparations of the PR Spring Project Area and the Company is on schedule for construction of the project in mid to late 2013.

Management intends to continue its pursuit of opportunities to add additional resource lands by assessing growth opportunities and furthering regulatory application efforts that ensure a ready inventory of future mineable assets for the Company. With the assistance of Dundee Capital Markets Inc. and EAS Advisors, LLC, US Oil Sands continues the process of marketing and closing a joint venture financing. This process is ongoing and expected to close in Q4 2012.

FORWARD-LOOKING INFORMATION ADVISORY

This MD&A contains forward-looking information and forward-looking statements within the meaning of applicable Canadian securities laws (collectively, "forward-looking information"). This forward-looking information is subject to certain risks and uncertainties that could cause actual results to differ materially from those included in such forward-looking information. The words "believe", "expect", "indicate", "intend", "estimate", "anticipate", "project", "scheduled" and similar expressions, as well as future or conditional verbs such as "will", "should", "would" "may" and "could" often identify forward-looking information. This information is only a prediction. Actual events or results may differ materially from the events and results expressed in the forward-looking statements and forward-looking information. In addition, this MD&A may contain forward-looking information attributed to third-party industry sources.

Undue reliance should not be placed on forward-looking information, as there can be no assurance that the plans, intentions or expectations upon which it is based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward looking information will not occur.

Specific forward-looking information contained in this MD&A includes, among others, statements regarding: activities, events or developments that US Oil Sands expects or anticipates will or may occur in the future, including assessments of future plans and operations; financial information; business plans and plans for the exploration, delineation and development of the Company's assets; the work programs for the PR Spring and Cedar Camp lands; the expected costs and expenditures associated with exploration, delineation and development of the Company's assets; industry information regarding bitumen estimates for Utah and the PR Spring Special Tar Sands Area; timing and sources of financing; further capital requirements; estimated taxes; the timing of commencement of operations and the level of production anticipated; the operation of facilities; production methods; estimated general financial performance in future periods; the timing of resolution of objections to regulatory permits; resource estimate relating to the PR Spring Project; expectations regarding the development and production potential of the Company's properties including through the use of evolving extraction technologies; the timing of receipt of required approvals and permits from regulatory authorities; assets, liabilities, financial resources, financial position and growth prospects; cash projections and the components thereof.

Statements relating to 'resources' are forward-looking statements, as they involve the implied assessment, based on estimates and assumptions, that the resources described exist in the quantities predicted or estimated, and can be profitably produced in the future.

With respect to forward-looking information contained in this MD&A, the Company has made assumptions regarding, among other things: the expected costs to explore, delineate and develop US Oil Sands' assets and the expected costs to construct the PR Spring Projects; future crude oil, bitumen, natural gas and synthetic crude oil prices; US Oil Sands' ability to obtain qualified staff and equipment in a timely and cost-efficient manner to meet its demands; the regulatory framework with respect to royalties, taxes, environmental matters, resource recovery and securities matters in the jurisdiction in which US Oil Sands will conduct its business; US Oil Sands' ability to market production of bitumen successfully to customers; the timing and progress of work relating to assets; continuity of resource between core holes; future production levels; future capital expenditures; future sources of funding for the Company's capital program; future debt levels; future business plans; geological and engineering estimates; the geography of the areas in which US Oil Sands will be exploring; the impact of increasing competition; US Oil Sands' ability to obtain financing on acceptable terms; the risk around change to scope; and the sufficiency of budgeted capital expenditures in carrying out planned activities.

Forward-looking information is subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied in such forward-looking information. Such risks, uncertainties and factors include, among others: the early stage of development of US Oil Sands' assets and the nature of the exploration and development activities on such assets; risks associated with contingent and discovered bitumen resources and mine pit estimates; difficulties attracting qualified personnel; the risk of termination or expiration of leases; difficulties encountered during the exploration for, delineation, development and production of bitumen; costs associated with exploration for, delineation, development and production and upgrading bitumen; the impact of competition; the need to obtain required approvals and permits from *regulatory authorities; liabilities as a result of accidental damage to the environment; compliance with and liabilities under environmental laws and regulations; the volatility of crude oil and natural gas prices and of the differential between heavy and light crude oil prices; the risks associated with exploring for, developing and producing bitumen; changes in the foreign exchange rate amount between the Canadian dollar, the U.S. dollar and the euro; liquidity and capital market constraints on US Oil Sands; difficulties encountered in delivering bitumen to commercial markets; the risk that US Oil Sands is unable to sufficiently protect its proprietary technology or may be subject to technology infringement claims from third parties; general economic conditions in Canada, the United States, and global markets; failure to obtain industry partners and other third-party consents and approvals when required; royalties payable in respect of US Oil Sands' production; the impact of amendments to the Income Tax Act (Canada) on US Oil Sands; risks of third parties claiming or exercising pre-emptive rights; changes in or the introduction of new government regulations, and in particular related to carbon dioxide relating to US Oil Sands' business; uncertainty surrounding the ability to attract capital for both debt and equity when necessary; and circumstances may arise, including changes in IFRS, regulations or economic conditions, which could change the assumptions, estimates or expectations of the information provided in respect of US Oil Sands' transition to IFRS.*

Management has included the above summary in order to provide readers with a more complete perspective. Actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking information and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking information will transpire or occur, or if any of them do so, the benefits that US Oil Sands will derive there from. All of the forward-looking information contained in this MD&A is qualified by these cautionary statements. US Oil Sands undertakes no obligation to publicly update or revise any forward-looking information to reflect new information, subsequent events or otherwise, unless so required by applicable securities laws.