U.S. OIL SANDS

US Oil Sands Inc.

Management's Discussion and Analysis
For the three months ended March 31, 2014
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED MARCH 31, 2014

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated May 14, 2014 and should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements for the three months ended March 31, 2014.

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 March 31, 2014 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 consolidated financial statements are based on IFRS issued as of March 31, 2014.

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 2015.

Some of the achievements in Q1 2014 include:

- Kellogg Brown & Root LLC ("KBR") was selected on January 20, 2014 to provide project and construction management services for the PR Spring Project. Working jointly with US Oil Sands, KBR will work to bring both the extraction facilities and mine development into commercial production.
- The Company received approval for its U.S. patent relating to its bitumen extraction process, complimenting the issuance of the Canadian patent in 2012. The approval provides a key, strategic advantage for the Company, as no commercial oil sands mining process has yet been implemented that can operate with the overall reduced environmental footprint that US Oil Sands' process provides.
- Initiated order of long delivery equipment for PR Spring. The Company announced the purchase of a rotary slurry mixer, one of the largest pieces of equipment in the project. Other major equipment orders will be placed over the next 4 months as the Company targets installation in early 2015 with start-up forecasted in the second half of 2015.

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 2015. 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**

FINANCING ACTIVITIES

The Company has not engaged in any financing activities since the October 18, 2013 private placement, where the Company issued 540,036,331 common shares at a price of $0.15 per share for gross proceeds of $81,005,452.

OPERATIONAL ACTIVITIES

During the quarter the Company continued to work with its engineering consultants and equipment suppliers to complete final engineering design. Detailed mine planning also continued to identify and plan expansion areas.

The Company received notification from the United States Patent and Trademark Office ("USPTO") that allows the Company's U.S. patent application relating to its bitumen extraction process. The Company will be formally issued the patent after the Company finalizes issuance procedures with the USPTO. The Company has previously been granted a patent by the Canadian Intellectual Property Office in 2012 and has completed the international filing of a patent application through World Intellectual Property Organization (WIPO) in October 2007.

The approval of the U.S. patent application and the prior granting of a Canadian patent provides a key, strategic advantage for the Company, as no commercial oil sands mining process has yet been implemented that can operate with the overall reduced environmental footprint that US Oil Sands' process provides. In addition, the Company believes its low capital cost allows the Company's extraction process to be economically deployed to a broad range of smaller deposits, previously deemed economically out of reach for oil sands mining operations using traditional extraction processes.

Subsequent to the end of quarter and in compliance with National Instrument 51-101 - Standards of Disclosure for Oil and Gas Activities, the Company released the independent resource evaluation report issued by Calgary-based Sproule Unconventional Limited ("Sproule") dated April 2, 2014. The evaluation results detail the bitumen resource assessment of the Company's PR Spring property in Utah as of February 28, 2014, and incorporate the results of the 184 wells drilled and cored on the Company's PR Spring Project Area in 2011 and 2012. Sproule's independent best estimate of discovered resource is 184.3 million barrels and remains unchanged from the prior year.

2013 FINANCIAL RESULTS AND ANALYSIS

Summary of selected financial results

Three months ended March 31	2014	2013
Total assets	$ 94,652,631	$ 20,267,221
Cash used in operations	(1,089,801)	(846,533)
Net loss	(1,854,609)	(986,894)
Total comprehensive loss	(1,294,129)	(726,731)
Loss per share – basic and diluted	(0.00)	(0.00)

Analysis of Results

a) Exploration and evaluation assets ("E&E")

Expenditures associated with exploration and evaluation of oil and gas reserves are initially capitalized. During Q1 2014, the Company capitalized $503,277 (2013 - $151,606) in E&E, including all costs directly associated to the PR Spring Project. The following table summarizes the major components of the E&E:

	March 31, 2014	**December 31, 2013**
Leasehold land interest	**$ 6,076,602**	$ 5,805,839
Mine pit	**5,526,237**	5,162,393
Production facilities	**295,344**	9,051
Water facilities	**3,384,014**	3,253,877
Total exploration and evaluation assets	**$ 15,282,197**	$ 14,231,160

b) Operational performance

The Company is in its pre-operation stage and has not earned revenues from oil sands production. The Company earned interest income from its cash holdings of $345,471 (2013 – $5,782).

As at March 31, the Company had total assets of $94,652,631 (2013 - $20,267,221) which is comprised of largely cash and cash equivalents and exploration and evaluation assets.

G&A analysis

The Company recorded a net loss of $1,854,609 which included non-cash share-based payment of $429,801, general and administrative expense ("G&A") of $1,649,153, and interest income of $345,471. Of the total G&A expense, $1,025,812 related to salary and wages paid during Q1 2014 and $61,463 related to advisory fees paid to third parties. A net foreign exchange loss of $271,740 was recorded during the quarter driven by US denominated cash held on deposit.

Other Expenses

Property evaluation expenses of $18,995 (2013 – $34,425) were incurred during the quarter in analysis of potential oil sands properties. The Company incurred $78,964 (2013 - $28,327) in technology development expenses, primarily at its R&D facility.

Share-based Payments

The Company recorded share-based payment expense of $429,801 during the three months ended March 31, 2014, compared to $294,603 for the same period of 2013. The fair value of the options was calculated using the Black-Scholes option-pricing model.

During the quarter, 20,000 options were issued at a weighted average exercise price of $0.145 per option, 1,250,000 options with a weighted average exercise price of $0.154 expired, and 250,000 options with a weighted average exercise price of $0.115 were exercised.

Other Comprehensive Income

Included in total comprehensive income was a gain of $560,480 (2013 – 260,163) from currency translation adjustment. The amount represents exchange differences on the net investments in the US subsidiary and the resulting differences upon translation of the US subsidiary, in accordance with IFRS.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012
Revenue (net of royalties)	**$ -**	**$ 12,947**	**$ 126,905**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Interest income	**345,471**	**192,436**	**2,497**	**4,888**	**5,782**	**9,210**	**24,778**	**2,658**
(Loss)/gain on sale of capital assets	**-**	**-**	**-**	**-**	**-**	**-**	**50**	**-**
Net loss	**(1,854,609)**	**(4,818,595)**	**(861,648)**	**(1,079,544)**	**(986,894)**	**(775,407)**	**(859,724)**	**(1,629,452)**
Earnings (loss) per share – basic and diluted	**(0.00)**	**(0.01)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.01)**

The Company reported $345,471 in interest income in Q1 2014 which increased by $153,035 from the previous quarter. The increase in interest income resulted from the majority of proceeds received from the private placement being invested into cashable GICs for a full quarter.

Net loss decreased by $2,963,986 from the previous quarter mainly due to lower share-based payments and bonuses paid out to officers and employees of the Company compared to Q4 2013.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2014, the Company had cash and cash equivalents of $75,947,372, net working capital of $75,162,799 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. Since completion of the private placement financing, the Company has purchased $52 million US dollars in order to ensure the Company minimizes currency risk during project execution.

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

COMMITMENTS

The Company has three forms of future commitments; office leases, resources properties, and office equipment.

The Company leases office and office/development premises in Calgary and Grande Prairie, respectively. The Calgary office has a head lease expiring March 31, 2018 with average gross quarterly rental fees of $103,788. The office and technology development facility lease in Grande Prairie has a 3-year term expiring March 31, 2016 with gross quarterly rental fees of $36,135. The Company also leases office equipment in Calgary. The lease expires on July 2016 with quarterly lease payment of $564.

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 average quarterly payments are US$69,087.

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. The remuneration of directors and other members of key management personnel during the three months ended March 31 are as follows:

	2014	2013
Short-term employee benefits	**$ 726,096**	$ 235,577
Share-based payments	**390,541**	83,595
	$ 1,116,637	$ 319,172

OUTSTANDING SHARE DATA

As of the date of this report there are 853,142,395 common shares outstanding, 43,720,000 options outstanding and 61,224,735 warrants outstanding. A former Director of the Company exercised 250,000 options at an exercise price of $0.115 per share on January 14, 2014, and 1,250,000 options granted to former Directors expired January 16, 2014.

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.

Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, reclamation funds, accounts payable and accrued liabilities is approximated by their fair value due to their short-term nature. The Company classifies fair value measurements using a fair value hierarchy with the following levels:

- Level 1 – Unadjusted quoted price in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

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 $75 million of cashable GICs. Had the interest rate on investments been 100 basis points higher (or lower) throughout the three months ended March 31, 2014, earnings would have been affected by $186,566 (2013 – $52,744) based on the average investment balance outstanding during the quarter.

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:

		March 31 2014		December 31 2013
Cash and cash equivalents	**$**	**52,532,462**	$	1,065,727
Accounts payable		**200,411**		23,234
Accrued liabilities		**13,995**		86,430

As at March 31, 2014, the exchange rate between Canadian dollars and US dollars was US$1 to CAD$1.105. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a $523,181 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 balance, the majority of which consists of receivables due from the Government of Canada.

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.

SUBSEQUENT EVENTS

On May 7, 2014 the Company paid a USD $50,000 deposit to secure a key piece of equipment for the PR Spring Project. Total purchase price of the equipment is USD $800,000, due in stages as work is completed.

OUTLOOK FOR 2014

USO's Board of Directors sanctioned an expanded scope for Phase 1 of its PR Spring Project in Utah. The added design enhancements will allow the Company to obtain high bitumen recovery from a broader range of oil sand ores demonstrating the suitability of the process for expansion across the Company's Utah leases as well as potentially to Canada and other deposits worldwide. These design improvements have the added benefits of increasing solvent and water recovery, reducing operating costs.

For 2014, the Company will continue to focus on the engineering and mine design, procurement of long-lead items, and general site preparation and construction related to Phase 1 of the PR Spring Project. Management anticipates that the off-site fabrication of the process extraction plant will be partially complete in 2014, with final off-site fabrication and field assembly to occur in 2015 followed by commercial start-up.

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.

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 completion of the construction of the surface mine development project in the PR Spring Project Area; the work programs for the PR Spring 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; 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 environmental performance of the Company's 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.