US Oil Sands Inc.

Management's Discussion and Analysis
For the three and six months ended June 30, 2015
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED June 30, 2015

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated August 28, 2015 and should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2015.

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 June 30, 2015 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 June 30, 2015.

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.

The Company has continued to make substantial progress in all areas of the PR Spring project. On-site construction of utility infrastructure, foundations, and installation of major pieces of equipment have this quarter the Company's busiest to date. In addition, work commenced on mine opening with the construction of haul roads, over-burden removal and topsoil storage.

Other areas of the Company continue to make positive progress as well, with the Grande Prairie research and development facility successfully upgrading its pilot demonstration unit and completing an Athabasca oil sands testing program with Alberta-based research partners. The Company also received a favorable ruling Utah Division of Oil, Gas and Mining regarding a challenge to the amendment to the Company's Large Mine Permit.

The project will continue with field assembly throughout Q3 2015, followed by commissioning and commercial start-up in Q4 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 and through extensive pilot testing, the Company has established extraction efficiency in excess of 90%. Management believes that the commercial PR Spring Project will also demonstrate high extraction efficiency, achieve immediate recycle of 95% process water and further expects the extraction process to exhibit 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**

OPERATIONAL ACTIVITIES

The Company commenced field construction at the PR Spring Project site in May 2015 with work on the utility infrastructure, piles and foundations and pipelines. This was followed by a continuous and steady stream of equipment deliveries and installation as all aspects of the PR Spring project synchronize towards commercial start-up in the fourth quarter.

Supporting the Company's PR Spring Project, several noteworthy accomplishments occurred during the quarter:

- Expanded PR Spring Project Team with the engagement of a construction superintendent, site safety manager and additional procurement personnel;
- Recruited key PR Spring Operations Team staff including a plant superintendent, a mine engineer, lead operators, plant operators, HSE personnel and administrative support personnel;
- Commenced field work in early May with completion of scope areas including foundations and pilings, trenching and underground utilities, water supply pipeline, main gas tie-in from commercial supply pipeline, pipe racks, construction office and security command post;
- Received at site for erection and installation several key pieces of equipment that were fabricated off-site including primary and secondary separation vessels, a rotating mixer, a clarifier, and a spiral vapour condenser;
- Awarded contract for and initiated of mine opening activities, including haul roads, over-burden removal and topsoil preservation and storage;
- Engaged a third party commissioning firm experienced in commissioning and starting up oil sands projects in Alberta to assist in developing and executing a commissioning and start-up plan;
- Received a favourable ruling from the Utah Division of Oil, Gas and Mining regarding a challenge to the amendment to the Company's Large Mine Permit whereby the Company applied to optimize the mining sequence at PR Spring which reduces the size of storage areas required for overburden and tailings;

Other accomplishments during the quarter include:

- Attended and presented at the 2015 Governor's Energy Development Summit held in Salt Lake City on May 20 and 21, 2015; and
- Commissioned the pilot demonstration unit located at the Company's Grande Prairie research and development facility after completing significant upgrades and improvements; and
- Issued a report to a Province of Alberta agency supporting technology development in the Canadian oil sands concerning the Company's testing program using oil sands supplied from the Athabasca region of Alberta which was notably effective on low grade bitumen and high clay fines ore.

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.

2015 FINANCIAL RESULTS AND ANALYSIS

Summary of selected financial results

	Three Months ended June 30		Six Months ended June 30	
	2015	**2014**	**2015**	**2014**
Total assets	106,123,087	92,255,442	106,123,087	90,255,442
Cash used in operations	(1,811,765)	(2,416,057)	(3,313,714)	(3,505,858)
Net income (loss)	(3,000,872)	(4,049,273)	265,782	(5,904,331)
Total comprehensive income (loss)	(3,133,482)	(3,948,534)	2,933,328	(5,853,143)
Loss per share – basic and diluted	(0.00)	(0.00)	0.00	(0.01)

Analysis of Results

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

Expenditures associated with exploration and evaluation assets are initially capitalized. During Q2 2015, the Company capitalized $13,930,607 (2014 - $996,450) in E&E, including all costs directly associated to the PR Spring Project. The following table summarizes the major components of the E&E:

	June 30 2015	**December 31 2014**
Leasehold land interest	7,650,604	6,943,192
Mine pit	7,259,303	6,269,621
Production facilities	30,830,161	12,726,287
Water facilities	4,337,089	3,671,558
Total exploration and evaluation assets	**50,077,157**	**29,610,658**

b) General and administrative expenses

General and administrative costs, which include salaries and benefits, rent, and other general administrative costs decreased by $67,816. A decrease in other costs of $97,424 was mainly attributed to lower legal costs, advisory costs, and exchange filing fees. These reductions were offset by a small increase in salaries and benefits and rent and utilities as the Company expands to support the PR Spring project. The following table summarizes the major components of the general and administrative expenses:

Three months ended June 30	2015	2014
Salaries and benefits	762,993	756,359
Rent and utilities	143,489	120,514
Other	341,264	438,689
Total general and administrative expenses	**1,247,746**	**1,315,562**

c) Other expenses and income

<u>Income</u>

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 $83,921 (2014 – $153,996). In Q2 2014, the cash held in short-term investments was significantly higher, and as such earned a greater rate of return than the short-term investments held in 2015. There was no operational revenue in Q2 2015 or Q2 2014.

<u>Share-based Payments</u>

The Company recorded share-based payment expense of $413,961 during Q2 2015, compared to $438,296 for 2014. The fair value of the options and RSUs was calculated using the Black-Scholes option-pricing model.

During the quarter, 965,556 restricted share units **("**RSUs**")** were issued to employees of the Company at a fair market value of $0.08 per unit.

<u>Foreign exchange</u>

An unrealized foreign exchange loss of $1,335,214 (2014 – $2,178,323) was recorded during the quarter driven by US denominated cash held on deposit. The USD exchange rate decreased from 1.2683 as at March 31, 2015 to 1.2474 as at June 30, 2015.

<u>Other Expenses</u>

Other expenses, consisting of amortization, accretion, technology development, and property evaluation was $67,091 (2014 - $271,584), representing a decrease increase of $204,493. The company did not spend any funds on evaluating potential development properties in Q2 2015, as compared to $124,883 in Q2 2014 during which time a significant effort was made to evaluate properties in the Athabasca region in Alberta, Canada. The Company also reduced its technology development expenses in Q2 2015 through a cost-sharing agreement with an Alberta government organization and industry participants while also recouping prior year Scientific Research & Experimental Developments credits.

<u>Other Comprehensive Income</u>

Included in total comprehensive income was a loss of $132,610 (2013 – $50,739 gain) 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	June 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013
Revenue (net of royalties)	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**	**$ 12,947**	**$ 126,905**
Interest income	**83,921**	**62,139**	**111,117**	**75,612**	**153,996**	**345,471**	**192,436**	**2,497**
Net income/(loss)	**(3,000,872)**	**3,307,583**	**(236,456)**	**1,226,921**	**(4,049,273)**	**(1,854,609)**	**(4,819,595)**	**(861,648)**
Earnings (loss) per share – basic and diluted	**0.00**	**0.00**	**(0.00)**	**0.00**	**(0.00)**	**(0.00)**	**(0.01)**	**(0.00)**

The Company reported $83,921 in interest income in Q2 2015 which increased by $21,782 from the previous quarter. The increase in interest income resulted from increased returns on floating rate funds being received on the Canadian and US denominated investments.

Net income decreased by $6,308,455 from the previous quarter primarily due to the weakening of the US dollar in relation to the Canadian dollar, which resulted in an unrealized foreign exchange loss on US denominated working capital of $1,335,214.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, the Company had cash and cash equivalents of $51,345,822, net working capital of $43,715,375 and commitments for capital expenditures of US$6,204,056.

The Company intends to use its capital resources to fulfill its liabilities and commitments and to fund the remaining development of the PR Spring Project for which there are commitments to the PR Spring Project of US$6.2 million, along with US$6.4 million of current liabilities. In addition, there are an estimated US$24 million in expenditures required to complete the project that have not yet been committed. Based on these estimates, the Company anticipates having sufficient capital resources to complete construction of the PR Spring plant and mine, and support corporate general and administrative costs during that period. Upon completion on the PR Spring Project the Company anticipates having limited working capital.

In light of the continued low oil price environment together with the potential for unexpected completion, start-up and operating costs, the Company believes it is prudent to pursue a financing to provide a working capital cushion as operations increase to the planned 2,000 barrel per day capacity.

COMMITMENTS

The Company has three forms of future commitments; office leases and equipment, resources properties, and capital equipment dedicated to the PR Spring Project.

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'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$87,887.

The capital expenditure commitments incurred as at June 30, 2015 are US$6,204,056 and expected to be paid during Q3 and Q4 2015. The committed costs pertain to detailed engineering, construction management and capital equipment.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are comprised of members of the US Oil Sands Board of Directors and executives of the Company. Directors only receive share-based payment compensation and no cash compensation. The remuneration of key management personnel during the three months ended June 30 are as follows:

	2015	2014

Short-term employee benefits	**$**	**252,500**	$	252,729
Share-based payments		**266,543**		396,941
	$	**519,043**	$	649,670

OUTSTANDING SHARE DATA

As of the date of this report there are 853,142,395 common shares outstanding, 53,195,000 options outstanding, and 12,649,223 RSUs outstanding.

FINANCIAL INSTRUMENTS

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

Fair value of financial instruments

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

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

All of the financial instruments held by the Company are recorded at amortized cost; therefore, the fair value hierarchy is not applicable and the Company does not have financial instruments of which fair values were based on Level 1, 2 or Level 3 measurement.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has not entered into any mitigating interest rate hedges or swaps, however the Company has $48 million of cashable short-term investments. Had the interest rate on the investments been 100 basis points higher (or lower) throughout the three months ended June 30, 2015, earnings would have been affected by $75,411 (2014 – $127,984) based on the average investment balance outstanding during the three month period.

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company enters into transactions denominated in United States currency for which the related expenses and accounts payable balances are subject to exchange rate fluctuations. The following items are denominated in United States currency:

		June 30 2015		December 31 2014
Cash and cash equivalents	**$**	**37,297,189**	$	48,773,993
Accounts payable		**3,805,200**		795,007
Accrued liabilities		**2,672,664**		2,504,256

As at June 30, 2015, the exchange rate between Canadian dollars and US dollars was US$1 to CAD$1.247. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a $308,193 increase in the gain or loss of foreign exchange, respectively.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum risk to credit exposure is equal to the Accounts Receivable and Cash and Cash Equivalents balances. The majority of Accounts Receivable consists of receivables due from the Government of Canada. The Company holds cash and cash equivalents with large and reputable North American banks.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company enters into transactions for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of a negative net cash flow. All financial instruments are short-term in nature and are settled within 90 days.

OUTLOOK FOR 2015

The Company will continue to execute on Phase 1 of the PR Spring Project with on-site erection and installation of the process extraction plant modules as they arrive to site in accordance with the Company's Construction Execution Plan. Field assembly will continue throughout Q3 2015, followed by commissioning and commercial start-up in Q4 2015.

The Company is also evaluating and assessing specific markets for sales of crude oil and other petroleum products, along with optimal logistics for said products.

Management will continue to investigate and pursue business development opportunities for the Company's technology, including opportunities to work with Athabasca oil sands developers to demonstrate the technology's favourable extraction outcomes. The Company will broaden its working relationships with leaseholders and government agencies supporting development of Canadian oil sands.

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, the ability to achieve field performance results similar to those achieved in process development piloting; 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.