US Oil Sands Inc.

Management's Discussion and Analysis
For the three and six months ended June 30, 2016
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED June 30, 2016

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated August 22, 2016 and should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2016.

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, 2016 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, 2016.

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 2016.

The Company initiated a construction slow-down at its PR Spring Project (the "Project") at the end of the first quarter and continued the reduced activities until May 31, 2016. After having the busiest quarters of the Company's history, the Company found itself facing depressed oil prices, thin capital resources, and a need to re-assess construction activities and schedules. During the construction slowdown the Company continued to make progress in some areas of the Project with internal operations personnel. After successful completion of a rights offering on May 31, 2016, raising gross proceeds of $12.8 million (the "Rights Offering"), the Company re-commenced full construction.

After restarting full activities, the Company is making substantial progress in the remaining aspects of the Project, including electrical installation, equipment insulation, and installation of piping.

Other areas of the Company continue to make positive progress as well, with the Grande Prairie Technology Centre successfully implementing a solvent recovery unit into its shop demonstration unit. The Company also pursued addition patents to broaden its existing patent protection.

The Project will continue with field assembly for the remainder of Q3 2016, followed by commissioning and commercial start-up in Q4 2016.

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 2016. 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 a planned reduction of site activity in March 2016 with the aim of conserving capital in light of low cash reserves and a weakened oil price outlook. The reduction in the pace of construction allowed the Company to re-evaluate planned aspects of the Project and construction activities yet to be completed, as well as maintain liquidity until additional financing was obtained. Some construction activities continued with internal operations personnel during this period until May 31, 2016 when the Rights Offering was completed. After successful completion of the Rights Offering, construction was resumed at full capacity.

The Company's main focus during the second quarter was preservation of capital, completing the Rights Offering, and planning for the restart of construction and eventual start of operations. Outside of the Project, the Company did have some noteworthy accomplishments during the quarter, which included:

- Increased evaluation of markets for the PR Spring bitumen, including the asphalt and alternative fuels markets;
- Received an independent resource evaluation report as of December 31, 2015 from McDaniel & Associates Consultants Ltd. The report upgraded a portion of the Company's resources to a Contingent Resource classification of $87.4 million on recovery of 9.6 MMbbls on the Company's permitted 316 acre PR Spring development area;
- Commissioned a scaled-down solvent recovery unit in the Grande Prairie Technology Centre, as well as implemented other modifications to the shop demonstration unit leading to higher bitumen and solvent recoveries, as well as reduced water usage;
- Submitted provisional patent applications to provide broader patent protection.

FINANCING ACTIVITIES

The Company secured additional financing by completing a Rights Offering on May 31, 2016 by issuance of 853,142,395 common shares at a price of $0.015 per share for proceeds of $12,797,136. The rights offering included a standby commitment from ACMO S.à.r.l., the Company's largest shareholder, for which they received 160,725,000 warrants exercisable at $0.015 per share or US$0.012 per share and expiring November 30, 2016. The warrants will provide an additional $2,410,875 in financing if all are exercised before the expiry date.

The Company paid $255,101 in legal fees and other share issuance costs in completion of the Rights Offering.

2016 FINANCIAL RESULTS AND ANALYSIS

Summary of selected financial results

	Three Months ended June 30		Six Months ended June 30	
	2016	**2015**	**2016**	**2015**
Total assets	112,988,630	106,123,087	112,988,630	110,548,184
Cash used in operations	(1,440,952)	(1,811,765)	(1,871,151)	(3,313,714)
Net income (loss)	(1,243,715)	(3,000,872)	(4,297,754)	265,782
Total comprehensive income (loss)	(1,204,314)	(3,133,482)	(9,229,998)	2,933,328
Loss per share – basic and diluted	(0.00)	(0.00)	0.00	0.00

Analysis of Results

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

Expenditures associated with exploration and evaluation assets are initially capitalized. During Q2 2016, the Company capitalized $6,306,746 (2015 - $5,428,251) in E&E, including all costs directly associated to the PR Spring Project. The following table summarizes the major components of the E&E:

Three months ended June 30	**2016**	**2015**
Leasehold land interest	8,704,771	7,650,604
Mine pit	10,784,942	7,259,303
Production facilities	73,746,514	30,830,161
Water facilities	4,976,340	4,337,089
Total exploration and evaluation assets	**98,212,567**	**50,077,157**

b) General and administrative expenses

General and administrative costs ("G&A"), which include salaries and benefits, rent, and other general administrative costs decreased by $205,469. The majority of the cost decrease was a result of salary and wage reductions implemented across the Company, together with not replacing positions that became vacant. The following table summarizes the major components of the G&A expenses:

Three months ended June 30	**2016**	**2015**
Salaries and benefits	432,261	613,855
Rent and utilities	79,320	143,489
Other	381,559	341,264
Total general and administrative expenses	**893,140**	**1,098,608**

c) *Other expenses and income*

Income

The Company is in its pre-operation stage and has not earned revenues from oil sands production. The Company earned investment income & interest from its cash holdings of $33,765 (2015 – $83,921). In Q2 2015, 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 2016. There was no operational revenue in Q2 2016 or Q2 2015.

Share-based Payments

The Company recorded share-based payment expense of $97,018 during Q2 2016, compared to $413,961 for 2015. The fair value of the options and RSUs was calculated using the Black-Scholes option-pricing model.

Foreign exchange

An unrealized foreign exchange loss of $231,556 (2015 – $1,335,214) was recorded during the quarter driven by US denominated cash held on deposit. The USD exchange rate fluctuated significantly during Q2, 2016 with a high of 1.3170 USD/CAD, a low of 1.2544, and an average of 1.2886.

Other Expenses

Other expenses, consisting of amortization, accretion, technology development, and property evaluation was $629,767 (2015 - $216,229), representing an increase of $476,538. The increase in costs from the prior year occurred primarily as a result of US-based operations personnel being hired.

Other Comprehensive Income

Included in total comprehensive income was a gain of $39,401 (2015 – $132,610 loss) 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. The USD strengthened slightly during the second quarter from 1.2971 USD/CAD to 1.3009, which gave rise to the modest gain in other comprehensive income.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	June 30 2016	Mar 31 2016	Dec 31 2015	Sep 30 2015	Jun 30 2015	Mar 31 2015	Dec 31 2014	Sep 30 2014
Revenue (net of royalties)	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,947	$ 126,905
Investment income & interest	33,765	3,687	51,939	(80,329)	83,921	62,139	111,117	75,612
Net income/(loss)	(1,243,715)	(3,000,872)	(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 $33,765 in investment income & interest in Q2 2016 which increased by $30,078 from the previous quarter. The increase in investment income & interest resulted from increased returns on floating rate funds being received on the Canadian and US denominated investments.

Net income increased by $1,757,157 from the previous quarter primarily due a stronger US dollar, lower share-based payment expense, and reduction in general and administrative costs.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2016, the Company had cash and cash equivalents of $9,926,497, net working capital of $6,563,624 and commitments for capital expenditures of US$184,269.

The Company intends to use its capital resources to fulfill its liabilities and commitments and to fund the remaining development of the Project for which there are commitments of US$0.2 million, along with US$2.6 million of current liabilities. In addition, there are an estimated US$2.0 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 of the Project, the Company will have limited working capital for funding PR Spring operations and ongoing G&A costs. In light of the continued low oil price environment, US Oil Sands anticipates requiring additional capital. The Company is evaluating alternatives to fulfill this capital need.

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, 2018 with gross quarterly rental fees of $33,135.

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, 2016 are US$184,269 and expected to be paid during Q3 and Q4 2016. The committed costs pertain to commissioning costs for specific 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:

	2016	2015
Short-term employee benefits	**$ 251,122**	$ 252,500
Share-based payments	**52,098**	266,543
	$ 303,220	$ 519,043

OUTSTANDING SHARE DATA

As of the date of this report there are 1,706,284,790 common shares outstanding, 160,725,000 warrants outstanding, 51,058,000 options outstanding, and 12,607,574 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 $4.9 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, 2016, earnings would have been affected by $16,000 (2015 – $75,411) 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 2016		December 31 2015
Cash and cash equivalents	**$**	**4,518,801**	$	18,529,111
Accounts payable		**2,626,437**		3,302,292
Accrued liabilities		**61,218**		592,339

As at June 30, 2016, the exchange rate was 1.3009 USD/CAD. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a $18,311 increase in the gain or loss of foreign exchange, respectively.

Credit Risk

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

Liquidity risk

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

OUTLOOK FOR 2016

The Company will complete construction, commission, start-up and operate Phase 1 of the PR Spring Project. Field assembly will continue for the remainder of Q3 2016, followed by commissioning and commercial start-up in Q4 2016.

The Company is focused on its primary success measures and ensuring these are met as the Company looks forward to first bitumen production. Proving the commercial viability of the Company's patented and unique technology is expected to open the opportunities for future developments in other oil sands areas outside of Utah, in addition to capacity expansion on the Company's Utah production. Key attributes that the Company defines as primary success measures include high oil recovery, elimination of tailings ponds, high solvent recovery and recycle rates, low capital intensity and continuous and safe operations. As the Company moves into commissioning, start-up and continuous production, additional diligence on meeting these objectives remains of more importance than experiencing minor time delays to first bitumen.

The Company continues to evaluate specific markets for sales of crude oil and other petroleum products, along with optimal product transportation logistics.

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.