



# U.S. OIL SANDS

**FORM 51-101F1**

**STATEMENT OF RESOURCES DATA AND OTHER OIL AND GAS INFORMATION  
FOR US OIL SANDS INC.**

For the year ended December 31, 2011

Prepared on March 27, 2012

US Oil Sands Inc. (“**US Oil Sands**” or the “**Company**”) is engaged in the exploration and development of its oil sands properties located in the State of Utah, United States. The Company, through its wholly-owned subsidiary, US Oil Sands (Utah) Inc. (the “**Subsidiary**”), has a 100% interest in bitumen leases covering 32,005 acres of land in Utah. As of the date hereof, the Company holds only oil sands leases and does not have any production or reserves.

## PRESENTATION OF OIL AND GAS INFORMATION

This Statement of Resources Data and Other Oil and Gas Information contains certain resource estimates. Certain terms used herein are defined in National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities* (“**NI 51-101**”) or the Canadian Oil and Gas Evaluation Handbook (the “**COGE Handbook**”) and, unless the context otherwise requires, shall have the same meanings herein as in NI 51-101 or the COGE Handbook. Estimates of resources always involve uncertainty, and the degree of uncertainty can vary widely between accumulations/projects and over the life of a project if discovered. Only “discovered” and “undiscovered” resources are included herein and these estimates have been provided as follows:

**Best Estimate:** This is considered to be the best estimate of the Discovered or Undiscovered Resources volumes. It is equally likely that the actual volumes of Discovered or Undiscovered Resources will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a fifty percent probability that actual volumes of Discovered or Undiscovered Resources will equal or exceed the best estimate.

## ABBREVIATIONS

### Oil and Natural Gas Liquids

Bbl	barrel
Bbls	barrels
Mbbls	thousand barrels
MMbbls	million barrels

## CONVERSION OF UNITS

To Convert From	To	Multiply By
Cubic metres	Cubic feet	35.494
Bbls	Cubic metres	0.159
Cubic metres	Bbls	6.293
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares	Acres	2.50

Unless otherwise indicated, references in this Statement of Resources Data and Other Oil and Gas Information to “\$” or “dollars” are to Canadian dollars.

## **SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS**

Certain statements contained in this Statement of Resources Data and Other Oil and Gas Information constitute forward looking statements and are based on the Company's beliefs and assumptions based on information available at the time such beliefs or assumptions were made. By its nature, such forward looking information involves known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward looking statements. The Company believes the expectations reflected in those forward looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements should not be unduly relied upon. These statements are effective only as of the date hereof.

Certain statements contained in this Statement of Resources Data and Other Oil and Gas Information contain words such as "could", "should", "can", "anticipate", "expect", "believe", "will", "may", "projected", "sustain", "continues", "strategy", "potential, projects, grow", "take advantage", "estimate", "well positioned" and similar expressions and statements relating to matters that are not historical facts constitute "forward looking information" within the meaning of applicable Canadian securities legislation.

The following are examples of references to forward looking information contained in this Statement of Resources Data and Other Oil and Gas Information:

- the development of US Oil Sands' oil sand properties;
- US Oil Sands' resource estimates;
- the quantity of resources;
- future development and exploration activities and the timing thereof;
- future land and/or concession expiries;
- results of various projects of US Oil Sands;
- estimated future contractual obligations;
- timing of development of undeveloped resources; and
- US Oil Sands' treatment under governmental regulatory regimes and tax laws.

This disclosure contains certain forward looking estimates that involve substantial known and unknown risks and uncertainties, certain of which are beyond US Oil Sands' control. Therefore, US Oil Sands' actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward looking estimates and if such actual results, performance or achievements transpire or occur, or if any of them do so, there can be no certainty as to what benefits US Oil Sands will derive therefrom.

By their nature, such forward looking statements are subject to a number of risks, uncertainties and assumptions, which could cause actual results or other expectations to differ materially from those anticipated, including those material risks discussed in this Statement of Resources Data and Other Oil and Gas Information. US Oil Sands is exposed to several operational risks inherent in exploiting, developing, producing and marketing crude oil, bitumen blend and natural gas. These risks include but are not limited to:

- economic risk of finding and producing reserves at a reasonable cost;
- reliance on resource and/or reserve estimates for the year as well as on acquisitions;
- financial risk of marketing future crude oil, bitumen blend, and natural gas at an acceptable price given market conditions to customers;
- fluctuations in commodity prices, foreign exchange and interest rates;

- delays in business operations and refinery restrictions;
- debt service and indebtedness may affect the market price of US Oil Sands Shares;
- the continued availability of adequate debt and equity financing and cash flow to fund planned expenditures;
- sufficient liquidity for future operations;
- cost of capital risk to carry out US Oil Sands' operations;
- success of exploration and development activities;
- performance characteristics of oil and natural gas properties;
- liabilities inherent in oil and natural gas properties;
- changes or fluctuations in production levels
- uncertainties associated with estimating oil, bitumen, and natural gas reserves and resources;
- incorrect assessments of the value of acquisitions and exploration and development programs;
- geological, technical, drilling, production and processing problems;
- unforeseen title defects;
- increased competition and the lack of availability of qualified personnel or management;
- loss of key personnel;
- uncertainty of government policy changes;
- governmental regulation in the areas of taxation, royalty rates, and environmental protection;
- environmental risks and hazards and the cost of compliance with environmental regulations, including greenhouse gas regulations and potential Canadian and U.S. climate change legislation;
- industry conditions including changes in laws and regulations including the adoption of new environmental laws and regulations and changes in how they are interpreted and enforced;
- the risk of carrying out operations with minimal environmental impact;
- operational hazards and availability of insurance;
- general economic, market and business conditions;
- competitive action by other companies;
- the ability of suppliers to meet commitments;
- stock market volatility and market valuation of US Oil Sands' shares;
- obtaining required approvals of regulatory authorities;
- creditworthiness of counterparties;
- inability to obtain required consents, permits or approvals;
- uncertainties inherent in the Ophus bitumen recovery process;
- the failure of US Oil Sands or the holder of certain leases to meet specific requirements of such licenses or leases; and
- inability to obtain proprietary protection in respect of US Oil Sands' extraction and remediation technologies.

Statements relating to "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions that the resources described can be profitable in the future.

With respect to forward looking statements contained in this Statement of Resources Data and Other Oil and Gas Information, US Oil Sands has also made assumptions regarding among other things: ability to obtain required capital to finance exploration, development and operations; no material variations in the current tax and regulatory environments and the ability to obtain equipment, services, supplies and personnel in a timely manner to carry out its activities. Forward looking statements and other information contained herein concerning the oil and gas industry and US Oil Sands' general expectations concerning this industry are based on estimates prepared by management of US Oil Sands using data from publicly available industry sources as well as from resource reports, market research and industry analysis and on

assumptions based on data and knowledge of this industry which US Oil Sands believes to be reasonable. Although this data is generally indicative of relative market positions, market shares and performance characteristics, it is inherently imprecise. While US Oil Sands is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.

Management and the board of directors of US Oil Sands has included the above summary of assumptions and risks related to forward looking information provided in this Statement of Resources Data and Other Oil and Gas Information in order to provide shareholders with a more complete perspective of the Company's current and future operations and such information may not be appropriate for other purposes.

Additional information on these and other factors that could affect the Company's operations or financial results is included in the Company's reports on file with Canadian securities regulatory authorities. Readers are cautioned not to place undue reliance on this forward looking information, which is given as of the date it is expressed herein or otherwise.

The factors outlined above should not be construed as exhaustive. Unless required by applicable law, the Company does not undertake any obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

#### **STATEMENT OF RESOURCES DATA AND OTHER OIL AND GAS INFORMATION**

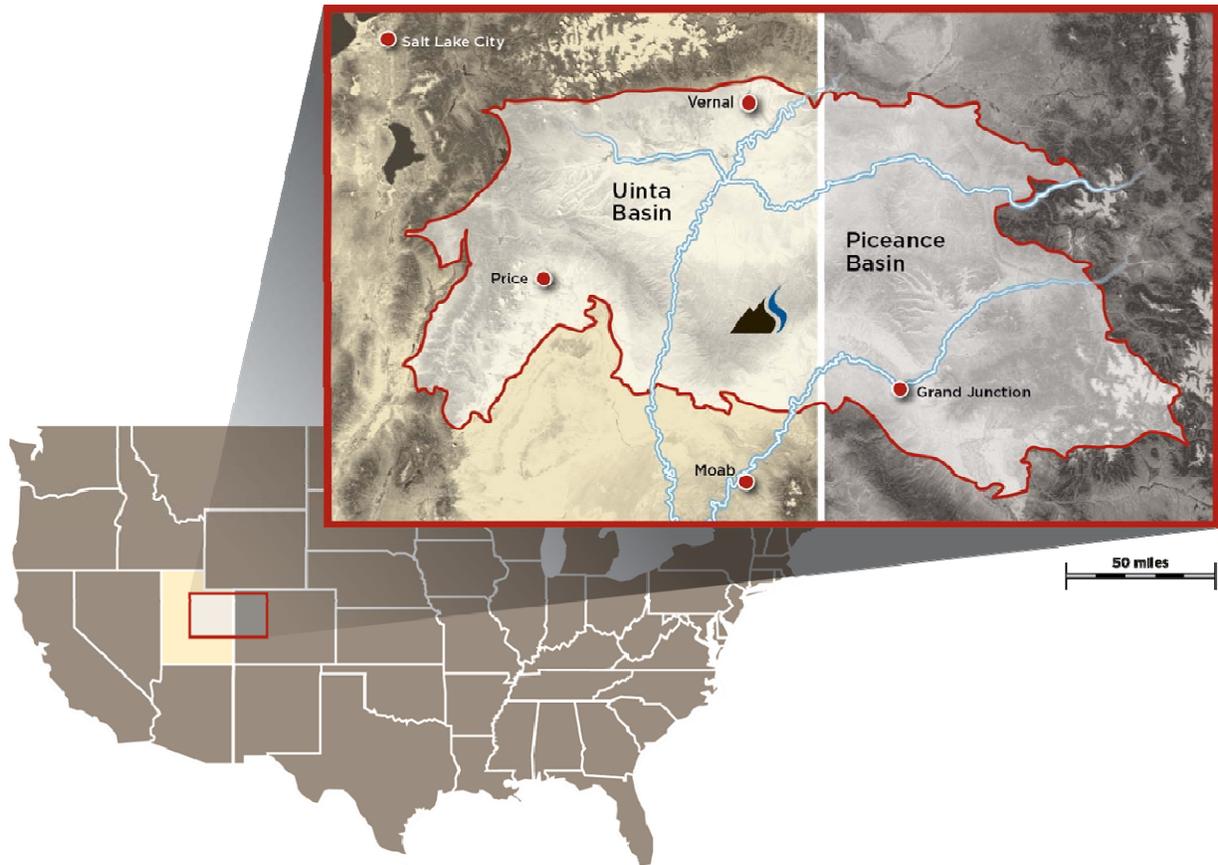
The Company does not have any reserves (as such term is defined in NI 51-101). The Company's estimated resources (as defined in NI-51-101) are detailed below.

#### **OTHER OIL AND GAS INFORMATION**

##### **Oil and Gas Properties**

The Company, through the Subsidiary, has a 100% interest in bitumen leases covering 32,005 acres of land in Utah. The leases are located approximately 70 miles south of the town of Vernal, Utah which is 170 miles east of Salt Lake City. Situated on the East Tavaputs Plateau, it is a remote, arid region of northeast Utah, where the ground elevation is over 8,000 feet above sea level. There is conventional oil and gas production in the area, evidenced by a number of active gas wells and pipelines in the project area.

The following is a map of the project area:



***PR Spring Property***

The PR Spring Property consists of four bitumen leases owned by the Subsidiary in respect of 5,930 acres of land located in all or parts of: Sections 26, 27, 28, 33, 34, 35, 36 Twp. 15S, Rge. 23 E; Sections 31, 32, Twp. 15.5S, Rge. 24 E and Sections 4, 5, 6, 7, 8 Twp. 16S, Rge. 24 E, in the areas of Uintah and Grand Counties, Utah. These lands were acquired between 1995 and 2010.

***NW Project Area***

The NW Project Area consists of three bitumen leases owned by the Subsidiary in respect of 1,905 acres of land located in all or parts of: Section 32 Twp. 14S, Rge. 22 E; Section 36, Twp. 14S, Rge. 21 E and Section 2 Twp. 15S, Rge. 21 E, in the area of Uintah County, Utah. These lands were acquired in 2008 and are under exploration assessment.

***Cedar Camp Project Area***

The Cedar Camp Project Area consists of twelve bitumen leases owned by the Subsidiary in respect of 24,170 acres of land located in all or parts of: Sections 13, 24, 25 Twp. 16S, Rge 21 E; Sections 2, 3, 4, 5, 6, 7, 8, 10, 11, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 32, 33, 34, 35 Twp. 16S, Rge 22 E; Sections 16, 17, 18, 19, 20, 21, 30 Twp. 16S, Rge 23 E, in the area of Grand County, Utah. These lands were recently acquired in 2011 and are under exploration assessment.

## Geology Description

The Uinta Basin is a major structural basin that formed in the Early Tertiary when tectonic events resulted in dramatic topographic elevation of surrounding highlands. The Basin was and is flanked by the Uinta Mountains on the north, Douglas Creek Arch along the eastern margin, southwest and southeast highlands in the form of the San Rafael Swell and Uncompahgre Plateau, respectively. It is bounded along the west by the Wasatch Plateau and mountains. (Covington, 1964). Contemporaneous with the Uinta Basin, the Piceance Creek Basin, rich in oil shale deposits, formed in northwestern Colorado. Sediments eroding from surrounding highlands flowed into the Lake Uinta basin forming a thick sequence of organic-rich shale, limestone, and sandstone, providing all the elements necessary for the oil shale and oil sand present today in the southern part of the Uinta Basin. Rocks range from Cretaceous age Mancos shale, Mesa Verde Group, and Tuscher Formation, to Tertiary age Wasatch Formation Paleocene-Eocene, and Green River Formation (Eocene).

The Green River Formation is composed of marlstone, oil shale, shale, mudstone, sandstone, siltstone, limestone, and tuff. It has been divided into four units (Gwynn, 1970) with the youngest to oldest as follows: Evacuation Creek Member, Parachute Creek Member, Garden Gulch Member, and Douglas Creek Member. Bitumen saturation is found in five distinct oil sand zones, lettered "A" (lowest) to "E" (highest). The "E" zone is in the Parachute Creek Member and "A" through "D" zones are in the Douglas Creek Member. The Mahogany Oil Shale, a major stratigraphic marker in the area, divides these two Members.

## Resource Estimate

The Company engaged Sproule US Limited ("**Sproule**") to prepare a report entitled "Bitumen Resource Assessment, P.R. Spring Property, Uintah and Grand Counties, Utah, U.S.A. for US Oil Sands Inc. (As of February 29, 2012)" (the "**Sproule Report**"), which is an independent assessment and evaluations of the Company's PR Spring Property bitumen resources effective as of February 29, 2012 and dated March 13, 2012. The table below reflects the Company's 100% working interests in the PR Spring Property. The assessed property consists of four leases totalling 5,930.0 acres. The information set forth below relating to the Company's resources constitutes forward-looking information, which is subject to certain risks and uncertainties. See "*Special Note Regarding Forward-Looking Statements.*"

The Company submitted a mine application to the Utah Division of Oil, Gas and Mining on September 28, 2007 and received a permit for initial production of 2,000 barrels of bitumen per day, expandable by amendment to the initial approval. The proposed and permitted mine pits encompass 159.0 acres within the central portion of the property.

The in-place volumes within the current mine plan areas have been classified as discovered resources, based on Sproule's review of core hole data, assays, test pit results, outcrop data and geological mapping. Although it is not possible to identify either the exploitable portion of the discovered resources or the recoverable portion of those resources until the final mine plan is incorporated into the geological model, Sproule is confident that contingent resources will be assigned to the three proposed and permitted mine pits once this has been done. Since that work is expected to immediately follow the Sproule Report, Sproule believes the most specific classification, as of the effective date of the Sproule Report, is discovered resources.

Discovered resources were also estimated for the balance of the property, using information gathered from exploration core holes drilled on a nominal 40-acre spacing, supplemented by historical core assays, outcrop data and geological mapping. Although the current geological data clearly supports the expectation that at least a portion of the area will be mineable, and it would be possible to define

conceptual mine plans for that area, it is Sproule’s opinion that recoverable volumes cannot be assigned until a mine plan has been defined and that definition of a mine plan requires that the Company gather sufficient additional core hole data to map the ore beds to the same degree as the current mine plan area in order to identify the exploitable portion of the resource. In addition, the planned economic evaluation of the currently proposed mine pits will assist greatly in the further classification of these resources. Thus, Sproule believes that contingent resources will be assigned to a portion of the area once the additional information is available and, as a result, it is Sproule’s opinion that the most specific classification, as of the effective date of this report, is discovered resources.

<b>DISCOVERED PETROLEUM (BITUMEN) INITIALLY-IN-PLACE<sup>(1)</sup>, P.R. SPRING LEASE, UTAH AS OF FEBRUARY 29, 2012</b>		
<b>Development Area</b>	<b>Area (acres)</b>	<b>Best Estimate<sup>(2)</sup> (MMbbl)</b>
Permitted Mine Plan Area <sup>(3)</sup> :		
North Pit	61.8	4.7
West Pit	30.5	2.1
Sub-total	92.2	6.8
Mine Plan Area yet to be permitted <sup>(4)</sup> :		
South Pit	66.7	3.1
Proposed and Permitted Mine Plan Area Sub-Total	159.0	9.9
Area with no Current Appraisal or Mine Plans <sup>(5)</sup>	5,771.0	179.9
<b>TOTAL LEASE</b>	<b>5,930.0</b>	<b>189.8</b>

**Notes:**

- (1) Discovered petroleum initially-in-place (equivalent to discovered resources) is that quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations on Company lands prior to production. The petroleum type for this property is crude bitumen.
- (2) These are the gross best estimate total bitumen resources in place within the lease and/or proposed and permitted mine area on the Company-interest lands, without regard for working interests, royalties or other encumbrances.
- (3) The Company is proceeding with development of the permitted north pit and anticipates that production will begin in the fourth quarter of 2013. Mining of the west pit is scheduled for the fourth quarter of 2016.
- (4) Mining plans have been developed for this area; however, an application has not yet been made for a revision to the Company’s existing mining permit to include the area; as such, there is no certainty at this time that this area will be developed.
- (5) This area has been defined on an exploratory 40-acre spacing. Neither high-density appraisal drilling nor mine plans have yet been developed for this area; as such, there is no certainty at this time that this area will be developed; if developed, there is no certainty that it will be commercially viable to produce any portion of these resources.

There is no certainty that any portion of the resources will be developed or, if developed, there is no certainty as to the timing of such development or whether it will be commercially viable to produce any portion of the resources.

Significant factors associated with these resource estimates are summarized as follows:

- The bitumen resources are well-constrained by core holes and surface outcrop.
- The three-foot core sample density used to date is considered minimal for ore body definition by Athabasca standards; however, the Company undertook an in-house analysis using a one-foot assay interval in one well to support Sproule’s acceptance of the three-foot sample spacing for this assessment. The Company also conducted in-house verification of bitumen saturations via the

Dean-Stark method as a quality control check. Nevertheless, higher density assay samples, as well as third party quality control samples, are recommended by Sproule.

Until a forthcoming economic evaluation is completed, there is no certainty that it will be commercially viable to produce any portion of these resources.

### **Properties with No Attributed Reserves**

The undeveloped land holdings of the Company as at December 31, 2011 consists of a 100% interest in 32,005 acres located in Utah. The Company does not anticipate that any rights to explore, develop or exploit any unproved properties will expire within one year.

Oil sands leases in the State of Utah carry a primary term of 10 years, after which time the leases can be continued if certain activity and/or production levels are satisfied. Depending on the level of activity and/or production, a permit and a license can be converted into a lease at the end of the primary term. All of the Company's resources are within oil sands leases (10 year initial term). The 32,005 acres are held under separate leases and each having differing expiry terms, the aggregate minimum annual payments are as follows in US Dollars:

2012	\$328,456
2013	328,456
2014	328,456
2015	312,613
2016	304,029
Thereafter to 2021	1,440,120
Total	\$3,042,130

### **Significant Factors or Uncertainties Relevant to Properties with No Attributed Reserves**

Significant economic factors and uncertainties affect the anticipated development or production activities on the Company's properties with no attributed reserve. These include the ability for the Company to develop its oil sands properties using its patent-pending and environmentally responsible Ophus Process and the ability to raise sufficient capital to support the substantial capital expenditures required to explore and develop the Company's oil sands properties.

### **Forward Contracts**

The Company does not have any forward contracts.

### **Additional Information Concerning Abandonment and Reclamation Costs**

The Company is liable for its share of reclamation of its properties upon abandonment. At December 31, 2011, the Company had recorded a \$96,534 liability for existing asset retirement obligations. These costs were based on retirement obligations estimated by the State of Utah and all costs had been discounted using risk-free rates of interest ranging from 0.97% to 2.49%, depending on the estimated time to abandon the asset. It is the Company's intention to begin construction of a large mine within one year which fully encompasses the area requiring reclamation.

### **Tax Horizon**

At the end of 2011, the Company had estimated income tax deductions of approximately \$7,754,646 in Canada and US\$2,264,490 in the United States available to reduce future taxable income. As a result of

available deduction and US Oil Sands' planned capital expenditures for 2012, the Company does not expect to incur current income taxes in 2012. The Company could, if sufficient income tax deductions are not generated by future business operations, incur income taxes in 2013.

### **Costs Incurred**

The net costs incurred by the Company for the unproved properties described above for the financial year ended December 31, 2011 was \$6,887,680. Of these costs, \$955,725 relates to property acquisition costs for unproved properties and \$5,931,955 relate to exploration costs.

### **Exploration Activities**

The 5,930 acre PR Spring Property is the primary area on which the Company has focused its exploration and development activities. The Company completed its planned 145 well core holes ahead of schedule and below budget and decided to drill an additional 35 wells to bring the total program to 180 wells. All of the wells have been drilled, rigs released and the drill pads have been reclaimed.

147 of the wells were drilled on the PR Spring Property. 55 wells were drilled to a 2.5 acre high-density spacing and 92 wells were drilled to a 40 acre spacing. Results from the 55 well high-density portion of the drilling program are being used for final design of the Company's 213 acre PR Spring Mine Development.

The Company drilled 33 holes in the 26,075 acre Cedar Camp and NW Project Areas. The log and assay results will be correlated to existing geological information such that the Company will be able to more clearly estimate the potential resource on this land.

US Oil Sands is currently actively engaged in the development of its first mining and extraction project at the PR Spring Property. The Company has engaged consulting engineering firms to design the mine and extraction equipment and expects to initiate field work in 2012 and complete construction in 2013. The Company has also initiated additional exploitation assessment for potential expansion of the PR Spring Project and other developments that may be planned for the PR Spring Property. Additional exploration assessment has also been undertaken on the Cedar Camp and NW Project Areas.

US Oil Sands' oil sands leases and permits are large and generally contiguous, which management expects will allow for scale efficiency and simpler development planning. Management believes that the large scale of the Company's assets may also attract interest from other potential joint venture partners should the Company choose to pursue that strategy. As a large scale leaseholder, US Oil Sands intends to opportunistically pursue acquisitions to complement its existing portfolio.