US Oil Sands Inc.

Management's Discussion and Analysis
For the year ended December 31, 2011
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2011

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated February 23, 2012 and should be read in conjunction with the Company's Audited Consolidated Financial Statements for the year ended December 31, 2011.

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

Additional information concerning US Oil Sands, including its Filing Statement dated April 7, 2011, is available on SEDAR at www.sedar.com.

The December 31, 2011 consolidated financial statements, including comparative figures, were prepared using the accounting policies under International Financial Reporting Standards ("IFRS"). Previous annual financial statements were prepared using Canadian generally accepted accounting principles (referred to as "previous GAAP" in this MD&A). The accounting policies applied in the consolidated financial statements are based on IFRS issued as of December 31, 2011. Please refer to the section entitled "Transition to IFRS" in this MD&A for further information regarding the Company's transition to IFRS and Note 18 *of the Audited Consolidated Financial Statements for the year ended December 31, 2011 for adjustments made to bring the financial statements into conformity with IFRS.*

EXECUTIVE SUMMARY

US Oil Sands is engaged in the exploration and development of oil sands properties and, through its wholly owned United States subsidiary US Oil Sands (Utah) Inc., has a 100% interest in bitumen leases covering 32,005 acres of land in Utah. The Company is in the pre-production stage, anticipating the commencement of bitumen production and sales in 2013.

The Company is operated as a continuation of Earth Energy Resources Inc., subsequent to an acquisition by US Oil Sands Inc. (formerly International LMM Ventures Corp.) and a subsequent amalgamation on May 8, 2011. As result of the acquisition, the Company is publicly listed on the TSX Venture Stock Exchange trading under the symbol USO. In conjunction with the acquisition, US Oil Sands Inc. completed a private placement and issued 42,000,000 units at a price of $0.30 per unit for gross proceeds of $12,600,000. The principal purpose of the net proceeds of $11,844,000 was to fund the 2011 capital program.

During 2011, the Company successfully closed the acquisition of an additional 23,850 acres of undeveloped leases in the State of Utah, completed its coring program on schedule and on budget and is currently working on the final stage of the design, specification and drawings of the intended production equipment.

NATURE OF THE BUSINESS

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

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

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

ACQUISITION AND AMALGAMATION

On April 18, 2011 pursuant to the terms of an amalgamation agreement dated March 14, 2011, US Oil Sands Inc. (formerly International LMM Ventures Corp.) acquired all of the issued and outstanding common shares of Earth Energy Resources Inc. ("Earth Energy"), by the issuance of 105,231,324 common shares of US Oil Sands Inc., such that Earth Energy became a wholly-owned subsidiary of US Oil Sands Inc. (the "Acquisition"). On May 9, 2011, Earth Energy and US Oil Sands Inc. amalgamated and continue to operate as US Oil Sands.

The Acquisition effectively resulted in Earth Energy taking control of the consolidated entity with Earth Energy identified as the acquirer. However, as International LMM Ventures Corp. did not meet the definition of a business, the Acquisition did not constitute a business combination under IFRS 3R "Business Combinations". It is rather considered a capital restructuring or a reverse asset acquisition. The comparative figures presented as selected interim information are those of Earth Energy.

In conjunction with the Acquisition, US Oil Sands Inc. completed a private placement and issued 42,000,000 units at a price of $0.30 per unit for gross proceeds of $12,600,000. Each unit consists of one common share and one-half of one common share purchase warrant exercisable at a price of $0.40 per share expiring April 18, 2013.

OIL SANDS LEASE HOLDINGS

In June 2011 the Company successfully closed the acquisition of an additional 23,850 acres of undeveloped leases located approximately 6 miles to the west of the PR Spring Project area. A further 320 acres was subsequently added to this acquisition. These acquisitions together with the prior lease holdings of 1,905 acres, brings exploration acreage to 26,075 acres. This new project area, referred to as Cedar Camp and NW Project Area, also taps into the PR Spring Special Tar Sands Area as defined by the U.S. Geological Survey. The Cedar Camp and NW Project Area is in the early stages of exploration assessment.

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 coring 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**

EXPLORATION AND DEVELOPMENT ACTIVITIES

The 5,930 acre PR Spring Project Area 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 Project Area. 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 will be used for final design of the Company's 213 acre PR Spring Mine Development. Coring and assay information of all 147 wells has also been provided to the Company's independent reserves evaluator for completion of its annual resource assessment required under National Instrument 51-101, *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101").

The Company drilled 33 holes in the 26,075 Cedar Camp and NW Project Area. 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.

2011 FINANCIAL RESULTS AND ANALYSIS

Summary of selected financial results

December 31	2011	2010	2009 (previous GAAP)
Total assets	14,074,958	3,673,863	3,763,048
Net loss	(3,993,101)	(1,580,752)	(1,378,341)
Total comprehensive loss	(3,857,128)	(1,580,752)	(1,378,341)
Cash used in operations	(2,330,025)	(1,131,249)	(946,304)
Loss per share – basic and diluted	(0.02)	(0.02)	(0.06)

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 2011, the Company capitalized $6,887,680 in 2011 E&E, including the costs of the 24,170 acres of land acquired, all costs directly associated to the coring program and costs of the specification assessment run of mining equipment. The following table summarizes the major components of the E&E:

December 31	2011	2010	2009 (previous GAAP)
Leasehold land interest	5,310,453	723,142	646,314
Mine pit	1,800,233	259,113	268,970
Production facilities	1,190	-	-
Water facilities	971,251	32,981	-
Total exploration and evaluation assets	**8,083,127**	**1,015,236**	**915,284**

b) *Operational performance*

The Company is at its pre-operation stage and has not earned significant revenues. Loss incurred for fiscal 2011 consists of general and administrative expense ("G&A") of $1,810,825 (2010 - $934,818), share-based payments of $1,641,143 (2010 - $449,058), acquisition expense of $285,199 (2010 - $nil), amortization and accretion expense of $114,097 (2010 - $135,658) and other costs associated with technology development and property evaluation.

G&A analysis

Major components of G&A include salary and related benefits, professional fees, gain or loss on foreign exchange, which individually represents approximately 20% of the class.

Salary and related benefits increased from $322,346 in 2010 to $1,400,520 in 2011 due to increased compensation for executive management, additional staffing and bonuses paid to certain employees in recognition of their contribution to the success of the Company. Consulting fees of $50,356 (2010 - $150,897) reported under related party transactions (note 16) were paid in connection with compensation for executive management and otherwise would have been included as part of salary.

Professional fees increased from $107,805 in 2010 to $335,150 due to costs incurred for the transition to IFRS reporting and public company filing requirements.

The Company included approximately $445,570 gain on foreign exchange (2010 – loss of $8,050) in G&A. During July 2011, as a hedge against predominately US dollar capital program costs, the Company purchased US$6,000,000 at a favourable rate of 0.9484. Much of the net gain is attributable to the strengthening of the US dollar against the Canadian dollar during 2011.

Share-base payments

Share-based payments for 2011 represents recognition of fair value of options granted on April 18, 2011 and August 23, 2011, using the Black-Scholes pricing model. Share-based payments reported in 2010 represents fair value adjustments due to modification of options previously granted.

Acquisition expense

The Company reported $285,199 in acquisition expenses. These costs are directly associated with the Acquisition and include legal and filing costs.

c) *Other comprehensive income*

Effective April 1, 2011, the Company's US subsidiary changed its functional currency from Canadian dollars to US dollars to reflect the change to the underlying transactions. Translation procedures applicable to the new functional currency were applied prospectively from the date of the change. Included in total comprehensive loss is $135,973 (2010 - $nil) other comprehensive income from currency translation adjustment. Such 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.

FOURTH QUARTER HIGHLIGHTS

Operational highlights

Major activities in the fourth quarter included assessment of the coring program results and continuation of the work with its engineering consultants and equipment suppliers to complete final engineering design on the PR Spring Mine Development. Final equipment design, specifications and drawings are expected to be completed in the first quarter of 2012.

The 180 well coring program was completed on October 5, 2011 and generated over 3,500 core assays and over 300 mineral analyses. Assay work by a third party was completed in late November 2011. Well logs and assay information was assembled, interpreted and compiled in sophisticated mine modelling software; work which continued into Q1 2012. Third party mine engineers were engaged by the Company to independently verify resource data and to develop the detailed mine plan of the PR Spring Mine

Development as well as estimating resource quantities and quality with the entire PR Spring Project Area. This information will be used to support the independent reserves evaluators' assessment of resources as required for its NI 51-101 filing.

Summary of quarterly results

	December		September		June		March	
Quarter ended	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Cash from (used) in operations	(2,111,478)	(268,010)	1,364,315	(35,793)	(1,452,693)	(420,662)	271,643	(402,084)
Net income (loss)	(903,969)	45,953	(264,316)	(394,216)	(2,326,215)	(778,153)	(498,601)	(454,336)
Total comprehensive Income (loss)	(1,021,482)	45,953	100,834	(394,216)	(2,437,879)	(778,153)	(498,601)	(454,336)
Earnings (loss) per share – basic and diluted	(0.00)	0.00	(0.00)	(0.00)	(0.02)	(0.01)	(0.02)	(0.02)

The Company recorded a net loss of $903,969 for the quarter ("Q4 2011"), down by $639,653 from the previous quarter ("Q3 2011").

G&A expense increased to $605,862 from a negative position of $3,717 in Q3 2011. Due to the strengthening of the US dollar against the Canadian dollar during Q3 2011, a net gain from foreign exchange of $539,589 was reported, which was in excess of all other G&A expense. As the foreign exchange rate fluctuated, the Company recorded a net loss from foreign exchange of $106,720 in Q4 2011. Salary and related benefits, net of estimated scientific research and development investment credit of $19,706 (Q3 0211 - $84,857), decreased by $47,180. In Q4 2011, the Company capitalized a portion of the salary incurred to the coring program based on actual time the employees spent on the project.

Other comprehensive income on currency translation adjustments decreased by $247,637 from $365,150 in Q3 2011 to $117,513 due to considerably significant fluctuations in foreign exchange rates during the quarter.

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2011, the Company had cash and cash equivalents of $3,575,004 and net working capital of $3,428,501.

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

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

RELATED PARTY TRANSACTIONS

In 2011, the Company incurred consulting fees of $50,356 (2010 – $150,897). The consulting fees were incurred in the normal course of business for the provision of management and consulting services and paid to corporations owned by the Company's officers and directors. All consulting fees for the year ended December 31, 2011 were incurred by the Company prior to the Acquisition. As at December 31, 2011, the Company has no recurring related party transactions as these relationships were in place up to the closing of the Acquisition.

During the year, total compensation paid to key management personnel amounts to $2,394,891 (2010 - $299,045) and is comprised of salary and benefits of $1,011,058 (2010 - $299,045) and share-based payments of $1,383,833 (2010 - $nil).

COMMITMENTS

The Company leases office and office/development premises in Calgary and Grande Prairie Alberta respectively. The lease on the Calgary office space is a three year term expiring December 31, 2013 with gross annual rental fees of $39,195. The office and technology development facility lease in Grande Prairie terminates on March 31, 2013 and has gross annual rental fees of $132,660.

The Company's resource properties are leased from the State of Utah. With 32,005 acres held under separate leases and each having differing terms, the aggregate minimum annual payments are US$328,456.

Pursuant to a Special Advisory Services Letter Agreement dated July 6, 2011 and as amended September 30, 2011, whereby the Company engaged with an arms-length international advisory-focused boutique investment bank to provide general advice and counsel on equity capital markets, the Company has agreed to issue 2,000,000 warrants. The warrants are to be issued quarterly as services are rendered at a price equal to the greater of Market Price (as defined in TSXV Policy) and $0.40 in the case of warrants issuable in connection with the quarters September 30, 2011 and December 31, 2011 and $0.50 in the case of warrants issuable in connection with the quarters March 31, 2012 and June 30, 2012. All of the warrants issued shall be exercisable at any time up until June 30, 2013.

OUTSTANDING SHARE DATA

As of the date of this report and after having given effect to the Acquisition of Earth Energy by US Oil Sands Inc. and subsequent amalgamation, there are 249,356,329 common shares outstanding, 24,175,000 options outstanding and 22,000,000 warrants outstanding.

TRANSITION TO IFRS

Effective January 1, 2011, the Company adopted the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The consolidated financial statements have been prepared using the accounting policies under IFRS and using the accounting policies the Company adopted in its annual consolidated financial statements as at and for the year ending December 31, 2011. The financial statements have been prepared on a going concern basis.

The Company's consolidated financial statements for the year ended December 31, 2011 have been prepared in accordance with IFRS 1 "First-time Adoption of International Financial Reporting Standards". IFRS 1 requires the presentation of comparative information as at January 1, 2010 ("transition date") and subsequent comparative periods as well as the consistent and retrospective application of IFRS accounting policies. To assist with the transition, the provisions of IFRS 1 allow for certain mandatory and optional exemptions for first-time adopters. The mandatory exceptions and the elected exemptions, and the impact of adopting IFRS on shareholder's equity and net loss is disclosed in Note 18 of the Audited Consolidated Financial Statements for the year ended December 31, 2011.

FINANCIAL INSTRUMENTS

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

It is management's opinion that the Company is not exposed to significant interest or credit risks arising from these financial instruments except as otherwise disclosed.

Fair value of financial instruments

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

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

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

Foreign currency risk

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

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

Liquidity risk

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

OUTLOOK FOR 2012

During 2012, US Oil Sands intends to continue its focus on resource delineation and final design for the PR Spring Project Area. Coring and assay information has been provided to the Company's independent reserves evaluator for completion of its annual resource assessment required under NI 51-101. Major equipment for the PR Spring Project is expected to be ordered in 2012 with fabrication commencing later in the year. Construction on the mine area will also begin in 2012. The Company will continue to pursue opportunities to add additional resource lands and to continue to advance its PR Spring Project Area to its planned 2013 commercial production start-up.

FORWARD-LOOKING INFORMATION ADVISORY

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

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

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

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

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

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

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