US Oil Sands Inc.

Management's Discussion and Analysis
For the three months ended March 31, 2012
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED MARCH 31, 2012

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated May 28, 2012 and should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements for the Three Months ended March 31, 2012 ("Q1 2012").

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

Additional information concerning US Oil Sands is available on SEDAR at www.sedar.com.

The March 31, 2012 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 condensed consolidated financial statements are based on IFRS issued as of March 31, 2012.

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 (the "Acquisition") on April 18, 2011 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.

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.

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**

FIRST QUARTER HIGHLIGHTS

Operational

Major activities in the first quarter ("Q1 2012") 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. On March 13, 2012, Sproule U.S. Limited issued their independent bitumen resource assessment indicating 189.8MMbbl of discovered petroleum (bitumen) initially-in-place on the 5,930 acre PR Spring Project Area. The Cedar Camp and NW Project Area has not been assessed. Final equipment design, specifications and drawings are expected to be completed in the second quarter of 2012.

Overall performance

There was no operation revenue as the Company is in the pre-production stage. As at March 31, 2012, the Company had total assets of $13,405,927 which is comprised of largely cash and cash equivalents and capital assets.

The Company recorded a net loss of $1,131,543 which included non-cash share-based payment of $200,716 and general and administrative expense ("G&A") of $697,955 and property evaluation expense of $205,974. Of the total G&A expense, $371,392 related to salary and wages and $40,251 related to unrealized foreign exchange loss on US dollar denominated cash and cash equivalents due to stronger Canadian dollars against US dollars during the quarter.

Cash used in operating activities totalled $702,093 and cash used in investing activities totalled $243,437. Proceeds of $225,000 was generated as stock options were exercised.

Selected quarterly information

	Three Months ended March 31	
	2012	**2011**
Total assets	13,405,927	6,933,230
Cash from (used) in operations	(702,093)	270,931
Net loss	(1,131,543)	(498,601)
Total comprehensive loss	(1,277,673)	(498,601)
Loss per share – basic and diluted	(0.00)	(0.01)

- Total assets increased by $6,112,697 from $6,933,230 at March 31, 2011 ("Q1 2011"). The majority of the increase in total assets was the increase in evaluation and exploration assets.
- Cash flows from operations decreased by $973,024, compared to Q1 2011, since the company experienced a higher loss and had less unpaid or accrued liabilities at the end of Q1 2012.

- Net loss increased by $632,942, compared to Q1 2011. This increase was primarily due to increased level of property evaluation activities, higher general and administrative expense as a result of increased number of staff and salary, as well as recognition of non-cash share-based payments for stock options granted in 2011.
- Total comprehensive loss at the end of Q1 2012 included other comprehensive income on currency translation adjustments of negative $146,130 due to the strengthening Canadian dollars against US dollars.
- There were no significant changes in financial conditions for Q1 2012, compared to the fiscal year ended December 31, 2011.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	Mar 31 2012	Dec 31 2011	Sept 30 2011	Jun 30 2011 (1)	Mar 31 2011	Dec 31 2010	Sept 30 2010	Jun 30 2010
Interest income	**2,495**	**6,727**	**23,784**	**11,761**	**2,801**	**1,221**	**955**	**716**
(Loss)/gain on sale of capital assets	**-**	**(4,359)**	**-**	**-**	**-**	**(796)**	**-**	**3,939**
Net income (loss)	**(1,131,543)**	**(903,969)**	**(264,316)**	**(2,326,215)**	**(498,601)**	**45,952**	**(394,216)**	**(778,153)**
Earnings (loss) per share – basic and diluted	**(0.00)**	**(0.00)**	**(0.00)**	**(0.02)**	**(0.02)**	**0.00**	**(0.00)**	**(0.01)**

(1) The net loss for the three months ended June 30, 2011 has been revised from $2,320,624 to $2,326,215, with a net change of $5,591, due to a reclassification of foreign exchange effects to other comprehensive loss. Management of the Company has decided such change is immaterial and therefore, a restatement of June 30, 2011 financial statements is not required.

- The quarterly results of the quarters in 2010 and the quarter ended March 31, 2011 are those of Earth Energy. All of these quarterly financial data were prepared in accordance with IFRS.
- The Company does not have operating revenue as it is in the pre-production stage. Interest income is earned on cash deposits and short-term investments.

LIQUIDITY AND CAPITAL RESOURCES

As at March 31, 2012, the Company had cash and cash equivalents of $2,811,483, net working capital of $2,471,150 and no commitments for capital expenditures.

The Company intends to use its cash and cash equivalent balance to fulfill its liabilities and commitments and fund its development project. 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.

On May 23, 2012, pursuant to an agreement dated May 1, 2012 with Dundee Securities Ltd., on behalf of a syndicate including FirstEnergy Capital Corp., a private placement financing was closed with 61,224,735 Units being issued for gross proceeds of $11,020,452. Each Unit consists of one Common Share and one warrant exercisable at $0.26 for a period of 24 months from closing.

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 quarterly rental fees of $9,800. The office and technology development facility lease in Grande Prairie terminates on March 31, 2013 and has gross quarterly rental fees of $33,165.

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 quarterly payments are US$82,114.

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 issued in connection with the quarters September 30, 2011 and December 31, 2011 and $0.50 in the case of warrants issued and 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.

RELATED PARTY TRANSACTIONS

There was no related party transaction during Q1 2012. As at March 31, 2012, the Company had no recurring related party transactions.

OUTSTANDING SHARE DATA

As of the date of this report there are 312,831,064 common shares outstanding, 24,675,000 options outstanding and 83,724,735 warrants outstanding.

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 REMAINDER OF 2012

For the remainder of 2012, US Oil Sands intends to continue its focus on resource delineation and final design for the PR Spring Project Area. Major equipment for the PR Spring Project is expected to be ordered in Q2 2012 with fabrication commencing later in the year. Construction on the mine area will also begin in Q2 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.