US Oil Sands Inc.

Management's Discussion and Analysis
For the three and six months ended June 30, 2013
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED JUNE 30, 2013

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated August 15, 2013 and should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements for the Three and Six Months ended June 30, 2013.

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, 2013 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, 2013.

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 2014.

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 2014. 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**

SECOND QUARTER HIGHLIGHTS

Regulatory

On January 14, 2013, the Board of Directors of the Utah Division of Oil, Gas and Mining ("DOGM") voted to support DOGM's previous approval of the Company's Notice of Intention to Commence Large Mining Operations at its PR Spring Project Area. The hearing was initiated through a Request for Agency Action filed by a Utah-based environmental organization in September 2010 against DOGM claiming that DOGM improperly issued the Company's Notice of Intention to Commence Large Mining Operations. The decision was published February 27, 2013 by the chairman of the board of DOGM.

As of the date hereof, the decision by the Water Quality Board was appealed to the Utah Supreme Court by the Utah-based environmental organization. Appeals cannot introduce new evidence and are heard only on the basis of technicalities of law. There are no other challenges or appeals against the Company or the regulatory agencies on any regulatory permits held by the Company in respect of its planned operations for the PR Spring Project Area.

Operational

During the second quarter ("Q2 2013") the Company continued to work with its engineering consultants and equipment suppliers to complete final engineering design. Detailed mine planning continued to identify and plan expansion areas.

The Company also entered into an agreement to supply water and raw materials in Uintah County, Utah for a state-funded road building project. The 44 mile project will serve the general public, ranchers, recreationalists, and the energy industry. In relation thereto, the Company permitted and mobilized a man-camp to support field operations and acquired and installed pumping equipment to bring the production water well to operational status.

Overall performance

There was no revenue from operations as the Company is in the pre-production stage. As at June 30, 2013, the Company had total assets of $20,154,261 which is comprised of largely cash and cash equivalents and capital assets.

The Company recorded a net loss of $1,079,544 which included non-cash share-based payment of $205,149 and general and administrative expense ("G&A") of $648,015. Of the total G&A expense, $432,189 related to salary and wages paid during Q2 2013 and $80,470 related to financial advisory fees paid to third parties. As US dollar strengthened in relation to the Canadian dollar over the quarter, unrealized foreign exchange gain of $103,052 was reported in G&A.

Cash used in operating activities totalled $1,041,894 and cash used in investing activities totalled $173,140.

Selected financial information

	Three Months ended June 30		Six Months ended June 30	
	2013	**2012**	**2013**	**2012**
Total assets	20,154,261	22,389,864	20,154,261	22,389,864
Cash used in operations	(1,041,894)	(2,023,079)	(1,888,427)	(2,771,377)
Net loss	(1,079,544)	(1,629,452)	(2,066,438)	(2,760,995)
Total comprehensive loss	(611,902)	(1,470,307)	(1,338,633)	(2,747,980)
Loss per share – basic and diluted	(0.00)	(0.01)	(0.01)	(0.02)

- Total assets decreased by $2,235,603 from $22,389,864 at June 30, 2012 ("Q2 2012") to $20,154,261 at June 30, 2013. The general operating expenses and continued development of the engineering design led to the decrease in cash balance.
- Cash flows used in operations decreased by $981,185, compared to Q2 2012. The decrease was mainly due to reduced field program activity in Utah during Q2 2013 than during Q2 2012.
- Net loss decreased by $549,908, compared to Q2 2012. Share-based payments recorded in Q2 2013 were $36,442 lower than that recorded in Q2 2012. The lower share-based payments were offset by the increase in property evaluation expenditures of $132,530 and decrease in G&A of $692,593. The following provides further analysis on the changes in G&A expense:
    - Salary and benefits decreased by $666,857 as a result of bonuses paid out in 2012, partially offset by additional staffing.
    - A significant balance of the cash and cash equivalent is denominated in US dollars. Changes in foreign exchange rates may impose significant impact on the foreign exchange gain or loss which is included in G&A. During Q2 2013 the US dollar was strengthening and during Q2 2012 the US dollar was weakening against the Canadian dollar. As a result, the Company reported a $103,052 unrealized foreign exchange gain in Q2 2013 while it had a $159,145 unrealized foreign exchange loss in Q2 2012.
- Total comprehensive income at the end of Q2 2013 included a cumulative translation adjustment of $467,642, due to the stronger Canadian dollar.
- There were no significant changes in financial conditions for Q2 2013, compared to the fiscal year ended December 31, 2012.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	June 30 2013	Mar 31 2013	Dec 31 2012	Sep 30 2012	Jun 30 2012	Mar 31 2012	Dec 31 2011	Sept 30 2011
Interest income	**4,888**	**5,782**	**9,210**	**24,778**	**2,658**	**2,495**	**6,727**	**23,784**
(Loss)/gain on sale of capital assets	**-**	**-**	**-**	**50**	**-**	**-**	**(4,359)**	**-**
Net income (loss)	**(1,079,544)**	**(986,894)**	**(775,407)**	**(859,724)**	**(1,629,452)**	**(1,131,543)**	**(903,969)**	**(264,316)**
Earnings (loss) per share – basic and diluted	**(0.00)**	**(0.00)**	**(0.00)**	**(0.00)**	**(0.01)**	**(0.00)**	**(0.00)**	**(0.00)**

- 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 June 30, 2013, the Company had cash and cash equivalents of $3,136,767, net working capital of $2,997,216 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 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 finance the Company's development project and fully develop its oil sand properties. Historically, the Company has used equity private placements as its external source of funding. As an alternative to equity that is highly dilutive at current share prices, the Company is engaged in a process to attract a joint venture partner to participate in the PR Spring Project Area. 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 elect to delay its development project 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 beyond 2013.

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

COMMITMENTS

The Company has three forms of future commitments.

The Company leases office equipment in Calgary. The lease expires on July 2016 with quarterly lease payment of $564.

The Company leases office and office/development premises in Calgary and Grande Prairie, respectively. The lease on the Calgary office space had an 8-month term sublease expiring May 31, 2013 with gross quarterly rental fees of $30,173 and thereafter, a 3-year term headlease expiring May 31, 2016 with gross quarterly rental fees of $40,118. The office and technology development facility lease in Grande Prairie has a 3-year term expiring March 31, 2016 with gross quarterly rental fees of $36,135. The Company assigned its original Calgary office space which expires December 31, 2013 to a third party at full costs. Should the assignee default on future payments, the Company will need to fulfil the lease obligation with gross quarterly rental fees of $9,800.

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 aggregate minimum quarterly payments are US$82,114.

RELATED PARTY TRANSACTIONS

As at June 30, 2013, 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, 29,500,000 options outstanding and 61,224,735 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.

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.

OUTLOOK FOR REMAINDER OF 2013

For the remainder of 2013, the Company continues to focus on the final engineering and the ordering of the equipment, together with the site preparations and construction of the PR Spring Project Area. The Company anticipates the fabrication of the process extraction plant to commence in 2013 with final fabrication and field assembly to occur in 2014, followed by start-up. The timing of these plans is to a large degree dependent on when the Company raises the capital necessary to undertake the major expenditures.

With the assistance of external corporate finance support, US Oil Sands continues the process of marketing and closing a joint venture financing.

Management intends to continue its pursuit of opportunities to add additional resource lands by assessing growth opportunities and furthering regulatory application efforts that ensure a ready inventory of future mineable assets for the Company.

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; the ability to attract a joint venture partner for the PR Spring Project Area; 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; 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.