MATERIAL CHANGE REPORT
Form 51-102F3

Item 1 <u>Name and Address of Company</u>

US Oil Sands Inc. (the "**Company**" or "**US Oil Sands**")
Suite 1600, 521 – 3rd Avenue SW
Calgary, AB T2P 3T3

Item 2 <u>Date of Material Change</u>

The material change occurred on January 12, 2017.

Item 3 <u>News Release</u>

The Company issued a press release relating to the material change described herein on January 12, 2017 via Marketwired.

Item 4 <u>Summary of Material Change</u>

US Oil Sands announced the closing of the Company's US$7.5 million financing (the "**Financing**") with ACMO S.à R.L. ("**ACMO**"), the Company's largest shareholder and, in connection therewith, the issuance to ACMO of 24,000,000 common share purchase warrants exercisable at a price of $0.75 per common share.

Item 5 <u>Full Description of Material Change</u>

5.1 Full Description of Material Change

US Oil Sands closed the Financing with ACMO pursuant to a senior secured loan agreement (the "**Loan Agreement**") between the Company and ACMO allowing re-engagement of its employees and necessary contractors to complete and operate the PR Spring Project (the "**Project**").

The US$7.5 million senior secured loan facility carries a 15% annual interest rate, matures after one year, such maturity date being extendible at the option of the Company for an additional 12 months if, by the end of the initial 12-month term, the Company has produced an average of 1,500 barrels per day for 30 consecutive days at a cost of less than US$45.00 per barrel, inclusive of all operating, transportation and marketing costs, together with corporate G&A.

US Oil Sands has granted ACMO first priority security interests over all of its and its wholly-owned subsidiary, US Oil Sands (Utah) Inc.'s present and future property and assets. Pursuant to the Loan Agreement, the Company may obtain a loan facility (the "**AR Facility**") to be secured by a first lien against the Company's accounts receivable and inventory.

As an inducement to provide the Financing, ACMO was granted, on a post-consolidation basis, 24,000,000 warrants that are exercisable at $0.75 for a term of five years (the "**ACMO Warrants**").

In connection with the Financing, ACMO and US Oil Sands entered into an amended and restated governance agreement whereby ACMO may increase its board representation to three members and the Company is entitled to appoint three directors. ACMO nominees will include current board members Stephen Lehner and Mark Brown, as well as the addition of Harry F. Quarls to the board. Mr. Quarls currently sits as an observer to the board. The Company and the board thank Messrs. Johnson, Pantin and Todd for their dedicated service to the board of directors. Mr. Todd is and will remain the Company's Chief Executive Officer.

The Project commissioning will resume in January as employees and contractors are brought back to site on a staged basis to allow for coordinated and safe return-to operations. The Company expects to complete commissioning and move into commercial operations in Q1 2017.

The Financing is a related party transaction within the meaning of TSX Venture Exchange ("**TSXV**") Policy 5.9 as ACMO is an insider of the Company. The Company obtained shareholder approval to the Financing by written consent of disinterested shareholders holding more than 50% of the issued shares of the Company in accordance with TSXV policies. The Financing was approved by the board of directors of the Company, with Mr. Stephen Lehner abstaining due to his interest as a representative of ACMO. ACMO currently holds 11,334,324 common shares of the Company representing 33.1% of the common shares on an undiluted basis. If the ACMO Warrants are fully exercised, ACMO would hold 35,334,324 common shares representing 58.7% of the common shares on an undiluted basis.

The Company did not file a material change report more than 21 days before the expected closing of the Financing as the details of the Financing were not settled until shortly prior to closing and the Company wished to close the Financing on an expedited basis to ensure liquidity and continued operations.

The foregoing contains forward-looking information relating to the future performance of the Company including information relating to the development and commissioning of the PR Spring Project, commencement of commercial production, and construction activities. Forward looking information is subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in our forward looking statements. Such risks and other factors include, among others, the actual results of exploration activities, changes in world commodity markets or equity markets, the risks of the petroleum industry including, without limitation, those associated with the environment, delays in obtaining governmental approvals, permits or financing or in the completion of development or construction activities, title disputes, change in government and changes to regulations affecting the oil and gas industry, and other risks and uncertainties detailed from time to time in the Company's filings with Canadian securities regulatory authorities (available at www.SEDAR.com). Forward-looking statements are made based on various assumptions and on management's beliefs, estimates and opinions on the date the statements are made. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking information contained herein. The Company undertakes no obligation to update forward-looking statements if these assumptions, beliefs, estimates and opinions or other circumstances should change, except as required by applicable law.

5.2 Disclosure for Restructuring Transactions

Not applicable.

Item 6 Reliance on subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7 Omitted Information

Not applicable.

Item 8 Executive Officer

The name and business number of an executive officer of the Company who is knowledgeable about the material changes and this report is:

Glen Snarr
President and Chief Financial Officer
(403) 233-9366

Item 9 **<u>Date of Report</u>**

This report is dated January 20, 2017