US Oil Sands Inc.

Management's Discussion and Analysis
For the three and six months ended June 30, 2017
(Expressed in Canadian Dollars)

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE AND SIX MONTHS ENDED June 30, 2017

This Management's Discussion and Analysis ("MD&A") for US Oil Sands Inc. ("US Oil Sands" or the "Company") is dated August 16, 2017 and should be read in conjunction with the Company's Unaudited Condensed Consolidated Financial Statements for the three and six months ended June 30, 2017.

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, 2017 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, 2017.

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 2017.

Following the mechanical failure experienced in late April, the Company received the repaired equipment back from the manufacturer in late May and recommenced commissioning activities. During the delay in commissioning, the Company was able to complete spill containment work that was previously scheduled for a later date. Through the remainder of Q2, the Company proceeded with its commissioning and start-up activities, including successful circulation of clean solids and the introduction of oil sands to the plant.

On June 30, 2017, the Company closed a US$5.0 million amendment to its existing US$7.5 million senior secured loan facility with ACMO S.à R.L. ("ACMO"), the Company's largest shareholder.

The MD&A has been prepared on a going concern basis, which asserts the Company has the ability to continue to realize its assets and discharge its liabilities and commitments in a planned manner. The Company's ability to remain a going concern is dependent upon the funding of the second tranche of the additional financing, successful commercialization of the Company's proprietary bitumen extraction technology, the generation of positive cashflows from operations and the ability to discharge obligations as they become due. The Company will use the US$2.5 million second tranche of financing to fund excess costs that may arise during the start-up activities, operating losses until reaching positive cashflows from operations, the discharge of its current liabilities, and shortfalls in cashflow due to timing of receivables collection. There is no assurance that the Company will be successful in achieving the second tranche funding milestone of producing 500 barrels of oil per day for five consecutive days. As such, there is significant doubt and there can be no assurance that the Company will be able to continue as a going concern.

Management has applied significant judgement in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at June 30, 2017, the availability of additional financing, and the timing and extent of capital and operating expenditures.

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 commence production in 2017. 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 and through extensive pilot testing, the Company has established extraction efficiency in excess of 90%. Management believes that the commercial PR Spring Project (the "Project") will also demonstrate high extraction efficiency, achieve immediate recycle of 95% process water and further expects the extraction process to exhibit 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**

OPERATIONAL ACTIVITIES

The Company continued with the rectification of construction deficiencies and commissioning and start-up activities at the Project site. During this time the Company completed the majority of the construction deficiencies and largely focused on bringing the Project to commercial production. The Company expects first oil and market sales in Q3, 2017.

Some of the noteworthy activities and events that occurred during the quarter included:

- Furthered evaluation of markets for the PR Spring bitumen, including the asphalt and alternative fuels markets;
- Successfully completed clean solids circulation through equipment loop one;
- Experienced a mechanical failure of the decanting centrifuge during the final step of loop two which delayed commissioning activities by four weeks as the unit was repaired, reinstalled, and tested;
- Introduced oil sands into the PR Spring extraction plant;
- Continued to work on optimization of PR Spring Project site operations;
- Submitted provisional patent applications to provide broader patent protection.

Subsequent to quarter-end, the Company successfully produced diluted bitumen from the PR Spring extraction plant. Continued tuning of the process is required to allow final polishing of oil production to meet sales specifications.

FINANCING ACTIVITIES

The Company secured additional financing by amending the existing US$7.5 million senior secured loan facility ("Existing Loan") with ACMO, on June 30, 2017. The additional financing will provide the Company with US$5 million to be provided in two tranches ("Additional Loan"). The first US$2.5 million tranche was funded on June 30, 2017 with the closing of the amendment. The second US$2.5 million tranche will become available upon the Project producing 500 barrels per day of oil for five consecutive days. In conjunction with the amendment, the Company's common shares have been delisted from the TSX Venture Exchange effective June 29, 2017. The Company continues to be a reporting issuer under Canadian securities laws and subject to Canadian continuous disclosure requirements.

The Additional Loan will rank *pari passu* with the Existing Loan, will not bear any interest and will mature 10 years from the closing date. At any time between the closing date and maturity, the Additional Loan may be convertible into that number of common shares of the Company that provides ACMO with 90% of the Company's fully diluted common shares outstanding when combined with its existing share holdings. ACMO currently holds 31% of the Company's common shares. Pursuant to the amendment transaction, the 24 million warrants issued to ACMO in connection with the Existing Loan on January 12, 2017 were cancelled.

In conjunction with the amendment, the Existing Loan will be amended so that its repayment date will be extended to January 12, 2019, interest payable in respect of the Existing Loan will be reduced to zero percent per annum and all accrued and unpaid interest will be forgiven. Upon closing, the Company also reconstituted its Board of Directors such that the number of directors decreased from five to three, each of whom are nominees of ACMO.

The Company incurred $302,930 in legal fees in completion of the June 30, 2017 financing.

2017 FINANCIAL RESULTS AND ANALYSIS

Summary of selected financial results

	Three Months ended June 30		Six Months ended June 30	
	2017	**2016**	**2017**	**2016**
Total assets	$79,965,067	$112,988,630	$79,965,067	$112,988,630
Cash used in operations	(940,615)	(1,440,952)	(2,686,619)	(1,871,151)
Net income (loss)	1,248,991	(1,243,715)	(1,038,193)	(4,297,754)
Total comprehensive income (loss)	(459,874)	(1,204,314)	(3,239,742)	(9,229,998)
Loss per share – basic and diluted	0.035	(0.054)	(0.030)	(0.215)

Analysis of Results

a) Exploration and evaluation assets ("E&E")

Expenditures associated with exploration and evaluation assets are initially capitalized. During Q2 2017, the Company capitalized $2,092,690 (2016 - $6,306,746) in E&E, including all costs directly associated to the PR Spring Project. The following table summarizes the major components of the E&E:

Three months ended June 30	2017	2016
Leasehold land interest	$9,403,206	$8,964,771
Mine pit	9,157,675	10,784,942
Production facilities	45,993,959	73,746,514
Water facilities	4,992,195	4,976,340
Total exploration and evaluation assets	**69,547,035**	**98,472,567**

b) General and administrative expenses

General and administrative costs ("G&A"), which include salaries and benefits, rent, and other general administrative costs increased by $65,021. Salary and wage reductions implemented across the Company, together with not replacing positions that became vacant generated cost savings of $67,327. The rent and utilities increased as a result of less operating cost recoveries and amortization of tenant improvement allowances. Legal costs associated with the Additional Loan comprised most of the increase in other costs from the prior year quarter. The following table summarizes the major components of the G&A expenses:

Three months ended June 30	2017	2016
Salaries and benefits	$364,934	$432,261
Rent and utilities	106,327	79,320
Other	479,154	373,813
Total general and administrative expenses	**950,415**	**885,394**

c) *Other expenses and income*

Income

The Company is in its pre-operation stage and has not earned revenues from oil sands production. The Company earned investment income & interest from its cash holdings of $1,223 (2016 – $33,765). In Q2 2016, the cash held in short-term investments was significantly higher, and as such earned a greater rate of return than the short-term investments held in 2017. There was no operational revenue in Q2 2017 or Q2 2016.

The Company recorded a gain on the modification of the Existing Loan of $2,652,873 as a result of the interest rate being reduced from 15% to 0%, and extension of the loan for one year in accordance with IFRS 9.

Share-based Payments

The Company recorded share-based payment expense of $165,404 during Q2 2017, compared to $97,018 for 2016. The fair value of the options and RSUs was calculated using the Black-Scholes option-pricing model.

Foreign Exchange

An unrealized foreign exchange gain of $13,912 (2016 – $231,556 loss) was recorded during the quarter driven by US denominated cash held on deposit. The USD exchange rate fluctuated significantly during Q2 2016 with a high of 1.3743 USD/CAD, a low of 1.2977, and an average of 1.3449.

Operating Expenses

The Company incurred operation expenses of $334,730 (2016 - $411,324). The decrease in operation expenses is largely related to the capitalization of US employee time spent on the commissioning and start-up of the Project.

Other Expenses

Other expenses, consisting of amortization, accretion, technology development, and property evaluation was $293,163 (2016 - $281,443), representing an increase of $11,720. An increase in amortization expense was offset by a decrease in technology development spending as the Company allocated resources to the Project in Utah.

Other Comprehensive Income

Included in total comprehensive income was a loss of $1,708,865 (2016 – $39,401 gain) from currency translation adjustment. The 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. The USD weakened during the second quarter from 1.3310 USD/CAD to 1.2977, which gave rise to the loss in other comprehensive income.

SUMMARY OF QUARTERLY RESULTS

Quarter ended	June 30 2017	Mar 31 2017	Dec 31 2016	Sep 30 2016	Jun 30 2016	Mar 31 2016	Dec 31 2015	Sep 30 2015
Revenue (net of royalties)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment income & interest	**1,223**	**521**	**41**	**10,324**	**33,765**	**3,687**	**51,939**	**(80,329)**
Net income/(loss)	**1,248,991**	**(2,380,590)**	**(45,173,161)**	**(1,502,134)**	**(1,243,715)**	**(3,060,953)**	**(1,153,096)**	**1,014,556**
Earnings (loss) per share – basic and diluted	**0.04**	**(0.07)**	**(1.32)**	**(0.04)**	**(0.05)**	**(0.18)**	**(0.07)**	**0.06**

The Company reported $1,223 in investment income & interest in Q2 2017 which increased by $702 from the previous quarter. The Company had limited funds available for investment and interest earning potential during the quarter.

Net income increased by $3,629,581 from the previous quarter primarily due to a gain recorded on the modification of the Existing Loan.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2017, the Company had cash and cash equivalents of $4.4 million, a working capital deficit of $1.3 million, and no commitments for capital expenditures.

As at the date of this report, the Company had cash and cash equivalents of $1.9 million and a working capital deficit of $0.6 million. Included in the working capital deficit are approximately US$2.4 million of current liabilities directly related to the Project. There is minimal capital required to complete the remaining start-up activities, barring encountering any major construction and/or design deficiencies. Upon production of 500 barrels of oil per day for five consecutive days, an additional US$2.5 million will be available under the Additional Loan. This additional financing will fund excess capital costs that may arise during the start-up activities, operating losses incurred until reaching positive cashflows from operations, the discharge of its current liabilities, and shortfalls in cashflow due to timing of receivables collection.

The Company's ability to remain a going concern is dependent upon the funding of the second tranche of financing, successful commercialization of the Company's proprietary bitumen extraction technology, the generation of positive cashflows from operations and the ability to discharge obligations as they become due. There is no assurance that the Company will be successful in achieving the second tranche funding milestone of producing 500 barrels of oil per day for five consecutive days. As such, there is significant doubt and there can be no assurance that the Company will be able to continue as a going concern.

Management has applied significant judgement in preparing forecasts supporting the going concern assumption. Specifically, management has made assumptions regarding projected oil sales volumes and pricing, scheduling of payments arising from various obligations as at June 30, 2017, the availability of additional financing, and the timing and extent of capital and operating expenditures.

COMMITMENTS

The Company has three forms of future commitments; office leases and equipment, resources properties, and capital equipment dedicated to the PR Spring Project.

The Company leases office and office/development premises in Calgary and Grande Prairie, respectively. The Calgary office has a head lease expiring March 31, 2018 with average gross quarterly rental fees of $103,788. The office and technology development facility lease in Grande Prairie has a 3-year term expiring March 31, 2018 with gross quarterly rental fees of $33,135.

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 average quarterly payments are US$87,887.

RELATED PARTY TRANSACTIONS

The key management personnel of the Company are comprised of members of the US Oil Sands Board of Directors and executives of the Company. Directors only receive share-based payment compensation and no cash compensation. The remuneration of key management personnel during the three months ended June 30 are as follows:

		2017		2016
Short-term employee benefits	**$**	**199,230**	$	251,122
Share-based payments		**90,025**		52,098
	$	**289,255**	$	303,220

The Existing Loan entered into on January 12, 2017 and Additional Loan entered into on June 30, 2017 are both with ACMO, the Company's largest shareholder. Upon closing of the amended Loan Facility, the Board decreased from five seats to three, all of which are appointed by ACMO.

OUTSTANDING SHARE DATA

As of the date of this report there are 35,548,420 common shares outstanding, 2,425,217 options outstanding, and 589,841 RSUs outstanding.

FINANCIAL INSTRUMENTS

The Company's financial assets and liabilities are comprised of cash and cash equivalents, accounts receivable, reclamation funds on deposit, accounts payable, accrued liabilities, and bank debt. 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, accrued liabilities and bank debt as other financial liabilities measured at amortized cost.

Fair value of financial instruments

The carrying amount of cash and cash equivalents, accounts receivable, reclamation funds, accounts payable, accrued liabilities and bank debt 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 cost; therefore, the fair value hierarchy is not applicable and the Company does not have financial instruments of which fair values were based on Level 1, 2 or Level 3 measurement.

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company has not entered into any mitigating interest rate hedges or swaps, and the Company does not have any cashable short-term investments. Had the interest rate on the investments been 100 basis points higher (or lower) throughout the three months ended June 30, 2017, earnings would have been affected by $nil (2016 – $16,000) based on the average investment balance outstanding during the three month period.

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. The following items are denominated in United States currency:

	June 30 2017	December 31 2015
Cash and cash equivalents	**$ 3,160,755**	$ 18,529,111
Accounts payable	**4,120,069**	3,302,292
Accrued liabilities	**124,045**	592,339

As at June 30, 2017, the exchange rate was 1.2977 USD/CAD. A change of the value of the Canadian dollar relative to the US dollar of 1% will result in a $10,834 increase in the gain or loss of foreign exchange, respectively.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The maximum risk to credit exposure is equal to the Accounts Receivable and Cash and Cash Equivalents balances. The majority of Accounts Receivable consists of receivables due from the Government of Canada. The Company holds cash and cash equivalents with large and reputable North American banks.

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 cashflows for the possibility of a negative net cashflow. For the quarter ended June 30, 2017, the Company had a negative working capital of $1.3 million (2016 - $1.6 million surplus) and an accumulated deficit of $89.1 million (2016 - $37.4 million). The Company's ability to remain a going concern is dependent on successful commercialization of the Company's proprietary bitumen extraction technology, the funding of the second tranche of financing, the generation of positive cashflows from operations and the ability to discharge obligations as they become due.

OUTLOOK FOR 2017

The Company will continue the start-up of Phase 1 of the PR Spring Project initiated during Q1 2017 and intends to continue until commercial operations are achieved.

The Company continues to evaluate specific markets for sales of crude oil and other petroleum products, along with optimal product transportation logistics.

Management will continue to investigate and pursue business development opportunities for the Company's technology, including opportunities to work with Athabasca oil sands developers to demonstrate the technology's favourable extraction outcomes. The Company will broaden its working relationships with leaseholders and government agencies supporting development of Canadian oil sands.

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; further capital requirements; estimated taxes; the timing of commencement of operations and the level of production anticipated; the operation of facilities, the ability to achieve field performance results similar to those achieved in process development piloting; 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.