



ALBERTA
OILSANDS INC.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
OPERATIONS AND FINANCIAL CONDITION**

FOR THE YEAR ENDED
DECEMBER 31, 2009

Alberta Oilsands Inc.

Management's Discussion and Analysis of Operations and Financial Condition

December 31, 2009

The following management's discussion and analysis of financial condition and the results of operations (the "MD&A") dated April 22, 2010 of Alberta Oilsands Inc. ("Alberta Oilsands" or the "Company") is reported in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and incorporates all relevant information and considerations to that date, and should be read in conjunction with the audited consolidated financial statements for the years ended December 31, 2009 and 2008 together with the accompanying notes. The Company operated as Platform Resources Inc. prior to May 29, 2007 when shareholders approved the name change of the Company to Alberta Oilsands Inc.

Unless the context otherwise requires, all references in this MD&A to "we", "us" or "our" means Alberta Oilsands Inc.

Additional information relating to Alberta Oilsands and its vision, strategies and operations, is available on SEDAR at www.sedar.com and on the Company's website at www.aboilsands.ca

BOE Presentation – Production information is commonly reported in units of barrel of oil equivalent ("boe"). For purposes of computing such units, natural gas is converted to equivalent barrels of oil using a conversion factor of six thousand cubic feet to one barrel of oil. This conversion ratio of 6:1 is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Such disclosure of boes may be misleading, particularly if used in isolation. Readers should be aware that historical results are not necessarily indicative of future performance.

Special Note Regarding Non-GAAP Measures – This MD&A includes references to certain financial measures, as described below, which do not have standardized meanings prescribed by GAAP, however, as these measures are commonly used in the oil and gas industry, the Company feels that their inclusion is useful to investors and they are measures that the Company uses to evaluate its performance. Investors are cautioned that these non-GAAP measures should not be construed as an alternative to the measures calculated in accordance with GAAP as, given their non-standardized meanings; they are unlikely to be comparable to similar measures presented by other issuers. The term "field net back" is defined as petroleum and natural gas sales less royalties, less production and transportation costs and the term "net back" is defined as field net back less general and administrative costs. The term "funds from (used in) operations", defined as the cash flow from operating activities, before the change in non-cash working capital and abandonment expenditures, should not be considered an alternative to, or more meaningful than, cash flow from operating activities or net income (loss) as determined in accordance with GAAP as an indicator of performance. The Company's determination of funds from operations may not be comparable to that reported by other companies.

Forward-looking Statements and Information – Certain information regarding Alberta Oilsands set forth in this report, including management's assessment of Alberta Oilsands' future plans, operations, properties, production and prospects contains forward looking information and statements that involve substantial known and unknown risks and uncertainties. In some cases, forward looking information and statements can be identified by terminology such as "may", "will", "should", "intends", "expects", "projects", "plans", "anticipates", "targets", "believes", "strives", "estimates", "continues", "designed", "objective", "maintain", "schedule" and similar expressions or statements that certain events or conditions "may" or "will" occur. In particular, this MD&A contains forward-looking statements and information with respect to: (i) possible in-situ development (including the timing of such development) on the Company's oil sands

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properties, including in respect of pilot projects and further development in respect of its Clearwater East and Clearwater West project areas located in its Fort McMurray properties and the joint development of its Hangingstone East project area with its pooling partner in the area; (ii) expectations regarding future developments costs and the ability to fund such costs; (iii) future values that may be attributable to the Company's oil and gas properties; (iv) the ability of the Company, Platform Resources Inc. and Africa Oil Corp. to obtain the necessary approvals which are required to complete the assignment of Platform Resources Inc.'s interests in Blocks 12A and 13T in Kenya to Africa Oil Corp., including the approval of the Government of Kenya; v) the ability of the current working capital levels of the Company to maintain future capital expenditures, including required flow-through expenditures; (vi) the Company's projected capital budget; (vii) successful results from the Company's core drilling programs; (viii) crude oil, natural gas and bitumen production levels; (ix) the continued economic viability of the Company's projects; (x) a regulatory regime that will be conducive to the Company completing its projects (including environmental regulation and royalty rates); (xi) the ability of the Company to meet its obligations (including future financial obligations) under the pooling agreement that it has entered into in respect of its Hangingstone East project area; (xii) projections of market prices and the demand for the commodities the Company produces or intends to produce; and (xiii) the exploration operations and commitment of Platform Resources Inc. ("Platform") a wholly owned subsidiary of Alberta Oilsands in the Republic of Kenya. Such forward-looking statements and information are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements and information. Certain of these assumptions and risks are discussed in greater detail below and through-out this MD&A. The Company undertakes no obligation to update such forward-looking statements or information if circumstances or management's estimates or opinions should change, unless required by law.

With respect to forward looking statements and information contained in this MD&A, the Company has made assumptions regarding, among other things: (i) future prices for crude oil, natural gas, bitumen and refined products and that the demand for such products will continue to increase globally, especially in emerging markets; (ii) favourable future currency and interest rates; (iii) the Company's ability to generate sufficient cash flow from operations and access capital markets or strategic partners to meet its future obligations and to fund future projects; (iv) a continued favourable regulatory framework representing royalties, taxes and environmental matters where the Company conducts its business; and (v) the Company's ability to obtain qualified staff and equipment in a timely and cost efficient manner. In addition, the Company has made certain other assumptions in respect of the timing and feasibility of certain of its oil sands projects, see "Oilsands Development Risks" in this MD&A.

Some of the risks that could affect the Company's future results and could cause results to differ materially from those expressed in the Company's forward looking statements and information include: (i) the need to obtain required approvals and permits from regulatory authorities, including in respect of the Company's Clearwater West pilot project application which was submitted in January 2010; (ii) the impact of competition; (iii) compliance with and liabilities under environmental laws and regulations; (iv) the uncertainties of estimates by the Company's independent consultants with respect to the Company's reserves and resources; (v) the volatility of prices for crude oil, natural gas, bitumen and refined product prices; (vi) general economic conditions in Canada and globally; (vii) changes to royalty regimes and government regulations regarding royalty payments; (viii) risks associated with exploring for, developing,

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producing, processing, storing and transporting crude oil, bitumen and natural gas; (ix) geological, technical, drilling and processing problems; (x) the Company's ability to hire and retain qualified staff with the skills necessary to continue development of the Company's projects; (xi) imprecision in estimating capital expenditures and operating expenses; (xii) imprecision in estimating the timing, costs and levels of production and drilling; (xiii) imprecision in estimates of future production capacity; (xiv) potential delays or changes in plans with respect to exploration and development projects or capital expenditures; (xv) changes to regulations and legislation applicable to the Company and the interpretation thereof including tax and environmental legislation and regulations in the jurisdictions in which the Company conducts its business; (xvi) the inability of the Company to obtain financing for its potential oil sands projects from capital markets, strategic joint partners or other sources on competitive terms, or at all (the unavailability of which could have a material adverse effect on the ability of the Company to proceed with the projects as currently planned, or at all); (xvii) unavailability of required equipment, services, and personnel with the appropriate skill set; (xviii) risks associated with the construction of the Company's projects, including labour and material shortages and incidents such as fires, blowouts, explosions, cratering, sour gas leaks and spills; and (xviii) the other factors discussed under "Oilsands Development Risks" and "Business Risks and Uncertainties" in this MD&A. Platform's operations in Kenya may be adversely affected by political or economic developments or social instability, which are not within the control of either Platform or the Company, including, among other things, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts, taxation policies, economic sanctions, fluctuating exchange rates and currency controls. In addition, in light of the risks associated with obtaining the required approvals in respect of the sale of Platform Resources Inc.'s interests in Blocks 12A and 13T in Kenya to Africa Oil Corp. and the uncertainty associated with negotiating with foreign governments, the Company cannot provide any assurances that such approvals can be obtained in a timely manner or at all. If such approvals are not obtained, or are not obtained in a timely manner, the proposed sale may not be completed.

Readers should be aware that historical results are not necessarily indicative of future performance. No assurance can be given that any events anticipated by the forward looking statements or information will transpire or occur, or if any of them do, what benefits Alberta Oilsands may derive therefrom.

Statements relating to "resources" are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the described resources exist in the quantities predicted or estimated, and can be profitably produced in the future. There is no certainty that it will be commercially viable to produce any portion of the resources described in this MD&A. Additional information regarding the disclosure of resources and the assumptions relating to the resources of the Company are discussed under "Disclosure of Resources" in this MD&A.

Basis of Presentation

The Company was incorporated under the Business Corporations Act (Alberta) on December 5, 2003 and is listed on the TSX Venture Exchange. The Company is involved in the production, exploration and development of petroleum properties with a focus on the delineation of oil sands resources.

The consolidated financial statements of the Company as at and for the year ended December 31, 2009 have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Property and equipment is recognized in these

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financial statements in accordance with the accounting policies outlined in Note 2 to such financial statements. Accordingly, their carrying values represent costs incurred to date, net of abandonments and write-downs, and do not necessarily reflect present or future values. The ability of the Company to continue as a going concern and the recoverability of amounts shown for the properties is dependent upon the existence of economically recoverable reserves and upon the Company's ability to obtain additional financing to continue the development of the Company's properties and generate funds therefrom and to meet current and future obligations. The consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, expenses and the balance sheet classifications that would be used if the going concern assumption were not appropriate. Such adjustments could be material.

Overall Performance

Alberta Oilsands Inc. is an early-stage oil sands exploration and development company focused in the Athabasca oil sands region of northeast Alberta. Alberta Oilsands trades on the TSX Venture Exchange.

Alberta Oilsands took a significant step on the path to commercial bitumen production early in 2010 by submitting the application for its first oil sands project on Alberta's oil sands Athabasca fairway. The pilot project application to the Energy Resources Conservation Board and Alberta Environment in January 2010 was the culmination of three years of planning, environmental studies and core hole drilling to establish the viability of the project. The application moves Alberta Oilsands closer to the construction phase of its pilot project located on its 140.5 (121.2 net) sections of high working interest oil sands leases.

While 2009 brought challenges for the economy in general and oil and gas companies in particular, Alberta Oilsands took advantage of the market downturn by diversifying its business through the acquisition of prospective conventional assets. The Company earned interests in 31,178 (15,589 net) acres of land during 2009 through two farm-in agreements. With the recovery of oil prices and overall economy, Alberta Oilsands intends to shift its focus and resources to the oil sands in 2010.

2009 highlights include the following:

- Drilled eight core holes on its Fort McMurray Clearwater West property as part of its winter 2009 capital program. The drilling results continued to support the Company's assertion of exploitable bitumen resources and provided additional reservoir technical information.
- These results allowed Alberta Oilsands to proceed with the preparation of its pilot project application for submission in early 2010.
- Announced a significant conventional oil and gas farm-in agreement in central and northwest Alberta at Ladyfern/Chinchaga on January 28, 2009. AOS agreed to partner with an experienced operator for the right to earn a minimum 50% working interest in over 31 sections of land.
- Confirmed an economic relationship with the Fort McMurray Airport Commission by signing a memorandum of understanding in April 2009 and a subsequent definitive agreement in July 2009. The strategic economic relationship provides Alberta Oilsands with access to two and one-half sections of land at Clearwater West in exchange for warrants and a gross overriding royalty on production from the area.

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- Entered into a conventional oil and gas farm-in agreement with a private producer in the Hines Creek area of the Peace River Arch in northwest Alberta. The agreement provides Alberta Oilsands with a 50% working interest in 17 sections of land.
- Drilled a successful conventional well at Ladyfern/Chinchaga in the first quarter of 2009. Initial gross production from the well reached 5 million cubic feet per day (mmcf/d) with 3 mmcf/d in the third quarter of 2009 and 2 mmcf/d in the fourth quarter of 2009. Alberta Oilsands earned a 50% interest in the well, resulting in an average of 167 boe/d net to the company in 2009. The Company's total production in 2009 averaged 233 boe/d.
- Announced a 20% increase in the assigned contingent resources at Clearwater West to 182.5 million barrels of contingent bitumen resources. This amount is based on a mid case or "best estimate" by the Ryder Scott Company of Canada, Petroleum Consultants, effective June 1, 2009. The updated resource report was prepared in compliance with National Instrument 51-101 (see "Review of Oilsands Operations" and "Contingent Resource Estimate").
- Increased the designed production capacity of its Clearwater West oil sands project as it evolved to utilize six well pairs in a stacked configuration instead of three well pairs.
- Arranged a \$10 million credit facility until October 2010 from a Canadian financial institution. The purpose of the facility is to fund a portion of Alberta Oilsands' conventional capital program.
- Increased our financial flexibility in October and November 2009 by entering into a bought-deal financing agreement with a syndicate of underwriters. The over-allotment option was exercised, increasing the gross proceeds from the financing to \$10.9 million.

Recent Highlights

- Submitted an application for the Company's first "in situ" oil sands pilot project to the Energy Resource Conservation Board and Alberta Environment on January 15, 2010. The application moves Alberta Oilsands one step closer to its vision of a 10,000 barrel per day steam-assisted gravity drainage (SAGD) commercial bitumen extraction project at Clearwater West.
- Strengthened the management team by hiring Dr. Claes Palmgren as Vice President of Engineering. Dr. Palmgren brings 20 years of oil sands experience to Alberta Oilsands to focus on taking the Clearwater West project to the point of production.
- Signed an agreement dated effective January 11, 2010 to assign Alberta Oilsands' interests in two exploration blocks in Kenya to Africa Oil Corp. This agreement is subject to Kenyan government approval and regulatory authorities. To facilitate the closing of the Company's interest in Kenya, in April 2010, Alberta Oilsands transferred cash of US\$1,087,500 to Platform Resources Inc.'s bank account which was utilized to cash collateralize an unconditional and irrevocable bank guarantee securing a performance bond to be provided to the Kenyan Government by Platform Resources Inc. with respect to the PSC's.

Review of Oilsands Operations

Fort McMurray Clearwater West

With the submission of its Clearwater West oil sands project application in January 2010, Alberta Oilsands is moving closer to extracting bitumen through low-pressure steam assisted gravity drainage. Agreements have been entered into with major investment firms to assist in finding the resources to proceed with the project.

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The Clearwater West project is located one mile southeast of the Fort McMurray Regional Airport, just north of Highway 69. Highway 69 is the east-west route that connects to Highway 63, the main highway which connects Edmonton and Fort McMurray. Alberta Oilsands has a 100% working interest in 28 sections of oil sands rights in the area subject to a 2% gross overriding royalty on 2 of the 28 sections to the Fort McMurray Airport Commission ("FMAC").

Alberta Oilsands has been actively removing barriers and moving through the stages required to ensure the success of its first oil sands project at Clearwater West. These requirements have included geological data from the drilling of a total 22 core holes since inception of the project, detailed cap rock studies, reservoir simulation studies, horizontal well designs, front-end engineering design for the project facilities and infrastructure, environmental impact and emergency response and public consultation.

As soon as Alberta Oilsands receives regulatory approval from Energy Resource Conservation Board and Alberta Environment of its Clearwater West pilot project application and arranges financing, all of which is anticipated to occur in 2011, the Company expects to engage engineering firms and consultants to begin construction of facilities and drilling horizontal well pairs. Our goal remains to start steaming and initial bitumen production before the beginning of 2012.

The initial phase of the Clearwater West project is a relatively low capital, low pressure pilot project designed to confirm commercial bitumen production from the McMurray formation in the area as well as the safety of recovering bitumen in-situ from the relatively shallow reservoir in proximity to the Fort McMurray Airport.

A STARS reservoir simulation study by Computer Modeling Group suggests initial production at Clearwater West pilot project exceeding 2,500 bpd to a potential maximum of 5,000 bpd, an average steam-to-oil ratio of 2.0 over the life of the project and a recovery factor ranging from 50% to 55%. If the Clearwater West project receives all the necessary approvals, obtains the financing necessary to proceed with a commercial project, engages qualified personnel, and if the initial phase is successful, management expects commercial production to reach 10,000 bpd by late 2013.

A noteworthy development at Clearwater West in 2009 was the signing of a mutually beneficial agreement with the FMAC. The agreement removes some of the uncertainty surrounding access to two and one-half sections of land adjacent to the airport estimated to contain more than 150 million barrels (MMB) of contingent bitumen resource (best estimate).

Alberta Oilsands granted the FMAC a 2% gross overriding royalty on two sections of the oil sands rights held by Alberta Oilsands in 88-8-W4M: Sections 21 and 22 in the Clearwater West project area, as well as four million warrants to purchase Alberta Oilsands shares at a weighted average price of \$0.75 per share. In return, the FMAC has agreed to provide access to certain airport lands related to the Clearwater West project, provided the Company's operations do not interfere with the operation of the airport. The FMAC has also agreed to work with Alberta Oilsands on planning and logistics of any operation on airport lands. This agreement is expected to allow Alberta Oilsands to expedite the development of its Clearwater West project and provide considerable economic benefits to both parties.

The above assessments of Alberta Oilsands' properties, production and prospects constitute forward-looking statements. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to risks and uncertainties that could cause actual events or results to differ from those projected in the forward-looking statements. See "Forward-looking Statements and Information" in this MD&A.

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Contingent Resource Estimate

In 2009, Alberta Oilsands commissioned an update of the assigned contingent (recoverable) resources of bitumen at Clearwater West. An independent National Instrument 51-101 compliant report by Ryder Scott Company Canada, Petroleum Consultants, dated June 1, 2009, attributed an estimated 182.5 million barrels of contingent resource at Clearwater West based on a mid case or "best estimate." This represents an increase of 20.4% or 30.9 million barrels of bitumen over the previous estimate dated June 1, 2008.

With the addition of the July 2009 update at Clearwater West, the total contingent resource attributed by Ryder Scott at Alberta Oilsands' Fort McMurray Clearwater properties is now 350.9 million barrels. Based on an adjusted US\$80 per barrel West Texas Intermediate oil benchmark price and adjustments, this equates to an estimated net present value discounted at 10% of \$328 million for a 10,000 bpd SAGD project. This estimated net present value does not represent fair market value. This amount constitutes only a portion of Alberta Oilsands' 100% owned interest in the project area and does not take into consideration the potential contingent resources on Alberta Oilsands' other oil sands leases. The updated engineering report is summarized as follows:

Independent Best Estimate Contingent Resource Assignments (mmbbls)	Clearwater			
	West	East	North	Total
Contingent Resources June 1, 2008	151.6	131.6	36.8	320.0
Additional Assignment June 1, 2009	30.9	-	-	30.9
Total Best Estimate Contingent Resources June 2009	182.5	131.6	36.8	350.9

There is no certainty that it will be commercially viable to produce any portion of the contingent resources estimated in the Ryder Scott report. For more information about the disclosure of resource estimates, see "Disclosure of Resources".

Clearwater East and North

Alberta Oilsands also has potential project areas south and north of the Clearwater River. The three Clearwater project areas total 28 sections of oil sands leases at a 100% working interest. Both Clearwater West and Clearwater East are in the McMurray formation bitumen sand isopach (thickness) trend mapped by the Alberta Geological Survey. The Company believes each area has the potential to support its own commercial project. In 2010/2011 Alberta Oilsands plans to drill core holes at Clearwater East and Clearwater North to determine the viability of these potential projects.

Hangingstone East

Alberta Oilsands and its partner have launched a core hole drilling program designed to explore the potential for an oil sands project at Hangingstone East. In 2008, Alberta Oilsands entered into an agreement with a partner, whereby Alberta Oilsands pooled its 23 sections in Hangingstone with the partner's 15.5 sections in the adjacent Halfway Creek properties. Each partner now has a 50% working interest in 38.5 sections of contiguous land 45 kilometres southwest of Fort McMurray along Highway 63.

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The partners have agreed to work jointly on the assets throughout 2010. To determine the potential for this area to support a commercial bitumen project, 13 core holes (6.5 net) were drilled on this block in the 2009/2010 drilling season. Alberta Oilsands spent \$572,000 in 2009 in Hangingstone East on core hole drilling and seismic data. There is a 3% gross overriding royalty applicable to this property which Alberta Oilsands is responsible for the total burden.

Review of Conventional Operations

Alberta Oilsands' interim strategy of pursuing conventional oil and gas exploration played a key role in 2009, resulting in a significant production increase in 2009 from one producing gas well. With higher oil prices and renewed interest in the strength of Alberta's oil sands, the Company has returned its focus to the oil sands, specifically to *in situ* SAGD bitumen extraction.

At this time, the Company is anticipating to spend no more than \$2.0 million from its 2010 capital budget for conventional oil and gas exploration and development. Alberta Oilsands is required to spend \$5.8 million on eligible flow-through expenditures by December 31, 2010 of which, \$0.8 million had been spent by the end of 2009. The balance of the flow-through obligation is intended to be spent on oil sands activities.

The past year was a very active drilling year for the Company. The Ladyfern North (Hamburg) 13-29-95-12W6 Slave Point gas well continues to produce and generate cash flow. This well came on stream on April 1, 2009 and produced an average of one million cubic feet (1,000 mcf/d) of natural gas per day net to the Company during the fourth quarter of 2009. Alberta Oilsands has earned 11 sections (5.5 net) of land in the area. The Company plans a follow up to this well by drilling in a prospect at Ladyfern South (Hamburg) 05-05-095-12W6 location. Due to access, this will likely occur in the first quarter of 2011.

The Mahaska 16-29-57-12W5 prospect was drilled in August 2009. The target Blueridge zone in the 16-29 was dry and the test well was abandoned. The Company earned a 50% working interest in 18 contiguous sections of prospective rights in the Mahaska area in 2009 through the drilling of this well.

Two farm-in Hines Creek area locations were drilled in November and December 2009. The Dixonville 09-13-086-02W6 location was abandoned as it did not encounter any hydrocarbon accumulations. The Jack 06-30-085-03W6 location was drilled to target depth and was cased. The 06-30 open hole logs indicated likely hydrocarbon potential; however, upon completion, the zone produced only formation water. The wellbore was subsequently plugged and abandoned. Alberta Oilsands earned 50% in 17 sections of petroleum and natural gas rights in the Hines Creek area.

Drilling of the Wildmint, B.C. prospect was initiated in the fourth quarter of 2009 and drilled into the first quarter of 2010. The Windmint c-5-d 94-H-1 wellbore remains standing with positive gas indications. The commerciality of this drill remains inconclusive. A vertical seismic profile (VSP) was acquired after drilling the well to total depth. The operator may recommend, subject to further interpretation of the VSP and additional seismic data, to drill a sidetrack well in the fourth quarter of 2010.

Alberta Oilsands' conventional production in 2009 averaged 233 boe/d, comprising 66 bbls/d of oil and natural gas liquids (NGLs) and 1,004 mcf/d of natural gas. The current production of approximately 200 boe/d includes 50 boe/d from the Company's legacy conventional properties and approximately 150 boe/d of natural gas and NGLs from the Ladyfern (Hamburg) 13-29 well.

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Conventional production has provided Alberta Oilsands with a source of cash flow to be used to partially offset its overhead. The Company's natural gas production is also expected to provide a physical hedge against volatile price fluctuations in the natural gas market, once the Company requires natural gas in its oilsands operations. While Alberta Oilsands recognizes the value of its conventional assets, the Company realizes its focus must remain on bringing its first oil sands pilot project to the point of production.

Review of International Operations

Early in 2010, Alberta Oilsands agreed to assign its international assets in Kenya to Africa Oil Corp. ("Africa Oil") subject to certain conditions including the consent of the Government of Kenya to the assignment and the necessary regulatory approvals. Alberta Oilsands holds its Kenyan assets through its wholly owned subsidiary, Platform Resources Inc.

As announced on February 16, 2010, Alberta Oilsands has agreed to assign Blocks 12A and 13T in Kenya to Africa Oil in consideration for 2.5 million common shares and 1.5 million share purchase warrants of Africa Oil. Each warrant is exercisable into one common share at a price of \$1.50 per share over a period of two years. If the closing price for Africa Oil's common shares exceeds \$2.00 for 20 consecutive trading days, Africa Oil can provide written notice to Alberta Oilsands accelerating the expiry date to a date that is at least 180 days from the date of notice. The transaction is subject to, among other things, the approval of the Kenyan Government and the TSX Venture Exchange.

If completed, this transaction with Africa Oil will allow Alberta Oilsands to maintain upside of its Kenya investment through a diverse portfolio of East African assets by being a shareholder in Africa Oil while entrusting responsibility for exploring and developing these assets to a strong local operator.

Readers should be aware that there are risks and uncertainties associated with Alberta Oilsands' international operations and the proposed assignment to Africa Oil. See "Forward-looking Statements and Information" and "Business Risks and Uncertainties."

Results of Conventional Operations

	Three months ended December 31		
	2009	2008	2007
Statement of Operations and Deficit			
Petroleum and natural gas sales (\$)	826,073	366,542	475,589
Petroleum & natural gas sales per boe (\$)	40.63	59.98	74.86
Daily sales volumes (boe 6:1)	222	66	69
Net loss for the period (\$)	(1,035,940)	(1,985,137)	(1,002,898)
Net loss per share – basic and diluted (\$)	(0.01)	(0.02)	(0.02)
Statement of Cash Flows			
Funds used in operations (\$) ⁽¹⁾	(776,513)	(485,453)	(418,165)
Cash flow used in operations (\$)	(932,314)	(397,166)	(508,543)
Capital expenditures (\$)	3,202,536	4,990,133	4,681,196
Weighted average number of shares			
- basic and diluted	91,763,951	79,651,375	53,278,147

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	Years ended December 31		
	2009	2008	2007
Statement of Operations and Deficit			
Petroleum and natural gas sales (\$)	2,979,929	2,032,513	2,980,974
Petroleum & natural gas sales per boe (\$)	35.10	91.39	67.08
Daily sales volumes (boe 6:1)	233	61	122
Net loss for the year (\$)	(3,660,479)	(4,734,313)	(2,754,755)
Net loss per share – basic and diluted (\$)	(0.04)	(0.07)	(0.06)
Statement of Cash Flows			
Funds used in operations (\$) ⁽¹⁾	(1,822,947)	(1,666,344)	(748,317)
Cash flow used in operations (\$)	(1,981,138)	(1,257,504)	(581,763)
Capital expenditures (\$)	12,724,649	15,623,603	20,221,545
Total assets	59,100,404	56,416,889	37,083,599
Total liabilities	6,859,459	8,640,602	6,002,376
Shareholders' equity	52,240,945	47,776,287	31,081,223
Weighted average number of shares			
- basic and diluted	82,704,408	68,689,821	42,765,794

(1) Alberta Oilsands' method of calculating funds from operations may differ from that of other corporations and, accordingly, may not be comparable to measures used by other corporations. Alberta Oilsands calculates funds from operations by taking cash flow from operating activities as determined under GAAP before the change in non-cash working capital related to operating activities and abandonment expenditures incurred. The Company uses this method as it believes the uncertainty surrounding the timing of collection, payment or incurrence of these items makes them less useful in evaluating Alberta Oilsands' operating performance. A summary of this reconciliation is as follows:

Reconciliation of Cash flow per GAAP to funds used in operations

	Three months ended December 31		
	2009	2008	2007
Cash flow used in operating activities (per GAAP) (\$)	(932,314)	(397,166)	(508,543)
Change in non-cash working capital (\$)	155,801	(88,287)	90,378
Funds used in operations (\$)	(776,513)	(485,453)	(418,165)

Reconciliation of Cash flow per GAAP to funds used in operations

	Years ended December 31		
	2009	2008	2007
Cash flow used in operating activities (per GAAP) (\$)	(1,981,138)	(1,257,504)	(581,763)
Change in non-cash working capital (\$)	158,191	(408,840)	(166,554)
Funds used in operations (\$)	(1,822,947)	(1,666,344)	(748,317)

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Production

	Three months ended December 31		Years ended December 31	
	2009	2008	2009	2008
Oil and NGL (bbls/day)	51	59	66	54
Natural gas (mcf/day)	1,030	43	1,004	43
boe/day (6:1)	222	66	233	61

During the fourth quarter of 2009, the Company's average production decreased to 222 boe per day from 321 boe per day in the third quarter of 2009 due to the Ladyfern well being shut-in for a period of time and operational issues at Leduc. The increase in both the fourth quarter of 2009 and the year ended December 31, 2009 compared to the same periods in 2008 were primarily from the Ladyfern well that came on production in April 2009. During the year ended December 31, 2009 the Company's production averaged 233 boe per day as compared to the twelve months of 2008 production of 61 boe per day.

	Three months ended December 31		Years ended December 31	
	2009	2008	2009	2008
Commodity Prices				
Oil and NGL (\$/bbl)	74.51	61.96	63.17	96.63
Natural gas (\$/mcf)	5.11	7.29	4.02	8.67
boe (\$/boe)	40.63	59.98	35.10	91.39
Revenues (\$)				
Oil and NGL	342,162	337,413	1,506,985	1,896,386
Natural gas	483,911	29,129	1,472,944	136,127
Total	826,073	366,542	2,979,929	2,032,513

Commodity prices increased for oil and natural gas liquids ("NGL") to \$74.51 per bbl and for gas to \$5.11 per mcf in the fourth quarter of 2009 compared to \$65.41 per bbl and \$3.40 per mcf in the third quarter of 2009. Prices increased for oil and NGL's and decreased for natural gas in the fourth quarter of 2009 versus the comparative quarter in 2008.

Commodity prices for the year ended December 31, 2009 decreased significantly from the comparative period in 2008.

In October 2009, the Company signed a commodity "collar" price risk contract for the period November 1, 2009 to October 31, 2010. The notional quantity under this contract is for 50 barrels of oil per day at prices per barrel of \$70.00 (floor strike price) and \$79.50 (cap strike price). For the year ended December 31, 2009, the Company has realized a loss of \$4,905 which has been included in petroleum and natural gas sales revenue and has recorded an unrealized loss of \$133,687 for the unsettled portion of the contract as at December 31, 2009. The Company has paid \$127,000 as a deposit to the counterparty offsetting a portion of this liability.

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Royalties and Production Expenses

	Three months ended December 31		Years ended December 31	
	2009	2008	2009	2008
Royalties (\$)	234,847	64,683	409,963	298,470
% of revenues	29	17	14	15
\$/boe	11.48	10.58	4.82	13.42
Production and transportation expenses (\$)	379,180	179,301	1,529,898	806,421
\$/boe	18.54	29.34	17.99	36.26

Royalties for the fourth quarter of 2009 increased to \$11.48 on a per boe basis from \$2.25 per boe in the third quarter of 2009, and from \$10.58 per boe in the fourth quarter of 2008. Royalties for the year fell slightly from 2008 as a percentage of revenue, but decreased on a per boe basis to \$4.82 from \$13.42 for the year 2008. The Ladyfern well had been subject to the royalty reduction program resulting in a rate of 5% until the fourth quarter of 2009 whereby the holiday period expired and the crown royalty increased to 33% for the quarter.

Production and transportation costs for the fourth quarter of 2009 were \$379,180 or \$18.54 per boe as compared to \$179,301 or \$29.34 per boe for the same period of 2008. Production and transportation costs for the year of 2009 were \$1,529,898 or \$17.99 per boe as compared to \$806,421 or \$36.26 per boe for the same period of 2008. The decrease on a boe basis was primarily a result of the volumes from the Ladyfern well whose operating expenses are \$6.31 per boe, offset by the continuous maintenance and repair costs required on the Company's Leduc property to maintain production volumes.

Netbacks (\$/boe)

	Three months ended December 31		Years ended December 31	
	2009	2008	2009	2008
Revenue	40.63	59.98	35.10	91.39
Royalties	11.48	10.58	4.82	13.42
Production and transportation expenses	18.54	29.34	17.99	36.26
Field netbacks	10.61	20.06	12.29	41.71
General and administrative (i)	28.24	75.52	26.49	101.85
Netbacks	(17.63)	(55.46)	(14.20)	(60.14)

(i) Note: The Company's per boe general and administrative expenses are generally higher than companies with comparable production levels as Alberta Oilsands is primarily focussed on non-conventional oil sands exploration for which there is no immediate production increases. See "Special Note Regarding Non-GAAP measures".

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General and administrative expense

General and administrative expenditures for the three months and year ended December 31, 2009 totalled \$577,691 and \$2,252,242 respectively, as compared to \$461,504 and \$2,265,164 for the comparative 2008 periods. Salaries in the amount of \$70,969 and \$283,875, respectively, related to individuals specifically involved in the oil sands properties were capitalized to such properties for the three months and year ended December 31, 2009 as compared to \$31,173 and \$189,158 for the comparative 2008 periods. Increases in personnel, office, travel and other promotional costs in the year ended December 31, 2009 contributed to the overall increase.

Business development expenses and international operations

During the three months and year ended December 31, 2009, the Company incurred \$157,031 and \$328,473 respectively, as compared to \$258,602 and \$540,768 for the comparative 2008 periods, in business development expenses related to the pursuit of projects outside of conventional Canadian oil and gas exploration and development, principally in Kenya. The majority of the expenditures in 2009 related to commitments paid to the Kenyan Government for geological data and reports with the balance for consulting fees and related travel costs.

In February 2010, the Company executed a definitive agreement in which its wholly owned subsidiary Platform Resources Inc. agreed to assign its interest in Blocks 12A and 13T in Kenya in consideration for 2.5 million common shares and 1.5 million share purchase warrants of Africa Oil Corp. Each warrant is exercisable into one common share at a price of \$1.50 per share over a period of 2 years. If the closing price for Africa Oil's common shares exceeds \$2.00 for 20 consecutive trading days, Africa Oil can provide written notice to Alberta Oilsands accelerating the expiry date to a date that is at least 180 days from the date of notice. The agreement is subject to the Kenyan Government and regulatory approvals.

Stock-based compensation

Stock-based compensation for the three months and year ended December 31, 2009 was \$48,347 and \$761,951, respectively, compared to \$332,631 and \$1,594,936, respectively, in the same periods in 2008. In addition, \$20,937 and \$247,411 of stock-based compensation and warrant consideration, and \$6,979 and \$82,470 of related future income taxes was capitalized to property and equipment in the three months and year ended December 31, 2009. \$45,737 and \$436,080 of stock-based compensation and \$15,246 and \$145,360 of related future income taxes was capitalized in the three months and year ended December 31, 2008. The decrease in stock-based compensation is due to fewer grants being made at lower fair values than in the comparative periods. Stock-based compensation expense related to options granted to individuals whose salary and consulting fees are capitalized is included in property and equipment. The fair value of options is estimated at the time of granting and is recognized as stock-based compensation over the vesting period of the options. Stock-based compensation for options granted to consultants is based on the estimated fair value recalculated at each balance sheet date until the related options are fully vested.

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Interest expense and financing costs

Total interest expense and financing costs of \$164,753 and \$230,390 for the three months and the year ended December 31, 2009 was comprised of Part XII.VI interest related to the Company's 2008 flow-through common share financings. The tax benefits of the flow-through financings were renounced to investors effective December 31, 2008 and interest accrues on a monthly basis on the unspent portion of the qualifying expenditures until all of the requirements have been met. This interest was paid at the end of February 2010. This compares to interest expense in the three months and the year ended December 31, 2008 of (\$882) and \$172,886 which was comprised primarily of interest related to the 2007 flow-through financings.

In October 2009, the Company executed an agreement for a \$10 million bridge term loan (the "Facility") to fund low risk development of the Company's conventional assets. The Company paid a fee of \$125,000 and issued the lender warrants to purchase 650,000 common shares at \$0.50 per common share for a period of 18 months from the date of closing. The fair value of the warrants using the Black-Scholes pricing model was estimated to be \$35,068. See "credit facility" and "warrants".

Depletion, depreciation and accretion

	Three months ended December 31		Years ended December 31	
	2009	2008	2009	2008
Depletion and depreciation (\$)	627,489	1,770,111	1,951,922	2,476,576
\$/boe	30.68	289.66	22.96	111.36
Accretion (\$)	9,198	16,277	34,978	62,555
\$/boe	0.45	2.66	0.41	2.81

The total depletion, depreciation and accretion charge for the three months and year ended December 31, 2009 was \$636,687 and \$1,986,900 (\$31.13 and \$23.37 per boe) respectively, as compared to \$1,786,388 and \$2,539,131 (\$292.33 and \$114.17 per boe) for the three months and year ended December 31, 2008. The Company applied the ceiling test to its property and equipment at each quarter end in 2009 and determined that as at December 31, 2009 there was no impairment. An impairment in the amount of \$1,475,000 was recorded during the year ended December 31, 2008. With further commodity price declines, further impairments may result. In performing the ceiling test, the Company excludes the \$38.4 million spent to date on its oil sands properties.

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\$15 million over all of the Company's properties. The interest rate ranges from 10% at less than 25% utilization to 16% at greater than 75% utilization. This Facility expires on October 31, 2010. In connection with the signing of the Facility, the Company paid a fee of \$125,000 and issued the lender warrants to purchase 650,000 common shares at \$0.50 per common share until April 15, 2011. The fair value of the warrants using the Black-Scholes pricing model was estimated to be \$35,068. Should the Company utilize the facility it is subject to working capital, debt to equity, interest coverage, and minimum market capitalization requirements.

Liquidity and Financial Position

The Company commenced 2009 with working capital of \$14.6 million.

During the year ended December 31, 2009, a total of \$2.0 million was spent on operating activities, \$0.1 million for a reclamation deposit, \$12.7 million on capital expenditures, and \$9.7 million net of issue costs in additional equity was raised. The Company exited the year with a working capital of \$9.7 million.

In October 2009, the Company executed an agreement for a \$10 million bridge term loan (the "Facility") to fund certain capital expenditures of which nil was drawn as at December 31, 2009. See "credit facility".

In November 2009, the Company issued a total of 12,781,250 units at a price of \$0.40 per unit for gross proceeds of \$5,112,500. Each unit consisted of one common share and one common share purchase warrant of the Company. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.50 until November 17, 2011. The fair value of the warrants is estimated to be \$562,052. The value of this unit issuance, net of the warrants, is \$4,550,448.

In November 2009, the Company issued 12,778,000 flow-through common shares at a price of \$0.45 per share for total gross proceeds of \$5,750,100. The Company is required to spend \$5,750,100 in qualifying expenditures by December 31, 2010, of which approximately \$807,000 has been incurred as at December 31, 2009.

The Company's working capital as at December 31, 2009 of \$9.7 million will be utilized to fund flow-through expenditures, general and administrative expenses, and fund Platform for costs associated with the ongoing Kenyan government negotiations.

In April 2010 Alberta Oilsands transferred cash of US\$1,087,500 to Platform Resources Inc.'s bank account which was utilized to cash collateralize an unconditional and irrevocable bank guarantee securing a performance bond to be provided to the Kenyan Government by Platform Resources Inc. with respect to the PSC's. See "international obligations".

In addition, in order to better manage price risk, the Company entered into a commodity contract that establishes a price floor to limit losses should prices decline. See "Contractual Obligations and Commitments" for further information.

The Company continues to pursue alternate arrangements either from equity or debt financings, joint ventures or asset rationalizations to provide the funding required to continue its oilsands development, including in respect of its proposed Clearwater West pilot project. Expenditures on Clearwater will be kept to a minimum until regulatory approval and financing has been obtained.

The Company's policy is to ensure that its cash investments are liquid and are not invested in asset backed commercial paper products.

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Share Capital

Common shares

The Company commenced 2009 with 79,651,375 common shares outstanding. During 2009, a total of 12,781,250 common shares and 12,778,000 flow-through common shares were issued pursuant to private placements increasing the total common shares outstanding to 105,210,625 as at December 31, 2009 and as at the date of this MD&A.

Stock Options

The Company commenced 2009 with a total of 7,622,856 stock options outstanding. During 2009, a total of 316,000 stock options were granted and 2,411,700 were forfeited/cancelled, resulting in 5,527,156 options outstanding as at December 31, 2009 of which 4,279,548, are exercisable. The following is a continuity of stock options:

	2009		2008	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Opening	7,622,856	\$ 0.85	5,126,405	\$ 1.25
Granted	316,000	0.20	3,254,783	0.30
Exercised	-	-	(81,000)	(0.39)
Cancelled for directors/officers	(1,560,000)	1.99	-	-
Expired	(360,000)	0.30	-	-
Cancelled for employees & consultants	(204,000)	2.06	(677,332)	(1.27)
Forfeited for employees & consultants	(287,700)	0.97	-	-
Closing	5,527,156	\$0.47	7,622,856	\$ 0.85

Of the total options outstanding, 4,136,656 are held by directors/officers and management. Subsequent to December 31, 2009, a total of 3,105,000 options were granted increasing the total options outstanding to 8,632,156 as of the date of this MD&A.

Warrants

On July 8, 2009, the Company granted 4,000,000 common share purchase warrants as partial consideration for a Gross Overriding Royalty, Access and Cooperation Agreement. Each whole warrant entitles the holder to acquire one common share of the Company for the following periods: 2,000,000 warrants exercisable at a price of \$0.50 per common share until July 8, 2010 and 2,000,000 warrants exercisable at a price of \$1.00 per common share until July 8, 2011. The fair value of the warrants is estimated at \$20,517 using the Black-Scholes pricing model based on a forfeiture rate of nil, a dividend yield of nil, volatility of 50%, a risk-free interest rate of 1.16%, and a weighted average expected life of 1.5 years. The fair value of the warrants has been capitalized to the oilsands properties. At December 31, 2009, all 4,000,000 warrants are exercisable.

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On October 15, 2009, the Company granted 650,000 common share purchase warrants pursuant to the credit facility. Each warrant entitles the holder to one common share of the Company at a price of \$0.50 per common share until April 15, 2011. The fair value of the warrants is estimated at \$35,068 using the Black-Scholes pricing model based on a forfeiture rate of nil, a dividend yield of nil, volatility of 50%, a risk-free interest rate of 1.52%, and a weighted average expected life of 1.5 years. The fair value of the warrants has been expensed and included in financing costs. At December 31, 2009, all 650,000 warrants are exercisable.

In November 2009, the Company granted 12,781,250 common share purchase warrants as part of its issuance of units. Each warrant entitles the holder to one common share of the Company at a price of \$0.50 per common share up until November 17, 2011. The fair value of the warrants is estimated at \$562,052 using the Black-Scholes pricing model based on a forfeiture rate of nil, a dividend yield of nil, volatility of 50%, a risk-free interest rate of 1.31%, and a weighted average expected life of 2 years. The fair value of the warrants has been included in a separate component of shareholders equity.

At December 31, 2009, all of the 12,781,250 warrants were exercisable. Subsequent to December 31, 2009, 100,000 warrants were exercised decreasing the total warrants to 12,681,250 as at the date of this MD&A.

Contractual Obligations and Commitments

Flow-through expenditures

During August 2008 the Company raised \$11.8 million of flow-through common share proceeds. The Company renounced the tax benefits of these proceeds to the investors effective December 31, 2008. All of the qualifying expenditures were incurred by December 31, 2009.

During November 2009, the Company raised \$5.8 million of flow-through common share proceeds. The Company renounced the tax benefits of these proceeds to the investors effective December 31, 2009. As at December 31, 2009, approximately \$0.8 million of expenditures had been incurred. The remaining \$5.0 million of qualifying expenditures must be incurred by December 31, 2010.

Commodity contract

In October 2009, the Company signed a commodity "collar" price risk contract for the period November 1, 2009 to October 31, 2010. The notional quantity under this contract is for 50 barrels of oil per day at prices per barrel of \$70.00 (floor strike price) and \$79.50 (cap strike price). For the year ended December 31, 2009, the Company has realized a loss of \$4,905 which has been included in revenue. The mark-to-market value of the remaining unsettled portion of the contract at December 31, 2009 is a liability of \$133,687 of which \$127,000 has been paid in cash as a deposit to the counterparty offsetting a portion of this liability.

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International obligations

Pursuant to the Production Sharing Contracts ("PSC's") entered into with the Government of Kenya, Platform had an obligation to spend an aggregate minimum of US \$7.25 million before December 17, 2011 (US\$ 3.65 million on Block 13T and US \$3.6 million on Block 12A). The PSC's provide that Platform has the right to opt out of the PSC's in Platform's sole discretion after a 12 month evaluation period in the case of Block 13T, and an 18 month evaluation period in the case of Block 12A. In February 2010, the Company executed a definitive agreement in which Platform Resources Inc. agreed to assign its interest in Blocks 12A and 13T in Kenya in consideration for 2.5 million common shares and 1.5 million share purchase warrants of Africa Oil, subject to regulatory and Government of Kenya approvals. To facilitate the closing of the Company's interest in Kenya, in April 2010, Alberta Oilsands transferred cash of US\$1,087,500 to Platform Resources Inc.'s bank account which was utilized to cash collateralize an unconditional and irrevocable bank guarantee securing a performance bond to be provided to the Kenyan Government by Platform Resources Inc. with respect to the PSC's.

Other commitments

In 2007 the Company granted a two percent gross overriding royalty, which is subject to certain adjustments, on all production from the Hangingstone East property to Dr. Greg Hu, a consultant who was an employee and officer of the Company from September 2007 to August 2008. The carrying amount of the respective lands is \$3.2 million. In addition, Dr. Hu had been allocated an amount equal to 10% of all future stock options which become capable of being granted by the Company as a result of an increase in the number of issued and outstanding common shares resulting from future equity financings. A total of 497,656 options have been granted to Dr. Hu to date at a weighted average exercise price of \$0.87. Pursuant to the terms of the agreement if the Company does not grant such stock options, the gross overriding royalty will increase to three percent. Therefore, since the Company did not grant stock options to Dr. Hu from the November 2009 financing, the gross overriding royalty increased to three percent and the requirement to issue future stock options is removed.

In July 2009, the Company signed a Gross Overriding Royalty, Access and Cooperation Agreement (the "Agreement") with FMAA. The Agreement provides access rights to and across the airport lands to allow the Company to conduct operations. In consideration for FMAA granting such access rights, the Company granted to FMAA a two percent gross overriding royalty on the petroleum substances produced from the specified lands. In addition, the Company granted FMAA an aggregate of 4,000,000 common share purchase warrants. Each whole warrant entitles the holder to acquire one common share of the Company for the following periods: 2,000,000 warrants exercisable at a price of \$0.50 per common share until July 2010 and 2,000,000 warrants exercisable at a price of \$1.00 per common share until July 2011.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

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Related Party Transactions

Except as disclosed elsewhere in the financial statements the Company had the following related party transactions for which the expenses are included in general and administrative expenses, business development expenses and share issue costs:

- a) During the year ended December 31, 2009, the Company was charged \$341,353 (2008 - \$263,185) in legal fees by legal firms in which directors and officers of the Company are partners. These costs are included in general and administrative expense, business development and share issue costs. Included in accounts payable at December 31, 2009 is \$219,839 (2008 - \$42,223) due to the legal firms.
- b) During the year ended December 31, 2009, the Company was charged \$521,448 (2008 - \$383,787) for geological expenses from corporations controlled by Dr. Greg Hu, a former officer of the Company. Included in accounts payable at December 31, 2009 is \$4,983 (2008 - \$9,964) owing to the corporations. Other than as disclosed in "other commitments", there are no ongoing contractual obligations or other commitments outstanding as a result of the consulting arrangement with Dr. Hu. Dr. Hu resigned as an employee effective August 31, 2008.
- c) As at December 31, 2009, a subscription receivable in the amount of \$32,800 was recognized for outstanding balances due from officers of the Company related to the unit and flow-through share issuances in November 2009. \$22,800 has subsequently been received.

These transactions other than (c) are in the normal course of operations and were recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Selected Historical Financial Information

	2009			
	4TH QUARTER	3 RD QUARTER	2 ND QUARTER	1ST QUARTER
Petroleum and natural gas revenue (\$)	826,073	894,316	997,514	262,027
Net loss (\$)	(1,035,940)	(486,157)	(921,812)	(1,216,570)
Net loss per share – basic and diluted (\$)	(0.01)	(0.01)	(0.01)	(0.02)
Funds (used in) from operations (\$)	(776,513)	98,124	(34,242)	(1,110,316)
Cash flow (used in) from operations (\$)	(932,314)	399,091	(811,087)	(636,828)
Capital expenditures (\$)	3,202,536	1,651,024	607,301	7,263,788

	2008			
	4TH QUARTER	3 RD QUARTER	2 ND QUARTER	1ST QUARTER
Petroleum and natural gas revenue (\$)	366,542	666,302	555,333	444,336
Net loss (\$)	(1,985,137)	(799,495)	(1,169,247)	(780,434)
Net loss per share – basic and diluted (\$)	(0.02)	(0.01)	(0.02)	(0.01)
Funds used in operations (\$)	(485,453)	(282,302)	(631,341)	(267,248)
Cash flow (used in) from operations (\$)	(397,166)	(270,430)	(1,043,057)	453,149
Capital expenditures (\$)	4,990,133	952,090	1,805,135	5,893,011

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Outlook

The submission of Alberta Oilsands' first SAGD project application in January 2010 marked the end of a long period of preparation and the beginning of a critical phase of execution. If the Clearwater West application meets all the regulatory requirements, Alberta Oilsands expects to receive project approval within 12 to 18 months of submitting the application.

Alberta Oilsands realizes it will not be able to reach the potential of its oil sands assets on its own. Fortunately, financial and potential joint-venture partners have shown considerable interest in partnering with the Company in the development of its assets. The renewed interest in Alberta Oilsands is related both to continued efforts internally as well as a resurgence of interest in the oil sands in general. The renewed awareness of the profound potential of Alberta's oil sands was exemplified in April 2010 through the initial public offering of Athabasca Oil Sands Corp. and Sinopec's proposed \$4.65 billion investment in Syncrude.

Alberta Oilsands continues to make strides on its oil sands leases, derive cash flow from conventional production to contribute towards general and administrative expenses, and maintain a strong balance sheet thanks to continued support from the public markets. The challenge now is to select the partners to help bring the project to life and provide the necessary financing. The Company is actively working with investment firms in attempt to provide financing to continue into the next phase of the oil sands project.

Oilsands Development Risks

In assessing the feasibility of potential oil sands projects and in estimating the value of and the projected start-up dates for pilot projects and commercial in-situ operations in the Company's Clearwater East and Clearwater West project areas, management has made numerous assumptions that the Company will be able to obtain regulatory (including in respect of applicable environmental matters) and other required third party approvals in a timely manner; that the regulatory framework representing royalties, taxes and environmental matters will continue to support such projects; that the Company will be able to generate sufficient cash flow, access capital markets on competitive terms or find strategic partners in order to enable it to fund such projects; that future prices for crude oil, bitumen and refined products will continue to be at levels which support such projects; that the results from the Company's core drilling programs will be favourable; that the Company's independent resource estimates are accurate; and that the Company will be able to obtain qualified staff and equipment in a timely and cost efficient manner. In the event such assumptions are not accurate, this could have an adverse effect on the ability of the Company to commence such projects within the noted timelines, or at all. Please see the section entitled "Forward-looking Statements and Information" in this MD&A. There is no certainty that it will be commercially viable to produce any portion of the resources described in this MD&A. For important information regarding the disclosure of resource estimates, including the definitions of "Contingent Resources", please see the section entitled "Disclosure of Resources" in this MD&A.

Business Risks and Uncertainties

The risks and uncertainties below are not the only ones facing the Company. For an overview of certain of the risks and uncertainties which may affect the Company and its business and operations, readers are

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referred to the section entitled "Forward-looking Statements and Information". Additional risks and uncertainties not presently known to the Company or that the Company currently considers immaterial may also impair the business and operations of the Company and cause the price of the securities of the Company to decline. If any of these risks actually occur, the Company's business may be harmed and the financial condition and results of operation may suffer significantly. In that event, the trading price of the shares could decline and shareholders may lose all or part of their investment. Prospective investors should review the risks with their legal and financial advisors and should consider, in addition to the matters set forth elsewhere in this prospectus, the following risks of purchasing shares.

An investment in the securities of the Company is suitable only for purchasers who are aware of such risks and who have the ability and willingness to accept the risk of total loss of their invested capital.

Speculative Nature of Exploratory and Developmental Activities

The Company's exploration and development activities are focused on undeveloped oil sands rights which are high-risk ventures with uncertain prospects for success. In addition, the Company's initial operations in this area are exploratory only, which increases the degree of risk substantially as compared to properties in the development stage. The Company will have limited earnings to support it should the wells drilled or properties acquired prove not to be commercially viable.

The Company's exploration and development activities in its oil sands interests will depend in part on the evaluation of data obtained through geophysical testing and geological analysis. The results of such studies and tests are often subject to varying interpretations, and no assurances can be given that such activities will result in the production of commercial quantities. Additional data required for proper evaluation of its oil sands interests will become available after drilling. The future exploration and development activities that will be undertaken by the Company are subject to greater risks than those normally associated with the acquisition and ownership of producing properties. The drilling of development wells, although generally consisting of drilling in areas believed to be productive, may result in a failure to produce hydrocarbons in commercial quantities. Moreover, any drilling of exploration wells is subject to inherent uncertainties as discussed in more detail below.

Additional Financing Requirements

From time to time, the Company may require additional financing in order to execute its acquisition, exploration and development programs, including in respect of its oilsands projects. Failure to obtain financing in a timely manner or on favourable terms could cause the Company to dispose of working interests in properties, pass up acquisition opportunities and reduce or shut-in its operations. There can be no assurance that additional financing or additional financing on favourable terms will be available to meet these requirements.

If alternative sources of financing are required, but are insufficient or unavailable, the Company will be required to modify its growth and operating plans in accordance with the extent of available funding, which could have an adverse effect on the Company's business and results of operations.

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Issuance of Debt

From time to time the Company may enter into transactions to acquire assets or the shares of other Companies. These transactions may be financed partially or wholly with debt, which may increase the Company debt levels above industry standards. Depending on future exploration and development plans, the Company may require additional equity and/or debt financing that may not be available or, if available, may not be available on favourable terms. Neither the Company's articles nor its by-laws limit the amount of indebtedness that the Company may incur. The level of the Company indebtedness from time to time could impair the Company's ability to obtain additional financing in the future on a timely basis to take advantage of business opportunities that may arise.

Dependence upon Key Personnel

The Company's success depends upon its ability to attract, train and retain highly qualified key management and operations personnel. Hiring employees with the combination of skills and attributes required to carry out the Company's strategy is competitive. Such employees may voluntarily terminate their employment with the Company at any time. There can be no assurance that the Company will be able to retain or to successfully identify, attract, hire and train additional qualified personnel. The loss of the services of key personnel or the inability to attract additional qualified personnel could have a material adverse effect on the Company's business and results of operations. The Company has obtained key man insurance on certain of its management.

Resources and Reserves

The process of estimating natural gas and oil resources and reserves is complex and involves a significant number of decisions and assumptions in evaluating available geological, geophysical, engineering and economic data. As a result of these complexities, resource and reserves estimates are inherently uncertain. In addition, there are numerous uncertainties in forecasting the amounts and timing of future drilling, production, costs, expenses and the results of exploration and development projects. All estimates are, to some degree, uncertain and classifications of resources and reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically recoverable resources and reserves attributable to any particular group of properties, the classification of such reserves based on risk of recovery and the standardized measure of discounted future net cash flows, prepared by different engineers or by the same engineers at different times, may vary substantially. The Company's actual production, taxes and development and operating expenditures with respect to its resources and reserves will likely vary from such estimates, and such variances could be material.

Estimates with respect to resources and reserves that may be developed and produced in the future are often based upon volumetric calculations and upon analogy to similar types of reservoirs, rather than upon actual production history. Estimates based on these methods generally are less reliable than those based on actual production history. Subsequent evaluation of the same resources and reserves based upon production history will result in variations, which may be material, in the estimated resources and reserves.

See also "Disclosure of Resources" below.

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Stakeholder Consultation and Approvals

Each singular development and each phase of development are subject to participant involvement (stakeholder consultation and notification) pursuant to a variety of laws and regulations in the areas in which the Company does business. These regulations apply to the Company's business as they apply to other companies or enterprises in the energy industry.

Stakeholder consultation and notification regulations impose, among other things, suggested and prescribed stakeholder consultation, notification and communication planning methodology, stakeholder audiences, minimum radii of personal contact and notification, communication quality and effectiveness, communication mediums, tools and content, contact timing, co-operation methodology and communication audit documentation.

Participant involvement compliance can require significant expenditures and may involve considerable effort that may impact the timing of exploration, production and development activities. However, failure to comply with participant involvement legislation may result in the Company's inability to obtain the necessary licenses and permits required to carry out the Company's exploration and development programs. At the same time there can be no assurance that the Company will be able to obtain all of the necessary licenses and permits required for its exploration and development programs.

The Company does not expect that participant involvement regulations will affect the operations of the Company in a manner materially different than they would affect other companies of similar size in the industry.

Environmental

All phases of the natural gas and oil business are subject to environmental regulation pursuant to a variety of laws and regulations in the areas in which the Company does business. These regulatory regimes are laws of general application that apply to the Company's business in the same manner as they apply to other companies or enterprises in the energy industry. Environmental legislation imposes, among other things, restrictions, liabilities and obligations in connection with the generation, handling, storage, transportation, treatment and disposal of hazardous substances and waste and in connection with spills, releases and emissions of various substances to the environment. Environmental legislation also requires that pipelines, wells, facility sites and other properties associated with the Company's operations be constructed, operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Certain types of operations, including exploration and development projects, may require the development, submission and approval of environmental impact assessments or permit applications. In some cases, exploration and development activities may be precluded or restricted due to designation of areas (present and future) as environmentally-sensitive or exploration-restricted areas. Compliance with environmental legislation can require significant expenditures and failure to comply with environmental legislation may result in the imposition of fines and penalties and liability for clean up costs and damages. Additionally, the Company's business is subject to the trend toward increased civil liability for environmental matters. Although the Company currently believes that the costs of complying with environmental legislation and dealing with environmental civil liabilities will not have a material adverse effect on the Company's financial condition or results of operations, there can be no assurance that such costs in the future will not have such an effect.

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Regulation

Natural gas and oil operations are subject to extensive legislative and regulatory controls imposed by various levels of government, which may be amended from time to time. Existing laws and regulations may be revised or new laws and regulations may become applicable to the Company that may have a negative effect on the Company's business and results of operations. The Company monitors and complies with current government regulations that affect its activities, although operations may be adversely affected by changes in government policy, regulations or taxation. There can be no assurance that the Company will be able to obtain all of the necessary licenses and permits that may be required to carry out the Company's exploration and development programs. It is not expected that any of these controls or regulations will affect the operations of the Company in a manner materially different than they would affect other natural gas and oil companies operating in the areas in which the Company operates.

SAGD Bitumen Recovery Process

The Company currently intends to use low pressure steam assisted gravity drilling (SAGD) in its oil sands projects. The recovery of bitumen using the SAGD process is subject to uncertainty. The SAGD process has had limited operating history in commercial projects and there can be no assurance that the Company will be able to utilize the SAGD process on its oil sands properties in a manner which is commercially viable. A failure by the Company to realize commercial benefits from SAGD operations could have a significant adverse impact on the future activities and economic performance of the Company's oil sands properties.

Commodity Prices

The Company's revenues, cash flows, earnings, cost of capital, asset values, results of operations and financial condition will be dependent upon the prevailing price of crude oil and natural gas. Oil prices have historically been extremely volatile and fluctuate significantly in response to regional, national and global supply and demand factors beyond the Company's control. Among the factors that can cause oil price and natural gas price fluctuation are:

- the level of consumer product demand;
- the domestic and foreign supply of natural gas and crude oil, including the decisions of the Organization of Petroleum Exporting Countries relating to export quotas and their compliance or non-compliance with such self-imposed quotas;
- weather conditions, including hurricanes, floods and other natural disasters;
- domestic and foreign governmental regulations;
- the effect of worldwide conservation of resources;
- the price and availability of alternative fuels, including liquefied natural gas;
- political conditions in crude oil and natural gas producing regions, including wars, terrorist activities and other hostilities;
- the proximity of reserves to, and capacity of, transportation facilities;
- the price of foreign imports of crude oil and natural gas;
- overall global and domestic economic conditions; and
- concern over climate change and emissions.

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Any material decline in such prices could result in a material reduction of the Company's operating results, production revenue, reserves, overall value and could also result in the determination that production of the Company's oil sands projects are no longer commercially feasible.

Exploration, Development and Production Risks

Oil sands exploration development and production involves many risks that even a combination of experience, knowledge and careful evaluation may not be able to overcome. The long-term commercial success of the Company depends on its ability to find, acquire, develop and commercially produce hydrocarbons gas reserves. Without the continual addition of new reserves, the Company's existing reserves and the production therefrom will decline over time as such existing reserves are exploited.

A future increase in the Company's reserves will depend not only on its ability to explore and develop any properties it may have from time to time, but also on its ability to select and acquire suitable producing properties or prospects. No assurance can be given that the Company will be able to continue to locate satisfactory properties for acquisition or participation. Moreover, if such acquisitions or participations are identified, the Company may determine that current markets, terms of acquisition and participation or pricing conditions make such acquisitions or participations uneconomic. There is no assurance that further commercial quantities of natural gas or oil will be discovered or acquired by the Company.

Future oil sands exploration may involve unprofitable efforts, not only from dry wells, but from wells that are productive but do not produce sufficient petroleum substances to return a profit after drilling, operating and other costs. Completion of a well does not assure a profit on the investment or recovery of drilling, completion and operating costs. In addition, drilling hazards or environmental damage could greatly increase the cost of operations, and various field operating conditions may adversely affect the production from successful wells. These conditions include delays in obtaining governmental approvals or consents, shut-ins of connected wells resulting from extreme weather conditions, insufficient storage or transportation capacity or other geological and mechanical conditions. While diligent well supervision and effective maintenance operations can contribute to maximizing production rates over time, production delays and declines from normal field operating conditions cannot be eliminated and can be expected to adversely affect revenue and cash flow levels to varying degrees.

Oil sands exploration, development and production operations are subject to all the risks and hazards typically associated with such operations, including hazards such as fire, explosion, blowouts, cratering, sour gas releases and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment or personal injury. In accordance with industry practice, the Company is not fully insured against all of these risks, nor are all such risks insurable. Although the Company maintains liability insurance in an amount that it considers appropriate, the nature of these risks is such that liabilities could exceed policy limits, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition. Production operations are also subject to all the risks typically associated with such operations, including encountering unexpected formations or pressures, premature decline of reservoirs and the invasion of water into producing formations. Losses resulting from the occurrence of any of these risks could have a material adverse effect on the Company.

See also "Oilsands Development Risks" above.

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Operational Hazards

Hazards, such as unusual or unexpected geological formations, high pressures or other conditions are involved in drilling and operating wells. The Company may become subject to liability for pollution, blow-outs or other hazards against which it may not have sufficient insurance to cover such events, or that the Company may elect not to insure against because of high premium costs or other reasons. The payment of such liabilities will reduce the funds available to the Company or could result in the total loss of the Company's property.

Availability of Drilling Equipment

The supply of service and production equipment at competitive prices is critical to the ability to add reserves at a competitive cost, and produce them in an economic and timely fashion. In periods of increased activity, these services and supplies can become difficult to obtain. The Company has attempted to mitigate this risk by developing strong long-term relationships with suppliers and contractors, and maintaining an appropriate inventory of production equipment.

Project Risks

The Company manages a variety of small and large projects in the conduct of its business. Project delays may delay expected revenues from operations. Significant project cost over-runs could make a project uneconomic. The Company's ability to execute projects and market its production depends upon numerous factors beyond the Company's control, including:

- the availability of processing capacity;
- the availability and proximity of pipeline capacity;
- the supply of and demand for natural gas and oil;
- the availability of alternative fuel sources;
- the effects of inclement weather;
- the availability of drilling and related equipment;
- unexpected cost increases;
- accidental events;
- currency fluctuations;
- the availability and productivity of skilled labour; and
- regulation of the natural gas industry by various levels of government and governmental agencies.

Because of these factors, the Company could be unable to execute projects on time, on budget or at all, and may not be able to effectively market its production.

Estimated Operating Expenses

As a result of the Company's formative stage of development, its estimates of operating expenses may not be accurate. The Company is vulnerable to market prices and fixed costs, including costs associated with operations, leases, labour costs, and depreciation which account for a significant portion of the Company's costs and expenses. If actual operating expenses are higher than estimated, the Company's profit margin will be lower than expected and the Company's business and results of operations may be adversely affected.

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Management of Growth

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expend, train and manage its employee base. The inability of the Company to deal with this growth could have a material adverse impact on its business, operations and prospects.

Expiration of Licences and Leases

The Company's properties are held in the form of licences and leases and working interests in licences and leases. If the Company or the holder of the licence or lease fails to meet the specific requirement of a licence or lease, the licence or lease may terminate or expire. There can be no assurance that any of the obligations required to maintain each licence or lease will be met. The termination or expiration of the Company's licences or leases or the working interests relating to a licence or lease may have a material adverse effect on the Company's results of operations and business.

International Operations

A portion of the Company's business is currently located outside of North America, with the Company's wholly-owned subsidiary Platform having entered into PSCs with the Republic of Kenya. Such international operations may be adversely affected by political or economic developments or social instability, which will not be within the Company's or Platform's control, including, among other things, the risks of war, terrorism, abduction, expropriation, nationalization, renegotiation or nullification of existing concessions and contracts (including the PSCs), taxation policies, economic sanctions, fluctuating exchange rates and currency controls. The occurrence of any such events could have a material adverse effect on the Company's and Platform's results of operations as currently contemplated in respect of the PSCs.

In addition, there can be no assurances that the Government of Kenya or other counterparties to the PSCs will fulfill their obligations under such agreements and, if such counterparties do not fulfill their obligations, there can be no assurances that sufficient remedies will be available to allow the Company or Platform to recoup any investments that have been made.

Aboriginal Claims

Aboriginal peoples have claimed aboriginal title and rights to portions of western Canada. The Company is not aware that any claims have been made in respect of its properties. However, if a claim arose and was successful this could have an adverse effect on the Company and its operations.

Seasonality

The level of activity in the Canadian oil and natural gas industry is influenced by seasonal weather patterns. Wet weather and spring thaw may make the ground unstable. Consequently, municipalities and provincial transportation departments enforce road bans that restrict the movement of rigs and other heavy equipment, thereby reducing activity levels. Also, certain oil and natural gas producing areas including areas in which the Company has properties are inaccessible during certain non-winter months because the ground surrounding the sites in these areas consists of swampy terrain. Seasonal factors

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and unexpected weather patterns may lead to declines in exploration and production activity and corresponding declines in the demand for the goods and services of the Company.

Third Party Credit Risk

The Company is or may be exposed to third party credit risk through its contractual arrangements with its current or future joint venture partners, marketers of its petroleum and natural gas production and other parties. In the event such entities fail to meet their contractual obligations to the Company, such failures could have a material adverse effect on the Company and its cash flow from operations. In addition, poor credit conditions in the industry and of joint venture partners may impact a joint venture partner's willingness to participate in the Company's ongoing capital program, potentially delaying the program and the results of such program until the Company finds a suitable alternative partner.

Conflicts of Interest

The directors or officers of the Company may also be directors or officers of other oil and natural gas companies or otherwise involved in natural resource exploration and development and situations may arise where they are in a conflict of interest with the Company. Conflicts of interest, if any, that arise will be subject to and governed by procedures prescribed by the *Business Corporations Act* (Alberta) ("ABCA") which require a director or officer of a Company who is a party to, or is a director or an officer of, or has a material interest in any person who is a party to, a material contract or proposed material contract with the Company disclose his or her interest and, in the case of directors, to refrain from voting on any matter in respect of such contract unless otherwise permitted under the ABCA.

Hedging

The Company is exposed to commodity price and market risk for its production. Commodity prices are influenced by a wide variety of factors, most of which are beyond the Company's control. To manage this risk, the Company will consider entering into short-term financial derivatives for hedging purposes. These derivatives could include contracts related to natural gas and oil prices. Inflation also subjects the Company to potential erosion of product netbacks. For example, increased domestic prices for natural gas and oil production equipment and services can inflate the cost of operations.

Competition

Competition among natural gas and oil exploration and development companies is significant. Many of the Company's competitors are substantially larger and have substantially greater revenues than the Company's overall greater financial resources and better access to capital at more favourable terms than the Company. The Company's ability to generate revenues depends on its ability to successfully exploit existing reserves and locate additional reserves and the ability of the Company to do this may be hindered by the Company's competitive disadvantage.

Disclosure of Resources

"Resources" are quantities of petroleum that are estimated to exist originally in naturally occurring accumulations, including the quantity of petroleum that is estimated, as of a given date, to be contained in known accumulations, prior to production, plus those estimated quantities in accumulations yet to be discovered.

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"Contingent resources" are defined as those quantities of petroleum estimated, on a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies. Contingencies may include factors such as economic, legal, environmental, political and regulatory matters or a lack of markets. It is also appropriate to classify as "contingent resources" the estimated discovered recoverable quantities associated with a project in the early project stage.

"Undiscovered resources" are defined as that portion of undiscovered petroleum initially-in-place which is estimated, as of a given date, not to be recoverable by future development projects. A portion of these quantities may become recoverable in the future as commercial circumstances change or technological developments occur; the remaining portion may never be recovered due to the physical/chemical constraints represented by subsurface interaction of fluids and reservoir rocks.

There is no certainty that it will be commercially viable for the Company to produce any portion of the bitumen resources detailed in this MD&A. The estimated future net revenues contained in this MD&A do not necessarily represent the market value of such resources. The high level of uncertainty associated with the Company's possible recovery of any of these resources is the result of various risks and uncertainties including: current uncertainties around the specific scope and timing of the development of the Company's Fort-McMurray properties; the ability of the Company to finance any potential oil sands projects at its Fort-McMurray properties; proposed reliance on technologies that have not yet been demonstrated to be commercially applicable in oil sands applications; lack of regulatory approvals; the uncertainty regarding marketing plans for production from the subject areas; and improved estimation of project costs. There are a number of inherent risks and contingencies associated with such development, including commodity price fluctuations, project costs and those other risks and contingencies discussed in more detail in the sections entitled "Business Risks and Uncertainties" and "Forward-looking Statements and Information" in this MD&A.

Resources, undiscovered resources and contingent resources do not constitute, and should not be confused with, reserves.

Critical Accounting Estimates

The Company's financial statements are prepared in accordance with Canadian generally accepted accounting principles. A comprehensive discussion of the Company's significant accounting policies is contained in Note 2 to the audited consolidated financial statements for the year ended December 31, 2009. The Company's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

Change in Accounting Policies

In 2009, the Company adopted the following new or revised accounting standards with no impact on the opening deficit:

- a) *Section 3064 Goodwill and Intangible Assets* was issued to replace Section 3062 Goodwill and Other Intangible Assets and Section 3450 Research and Development Costs. Section 3064

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provides extensive guidance on when expenditures qualify for recognition as intangible assets, and aligns Canadian GAAP with International Financial Reporting Standards ("IFRS").

- b) *EIC-173 Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* was issued to clarify that an entity must consider its own risk and the credit risk of the counterparty when measuring the fair value of financial instruments.
- c) *Section 3855 Financial Instruments — Recognition and Measurement* was amended to bring greater consistency between Canadian GAAP, International Financial Reporting Standards ("IFRS"), and US GAAP regarding the timing of impairment recognition for debt instruments. The amendments allow more debt instruments to be classified as loans and receivables. In addition, the amendments require reversal of previously recognized impairment losses on available-for-sale financial assets in specified circumstances and require that loans and receivables that an entity intends to sell immediately or in the near term be classified as held for trading. The transitional provisions are complex and are accompanied by disclosure requirements to explain any reclassifications made on adopting the amendments.
- d) *Section 3862 Financial Instruments – disclosures* was amended to require improved and consistent disclosures about fair value measurements of financial instruments and liquidity risk. The amendments apply to annual financial statements relating to fiscal years ending after September 30, 2009. In the first fiscal year of application, an entity need not provide comparative information for the disclosures required by the amendments. .
- e) Pending accounting pronouncements

Accounting changes

In June 2009, *Section 1506 Accounting Changes* was issued to exclude from the scope of Section 1506 changes in accounting policies upon the complete replacement of an entity's primary basis of accounting, as will occur when the Company adopts IFRS. The amendment is effective for July 2009.

Business combinations and non-controlling interests

In January 2009, the AcSB issued *Section 1582 Business Combinations, Section 1601 Consolidations, and Section 1602 Non-controlling Interests*. Section 1582 replaces Section 1581 Business Combinations and provides the Canadian equivalent to IFRS 3 Business Combinations. Section 1601 and Section 1602 replace Section 1600 Consolidated Financial Statements. Section 1602 provides the Canadian equivalent to International Accounting Standard ("IAS") 27 Consolidated and Separate Financial Statements, for non-controlling interests. These standards are effective January 1, 2011. Early adoption is permitted.

Equity

In August 2009, *Section 3251 Equity* was issued in response to issuing *Section 1602 Non-controlling Interests*. The amendments require non-controlling interests to be recognized as a separate component of equity. The amendments apply only to entities that have adopted Section 1602.

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Comprehensive evaluation of assets and liabilities

In August 2009, *Section 1625 Comprehensive Revaluation of Assets and Liabilities* was issued for consistency with new *Section 1582 Business Combinations*. The amendments apply prospectively to comprehensive revaluations of assets and liabilities occurring in fiscal years beginning on or after January 1, 2011.

International Financial Reporting Standards ("IFRS")

The Accounting Standards Board ("AcSB") has confirmed that accounting standards in Canada will converge with IFRS. Entities will be required to adopt IFRS effective January 1, 2011 with a restatement of the comparative periods for 2010 including an opening balance sheet as at January 1, 2010. Under IFRS, the primary audience is capital markets and as a result, there is significantly more disclosure required. Further, while IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in accounting policies and increased note disclosures which must be addressed. On a qualitative basis, the Company has identified the key areas where changes are anticipated.

The following standards are considered the most significant for the Company's conversion to IFRS:

IFRS 1 - First-time Adoption of IFRS which generally requires that an entity apply all IFRS standards effective at the end of its first IFRS reporting period retrospectively, with specific mandatory exemptions, and a limited number of optional exemptions. A preliminary assessment of the available exemptions has been completed. The Company intends to finalize this assessment and disclose the options selected in the reporting for the first quarter of 2010.

IFRS 2 – Share-based Payments requires the use of a forfeiture rate based on an estimate of the number of options expected to vest and requires that each tranche of options be treated as a separate arrangement as graded vesting is utilized.

IFRS 6 - Exploration and Evaluation of Mineral Resources ("E&E") requires that costs associated to the exploration for and evaluation of resources be recorded separately from the costs associated to the development of resources. Assets within this category are not depreciated and are tested for impairment when events suggest that the carrying amount may exceed its recoverable amount. E&E assets will include the Oilsands properties.

IAS 16 – Property, plant and equipment requires that assets be assigned to a cash generating unit and be depreciated at a component level. This requires a useful life assessment at a potentially lower level than under current Canadian GAAP and potential amendments to the accounting system to enable the tracking of costs at both a component and cash generating unit level. IFRS also permits the use of either proved or proved & probable reserves in the depreciation calculation. The Company intends to utilize proved & probable reserves in the depreciation calculation.

IAS 36 – Impairment of Assets involves an impairment test at the cash generating unit level using either proven or proven and probable reserves whereby the recoverable amount, defined as the higher of the fair value less costs to sell or value in use, is compared to the carrying value of the assets. Impairments are likely to be triggered at an earlier date under IFRS as this test involves a one step approach utilizing discounted cashflows at a lower asset group than currently required under Canadian GAAP.

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IAS 37 - Provisions, Contingent Liabilities, and Contingent Assets will impact the calculation and presentation of the asset retirement obligation. This calculation will now include both legal and constructive obligations based on managements estimate and will be discounted based on the risk specific to the asset to be retired which is likely to be a lower discount rate.

Once the review of accounting policies has been finalized, position papers will be drafted for review by the Company's auditor. Internal controls over financial reporting and disclosure controls and procedures will be reviewed to ensure that any necessary changes are made to ensure the effectiveness and reliability of controls.

Due to the significance of the conversion to IFRS, additional training will be required. This will occur through external IFRS courses and a training session will be scheduled for the Audit Committee by mid 2010. The Company will continue to utilize external consultants to support the conversion process.

The Company has financial covenants that it is required to meet under its loan agreement. It is not anticipated that conversion to IFRS will trigger a breach of these covenants; however, the Company intends to communicate with its lender during the latter stages of the conversion.

The Company has not commenced the development of an IT plan. It is anticipated that further changes are required in order to prepare additional reporting and to track information under both Canadian GAAP and IFRS for 2010 and 2011.

The preliminary implementation milestones are as follows:

- The January 1, 2010 transition date balance sheet will be finalized by May 31, 2010.
- Q1 2010 restated to IFRS will be finalized by June 30, 2010.
- Q2 2010 restated to IFRS will be finalized by September 30, 2010

The Company is unable to quantify the impact of the conversion at this time; however, financial statement disclosure will significantly increase. The Company will continue to monitor standard developments as issued by the IASB and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS.