Canadian Oil Sands

third quarter report 3

Canadian Oil Sands Trust announces 2010 third quarter results

All financial figures are unaudited and in Canadian dollars unless otherwise noted.

TSX - COS.UN

Calgary, Alberta (October 28, 2010) – Canadian Oil Sands Trust ("Canadian Oil Sands", the "Trust" or "we") today announced cash from operating activities of $330 million ($0.68 per Trust unit ("Unit")) for the third quarter of 2010 compared with cash from operating activities of $213 million ($0.44 per Unit) for the same period last year. Lower revenues and higher operating costs were more than offset by a reduction in non-cash working capital in the 2010 versus 2009 period. Year-to-date cash from operating activities increased to $997 million ($2.06 per Unit) for 2010 from about $219 million ($0.45 per Unit) recorded for the same period of 2009. Higher revenues combined with a decrease in non-cash working capital were partially offset by higher operating expenses and Crown royalties.

Net income for the third quarter of 2010 was $171 million, or $0.35 per Unit, compared with net income of $247 million, or $0.51 per Unit, for the 2009 third quarter. The decrease reflects lower revenues combined with higher operating expenses and smaller foreign exchange gains on the U.S. dollar denominated long-term debt, partially offset by lower Crown royalties, lower depreciation, depletion and accretion expense, and a future income tax recovery.

Year-to-date, net income in 2010 totaled $575 million, or $1.19 per Unit, up from net income of $336 million, or $0.69 per Unit, in 2009. The increase reflects higher revenues partially offset by higher operating expenses, higher Crown royalties, smaller foreign exchange gains on the U.S. dollar denominated long-term debt, and a reduced future income tax recovery.

The Trust has declared a quarterly distribution amount of $0.50 per Unit for Unitholders of record on November 19, 2010, payable on November 30, 2010.

In 2010, the Trust has declared its distributions with the intention of achieving certain tax pool targets. Based on our October 28, 2010 Outlook, we expect to achieve our target with approximately $2 billion of tax pools at year end. This may result in slightly higher debt levels, although our balance sheet should remain strong. Optimizing tax pools in such a manner will no longer be applicable when we convert to a corporation.

Following our conversion to a corporation and consistent with other corporations, beginning January 1, 2011 Canadian Oil Sands will be subject to corporate taxation. While tax pools will be available to shelter income from cash taxes, future cash from operating activities ultimately will be reduced by corporate taxation. We anticipate future dividend amounts also will be impacted by a projected rise in capital expenditures to fund Syncrude's sustaining capital program and future expansion plans. Consistent with past practice, the Trust intends to use its cash from operating activities to help finance such expenditures. As a result of discontinuing our tax optimization strategy, the projected rise in capital expenditures and the eventual impact of taxation, we anticipate a reduction in distributions/dividends from the current 2010 level.

"Higher production and crude oil prices during the first nine months of 2010 resulted in improved financial results compared with the 2009 period. As we look forward to becoming a corporation later this year, we are in a solid position with a strong balance sheet and about $2 billion in tax pools to shelter future income," said Marcel Coutu, President and Chief Executive Officer. "I continue to believe that, along with expansion plans into our Aurora South leases later this decade, our greatest near-term value opportunity resides in improving the operational reliability at Syncrude. While this has been challenging, we continue to work with Syncrude, Imperial Oil and Exxon Mobil in establishing a solid foundation for gradual and sustained increases in production levels."

Sales volumes averaged 96,000 barrels per day during the third quarter of 2010 compared with 115,000 barrels per day during the same period of 2009. Unplanned maintenance in upgrading units reduced production in both quarters while the 2010 third quarter was further impacted by the planned turnaround of Coker 8-1.

Sales volumes during the first nine months of 2010 averaged 105,000 barrels per day compared with 98,000 barrels per day in 2009. The increase reflects less unplanned maintenance and the production impact of the Coker 8-1 turnaround affecting only part of the period in 2010, versus the full impact of the extensive Coker 8-3 turnaround in 2009.

Operating costs during the third quarter of 2010 were $39.99 per barrel compared with $27.80 per barrel in 2009; the increase is primarily attributable to the turnaround of Coker 8-1 combined with increased maintenance costs on other upgrading units. Year-to-date, operating costs were $36.54 per barrel in 2010 compared with $37.39 per barrel in 2009. While total operating costs actually increased year-to-date in 2010 compared with the same period in 2009, primarily as a result of higher maintenance and project-related costs, the higher production in 2010 resulted in lower per barrel operating costs.

Capital expenditures year-to-date in 2010 were $343 million compared with $308 million in the same period of 2009. The Syncrude Emissions Reduction ("SER") project accounted for $84 million and $87 million of the capital spent in 2010 and 2009, respectively. Mine train replacements and relocations accounted for $61 million and $15 million of the capital spent in 2010 and 2009, respectively, while the remaining expenditures related to other sustaining capital activities including the construction of tailings facilities, pipe replacements and other infrastructure projects. The SER project is an environmental project designed to substantially reduce sulphur dioxide emissions, and is expected to be completed in 2011.

CANADIAN OIL SANDS TRUST
Highlights

(millions of Canadian dollars, except per Trust Unit and per barrel volume amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Net Income	$ 171	$ 247	$ 575	$ 336
Per Trust Unit - Basic	$ 0.35	$ 0.51	$ 1.19	$ 0.69
Cash from (used in) Operating Activities	$ 330	$ 213	$ 997	$ 219
Per Trust Unit	$ 0.68	$ 0.44	$ 2.06	$ 0.45
Unitholder Distributions	$ 242	$ 121	$ 654	$ 266
Per Trust Unit	$ 0.50	$ 0.25	$ 1.35	$ 0.55
Sales Volumes [1]				
Total (MMbbls)	8.9	10.6	28.6	26.7
Daily average (bbls)	96,477	114,544	104,767	97,684
Operating Costs ($/bbl)	$ 39.99	$ 27.80	$ 36.54	$ 37.39
Net Realized SCO Selling Price ($/bbl)	$ 77.94	$ 73.31	$ 79.28	$ 65.67
West Texas Intermediate (average $US/bbl) [2]	$ 76.21	$ 68.24	$ 77.69	$ 57.32

[1] The Trust's sales volumes differ from its production volumes due to changes in inventory, which are primarily in-transit pipeline volumes, and are after purchased crude oil volumes.

[2] Pricing obtained from Bloomberg.

2010 Outlook

On September 23, 2010 Canadian Oil Sands lowered its single point 2010 production Outlook by five million barrels from the revised July 29, 2010 Outlook to reflect unplanned maintenance in certain upgrading units and an extension of the planned Coker 8-1 turnaround completed in late October. Canadian Oil Sands is estimating annual 2010 Syncrude production of 105 million barrels with a revised range of 102 million to 108 million barrels. The original 2010 budget estimate for Syncrude production was 115 million barrels.

The October 28, 2010 Outlook assumes an increased U.S. $78 per barrel WTI oil price, a smaller SCO discount to Cdn dollar WTI of $1.75 per barrel but a stronger $0.97 U.S./Cdn foreign exchange rate.

These assumptions, combined with the revised production volumes, result in estimated revenues of $3,037 million, or $79 per barrel in 2010.

Our revised 2010 Outlook for cash from operating activities is $1,137 million, or $2.35 per Unit. After deducting forecast 2010 capital expenditures of $511 million, we are estimating $626 million of remaining cash from operating activities for the year, or $1.29 per Unit.

More information on the Trust's Outlook is provided in the Management's Discussion and Analysis ("MD&A") section of this report and the October 28, 2010 guidance document, which is available on the Trust's web site at www.cos-trust.com under "Investor".

Syncrude Waterfowl Incident

On October 25, 2010, Syncrude reported that, during a freezing rain storm, a waterfowl incident occurred when waterfowl landed at various locations on the Syncrude site including roads, parking lots and the Mildred Lake and Aurora settling basins with the result that waterfowl that came in contact with bitumen on the settling basins were euthanized. Several other oil sands operators in the area reported waterfowl mortalities as well. Syncrude is cooperating fully with regulators in their investigation of this incident.

This incident follows the settlement of a 2008 waterfowl incident, announced on October 22, 2010, under which Syncrude paid a total of $3 million comprised of fines and payments to fund research for improved waterfowl deterrent systems, to create a waterfowl habitat-conservation project, and to create a Wildlife Management Program at Keyano College focused on Aboriginal students.

More information on Syncrude's environmental and social responsibility performance is available in its 2008/2009 Sustainability Report, which is located on Syncrude's website at www.syncrude.ca.

This press release contains statements about the future. See the forward looking advisory in the attached MD&A.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") was prepared as of October 28, 2010 and should be read in conjunction with the unaudited interim consolidated financial statements of Canadian Oil Sands Trust ("Canadian Oil Sands" or the "Trust") for the three and nine months ended September 30, 2010 and September 30, 2009, the audited consolidated financial statements and MD&A of the Trust for the year ended December 31, 2009 and the Trust's Annual Information Form ("AIF") dated March 22, 2010. Additional information on the Trust, including its AIF, is available on SEDAR at www.sedar.com or on the Trust's website at www.cos-trust.com. The Trust's financial results have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars, unless stated otherwise.

ADVISORY- in the interest of providing the Trust's Unitholders and potential investors with information regarding the Trust, including management's assessment of the Trust's future production and cost estimates, plans and operations, certain statements throughout this MD&A and the related press release contain "forward-looking statements" under applicable securities law. Forward-looking statements in this MD&A include, but are not limited to, statements with respect to the cost estimate for the Sulphur Emissions Reduction ("SER") project and the expectation that the SER project will significantly reduce total sulphur dioxide and other emissions; the completion date for the SER project; future dividends and any increase or decrease from current payment amounts; the Trust's plans with regard to its net debt level; Crown royalties payable in 2010 and beyond; plans regarding crude oil hedges and currency hedges in the future; the expected production, revenues and operating costs for 2010; the expected level of sustaining capital for the next few years and longer term; the expectations regarding capital expenditures and operating costs; the plans and expected impact of converting to a corporate structure; the plans and expected impact of adopting International Financial Reporting Standards including, without limitation, its impact on the Trust's accounting policies, financial statement disclosure, information technology requirements, data systems, internal controls and business activities, and the results that the Syncrude Joint Venture ("Syncrude") reports to the Trust; the expected impact of any current and future environmental legislation or regulation, including without limitation, regulations relating to tailings; the expected funding increases in 2010 for the Trust's share of Syncrude's pension and reclamation funding; the expected realized selling price, which includes the anticipated differential to WTI to be received in 2010 for Canadian Oil Sands' product; the potential amount payable in respect of any future income tax liability; the level of energy consumption in 2010 and beyond; capital expenditures for 2010; the level of natural gas consumption in 2010 and beyond; the expected price for crude oil and natural gas in 2010, and the anticipated impact that certain factors such as natural gas and oil prices, foreign exchange and operating costs have on the Trust's cash from operating activities and net income. You are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Trust believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: the impacts of regulatory changes especially as such relate to royalties, taxation, and environmental charges; the impact of technology on operations and processes and how new complex technology may not perform as expected; skilled labour shortages and the productivity achieved from labour in the Fort McMurray area; the supply and demand metrics for oil and natural gas; the impact that pipeline capacity and refinery demand have on prices for our products; the unanimous joint venture owner approval for major expansions and changes in product types; the variances of stock market activities generally; global economic environment/volatility of markets; normal risks associated with litigation, general economic, business and market conditions; regulatory change; the impact of Syncrude being unable to meet the conditions of its approval for its tailings management plan under Directive 074, and such other risks and uncertainties described from time to time in the Trust's Annual Information Form dated March 22, 2010 and in the reports and filings made with securities regulatory authorities by the Trust as well as those assumptions outlined in the Trust's guidance document being correct. You are cautioned that the foregoing list of important factors is not exhaustive. No assurance can be given that the final legislation implementing the federal tax changes regarding income trusts will not be further changed in a manner which adversely affects the Trust and its Unitholders. Furthermore, the forward-looking statements contained in this MD&A are made as of the date of this MD&A, and unless required by law, the Trust does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

REVIEW OF SYNCRUDE OPERATIONS

During the third quarter of 2010, crude oil production from the Syncrude Joint Venture ("Syncrude") totalled 24.3 million barrels, or 264,000 barrels per day, compared with 28.7 million barrels, or 312,000 barrels per day, during the same period of 2009. Net to the Trust, production totalled 8.9 million barrels in the third quarter of 2010 compared with 10.5 million barrels in the third quarter of 2009, based on our 36.74 per cent working interest.

Production volumes in the third quarter of 2010 were impacted by the planned turnaround on Coker 8-1 and unplanned maintenance in other upgrading units while the third quarter of 2009 production volumes were impacted by unplanned maintenance on the vacuum distillation unit.

Syncrude produced 78 million barrels through the first nine months of 2010, or about 286,000 barrels per day, compared with 72 million barrels, or about 264,000 barrels per day during the same period in 2009. Higher production in 2010 reflected less unplanned maintenance than in 2009 and only a portion of the impact of the Coker 8-1 turnaround, which began in early September and continues until late October. In contrast, 2009 production reflected the full impact of the more extensive Coker 8-3 turnaround.

Canadian Oil Sands' operating costs were $355 million, or $39.99 per barrel, in the third quarter of 2010, compared to $293 million, or $27.80 per barrel, in the same quarter of 2009 (see the "Operating Costs" section of this MD&A for further discussion).

The productive capacity of Syncrude's facilities is approximately 350,000 barrels per day on average, including an allowance for downtime, and is referred to as "barrels per calendar day". All references to Syncrude's production capacity in this report refer to barrels per calendar day, unless stated otherwise. The Trust's production volumes differ from its sales volumes due to changes in inventory, which are primarily in-transit pipeline volumes.

SUMMARY OF QUARTERLY RESULTS

($ millions, except per Trust Unit and volume amounts)	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4
Revenues [1]	$ 692	$ 842	$ 734	$ 863	$ 773	$ 467	$ 512	$ 704
Net income	$ 171	$ 237	$ 167	$ 96	$ 247	$ 46	$ 43	$ 124
Per Trust Unit, Basic & Diluted	$ 0.35	$ 0.49	$ 0.35	$ 0.20	$ 0.51	$ 0.10	$ 0.09	$ 0.26
Cash from operating activities	$ 330	$ 358	$ 309	$ 328	$ 213	$ (44)	$ 50	$ 466
Per Trust Unit [2]	$ 0.68	$ 0.74	$ 0.64	$ 0.68	$ 0.44	$ (0.09)	$ 0.10	$ 0.97
Unitholder distributions	$ 242	$ 242	$ 170	$ 169	$ 121	$ 73	$ 72	$ 361
Per Trust Unit	$ 0.50	$ 0.50	$ 0.35	$ 0.35	$ 0.25	$ 0.15	$ 0.15	$ 0.75
Daily average sales volumes (bbls) [3]	96,477	118,569	99,286	119,287	114,544	75,553	102,825	110,197
Net realized SCO selling price ($/bbl) [4]	$ 77.94	$ 78.07	$ 82.06	$ 78.67	$ 73.31	$ 67.92	$ 55.32	$ 69.40
Operating costs ($/bbl) [5]	$ 39.99	$ 31.18	$ 39.59	$ 30.18	$ 27.80	$ 50.23	$ 38.78	$ 32.10
Purchased natural gas price ($/GJ)	$ 3.44	$ 3.68	$ 4.95	$ 4.33	$ 2.90	$ 3.09	$ 4.96	$ 6.41
West Texas Intermediate (avg. US$/bbl) [6]	$ 76.21	$ 78.05	$ 78.88	$ 76.13	$ 68.24	$ 59.79	$ 43.31	$ 59.08
Foreign exchange rates (US$/Cdn$):								
Average	$ 0.96	$ 0.97	$ 0.96	$ 0.95	$ 0.91	$ 0.86	$ 0.80	$ 0.83
Quarter-end	$ 0.97	$ 0.94	$ 0.98	$ 0.96	$ 0.93	$ 0.86	$ 0.79	$ 0.82

[1] Revenues after crude oil purchases and transportation expense.

[2] Cash from operating activities per Trust Unit is a non-GAAP measure that is derived from cash from operating activities reported on the Trust's Consolidated Statements of Cash Flows divided by the weighted-average number of Trust Units outstanding in the period, as used in the Trust's net income per Unit calculations.

[3] Daily average sales volumes after crude oil purchases.

[4] Net realized SCO selling price after foreign currency hedging.

[5] Derived from operating costs, as reported on the Trust's Consolidated Statements of Income and Comprehensive Income, divided by the sales volumes during the period.

[6] Pricing obtained from Bloomberg.

During the last eight quarters, the following items have had a significant impact on the Trust's financial results:

- Fluctuations in U.S. dollar WTI oil prices have impacted the Trust's revenues, Crown royalties expense, net income and cash from operating activities;
- Planned and unplanned maintenance activities as well as turnarounds have impacted quarterly production volumes, sales revenues and operating costs;
- U.S. to Canadian dollar exchange rate fluctuations have resulted in foreign exchange gains and losses on the revaluation of U.S. dollar denominated debt and have impacted commodity pricing;
- The transition to a new Crown royalty framework effective January 1, 2009 has impacted Crown royalties expense;
- Net income was reduced in the fourth quarter of 2009 by $148 million due to an impairment charge and goodwill write-down on the Arctic natural gas assets; and
- Tax rate reductions substantively enacted in the first quarter of 2009 resulted in additional future income tax recoveries of $63 million.

Quarterly variances in net income and cash from operating activities are caused mainly by fluctuations in crude oil prices, production and sales volumes, operating costs and natural gas prices. Net income is also impacted by unrealized foreign exchange gains and losses, impairment charges and future income tax amounts.

While the supply/demand balance for crude oil affects selling prices, the impact of this equation is difficult to predict and quantify and has not displayed significant seasonality. Natural gas prices are typically higher in winter months as heating demand rises, but this seasonality is influenced by weather conditions and North American natural gas inventory levels.

Syncrude production levels may not display seasonal patterns or trends. While maintenance and turnaround activities are typically scheduled to avoid the winter months, the exact timing of unit shutdowns cannot be precisely scheduled, and unplanned outages may occur. Maintenance and turnaround activities impact both production volumes and operating costs. The costs associated with these activities are expensed in the period they are incurred, which can lead to significant increases in quarterly operating costs. Because a large proportion of operating costs are fixed, the effect on per barrel operating costs of these maintenance activities is amplified as the facility is generally producing at reduced rates when maintenance work is occurring.

REVIEW OF FINANCIAL RESULTS

In the third quarter of 2010, the Trust reported net income of $171 million, or $0.35 per Unit, compared with $247 million, or $0.51 per Unit, recorded in the third quarter of 2009. The decrease in net income reflects lower revenues combined with higher operating expenses and smaller foreign exchange gains on the U.S. dollar denominated long-term debt, partially offset by lower Crown royalties, lower depreciation, depletion and accretion expense, and a future income tax recovery.

Net income for the first nine months of 2010 totalled $575 million, or $1.19 per Unit, compared with net income of $336 million, or $0.69 per Unit, for the same period in 2009. The increase reflects higher revenues partially offset by higher operating expenses, higher Crown royalties, smaller foreign exchange gains on the U.S. dollar denominated long-term debt, and a smaller future income tax recovery.

Revenues after crude oil purchases and transportation costs totalled $692 million in the third quarter of 2010 versus $773 million in the third quarter of 2009. On a year-to-date basis, revenues after crude oil purchases and transportation costs totalled $2,268 million in 2010 versus $1,752 million for the first nine months of 2009. The decrease in quarter-over-quarter revenues reflects lower production volumes partially offset by higher crude oil prices in the third quarter of 2010 while the increase in year-to-date revenues reflects higher crude oil prices and higher production volumes in 2010 (see the “Revenues after Crude Oil Purchases and Transportation Expense” section of this MD&A for further discussion).

Cash from operating activities was $330 million, or $0.68 per Unit, for the third quarter of 2010. This compares with cash from operating activities of $213 million, or $0.44 per Unit, for the third quarter of 2009. Despite decreases in quarter-over-quarter revenues and increases in quarter-over-quarter

operating costs, cash from operating activities was higher due to a reduction in non-cash working capital during the third quarter of 2010. The third quarter 2010 non-cash working capital decrease was the result of lower accounts receivable and higher accounts payable at September 30, 2010 relative to June 30, 2010, mainly as a result of the Coker 8-1 turnaround.

Year-to-date cash from operating activities increased to $997 million for 2010 from $219 million in 2009. The increase was due to higher revenues partially offset by higher operating expenses and Crown royalties. In addition, non-cash working capital decreased during the first nine months of 2010 as a result of lower accounts receivable and higher accounts payable at September 30, 2010 relative to December 31, 2009 mainly as a result of the Coker 8-1 turnaround.

Non-cash working capital and changes therein can vary significantly on a period-by-period basis as a result of the timing and settlements of accounts receivable and accounts payable balances, and are impacted by a number of factors including changes in: revenue, operating expenses, Crown royalties, capital expenditures and inventory fluctuations.

Non-GAAP Financial Measures

In this MD&A we refer to financial measures that do not have any standardized meaning as prescribed by Canadian Generally Accepted Accounting Principles ("GAAP"). These non-GAAP financial measures include cash from operating activities on a per Unit basis, net debt, total capitalization, net debt to total capitalization, and certain per barrel measures. Cash from operating activities per Unit is calculated as cash from operating activities as reported on the Trust's Consolidated Statement of Cash Flows divided by the weighted-average number of Units outstanding in the period. This measure is an indicator of the Trust's capacity to fund capital expenditures, distributions, and other investing activities without incremental financing. In addition, the Trust refers to various per barrel figures, such as net realized selling prices, operating costs and Crown royalties, which also are considered non-GAAP measures. We derive per barrel figures by dividing the relevant revenue or cost figure by our sales volumes, which are net of purchased crude oil volumes in a period.

Non-GAAP financial measures provide additional information that we believe is meaningful regarding the Trust's operational performance, its liquidity and its capacity to fund distributions, capital expenditures and other investing activities. Users are cautioned that non-GAAP financial measures presented by the Trust may not be comparable with measures provided by other entities.

Net Income per Barrel

($ per bbl) [1]	Three Months Ended September 30 2010	2009	Variance	Nine Months Ended September 30 2010	2009	Variance
Revenues after crude oil purchases and transportation expense	77.94	73.31	4.63	79.28	65.67	13.61
Operating costs	(39.99)	(27.80)	(12.19)	(36.54)	(37.39)	0.85
Crown royalties	(7.66)	(10.25)	2.59	(8.08)	(5.07)	(3.01)
	30.29	35.26	(4.97)	34.66	23.21	11.45
Non-production costs	(2.88)	(3.19)	0.31	(2.83)	(3.95)	1.12
Administration and insurance	(0.88)	(0.83)	(0.05)	(0.99)	(0.91)	(0.08)
Interest, net	(2.44)	(2.40)	(0.04)	(2.44)	(2.63)	0.19
Depreciation, depletion and accretion	(10.66)	(11.62)	0.96	(10.20)	(11.60)	1.40
Loss on disposal of assets	(0.62)	-	(0.62)	(0.36)	-	(0.36)
Foreign exchange gain	3.45	8.57	(5.12)	0.88	5.18	(4.30)
Future income tax (expense) recovery	3.02	(2.35)	5.37	1.35	3.30	(1.95)
	(11.01)	(11.82)	0.81	(14.59)	(10.61)	(3.98)
Net income per barrel	19.28	23.44	(4.16)	20.07	12.60	7.47
Sales volumes (MMbbls) [2]	8.9	10.6	(1.7)	28.6	26.7	1.9

[1] Unless otherwise specified, net income and other per barrel measures in this MD&A have been derived by dividing the relevant revenue or cost item by the sales volumes in the period.
[2] Sales volumes, net of purchased crude oil volumes.

Revenues after Crude Oil Purchases and Transportation Expense

($ millions)	Three Months Ended September 30 2010	2009	Variance	Nine Months Ended September 30 2010	2009	Variance
Sales revenue [1]	$ 744	$ 808	$ (64)	$ 2,521	$ 1,881	$ 640
Crude oil purchases	(48)	(28)	(20)	(236)	(109)	(127)
Transportation expense	(5)	(8)	3	(20)	(23)	3
	691	772	(81)	2,265	1,749	516
Currency hedging gains [1]	1	1	-	3	3	-
	$ 692	$ 773	$ (81)	$ 2,268	$ 1,752	$ 516
Sales volumes (MMbbls) [2]	8.9	10.6	(1.7)	28.6	26.7	1.9

[1] The sum of sales revenue and currency hedging gains equals Revenues on the Trust's Consolidated Statements of Income and Comprehensive Income. Sales revenue includes revenue from the sale of purchased crude oil and sulphur revenue.
[2] Sales volumes, net of purchased crude oil volumes.

($ per barrel)	2010	2009	Variance	2010	2009	Variance
Realized SCO selling price before hedging [3]	$ 77.84	$ 73.22	$ 4.62	$ 79.18	$ 65.57	$ 13.61
Currency hedging gains	0.10	0.09	0.01	0.10	0.10	-
Net realized SCO selling price	$ 77.94	$ 73.31	$ 4.63	$ 79.28	$ 65.67	$ 13.61

[3] SCO sales revenue net of crude oil purchases and transportation expense divided by sales volumes, net of purchased crude oil volumes.

The decrease in sales revenue after crude oil purchases and transportation expense in the third quarter of 2010 relative to 2009 reflects lower sales volumes partially offset by a higher realized selling price for our synthetic crude oil ("SCO"). During the third quarter of 2010, West Texas Intermediate ("WTI") crude oil price averaged U.S. $76 per barrel compared to U.S. $68 per barrel in the third quarter of 2009. The impact of the higher U.S. dollar WTI oil price in the third quarter of 2010 was offset somewhat by a stronger Canadian dollar, which averaged $0.96 U.S./Cdn for the third quarter of 2010 versus $0.91 U.S./Cdn for the third quarter of 2009. Year-to-date, WTI averaged U.S. $78 per barrel in 2010 versus

U.S. $57 per barrel in 2009 while the Canadian dollar averaged $0.97 U.S./Cdn in 2010 versus $0.85 U.S./Cdn in 2009.

The Trust's SCO price is also affected by the premium or discount realized relative to Canadian dollar WTI (the "differential"). In the third quarter of 2010, the Trust realized a weighted-average SCO discount of $1.46 per barrel versus a $1.66 per barrel discount for the same period of 2009. The differential is dependent upon the supply and demand for SCO and, accordingly, can change quickly depending upon the short-term supply and demand dynamics in the market and pipeline availability for transporting crude oil.

The Trust's third quarter sales volumes averaged 96,000 barrels per day and 115,000 barrels per day in 2010 and 2009, respectively. The decline in 2010 sales volumes reflects the Coker 8-1 turnaround, which began in early September and continues until late October, as well as unplanned maintenance in other upgrading units. Sales volumes for the first nine months of 2010 averaged 105,000 barrels per day versus 98,000 barrels per day for the first nine months of 2009. Sales volumes for 2010 reflected turnarounds of the LC Finer and Coker 8-1 and unplanned maintenance in other upgrading units. By comparison, sales volumes in 2009 were impacted by an extended turnaround and modifications on Coker 8-3 and related units, as well as unplanned outages in the mining operations and unplanned maintenance in upgrading.

The Trust purchases crude oil from third parties, from time to time, to fulfill sales commitments with customers when there are shortfalls in Syncrude's production and to facilitate certain transportation and tankage arrangements and operations. Sales revenue includes the sale of purchased crude oil. Increased crude oil purchases in 2010 reflect additional activities to support unanticipated production shortfalls and incremental purchases associated with tankage arrangements, as well as higher crude oil prices compared with 2009.

Operating Costs

The following table breaks down operating costs into their major components and shows per barrel bitumen and SCO costs. The information allocates costs to bitumen production and upgrading based on deductibility for bitumen royalty purposes. The Syncrude Royalty Amending Agreement provides for allowed bitumen costs, before internal fuel allocation, to be 64.5 per cent of Syncrude total operating costs until December 31, 2010.

	Three Months Ended September 30				Nine Months Ended September 30			
	2010		2009		2010		2009	
	$/bbl Bitumen	$/bbl SCO	$/bbl Bitumen	$/bbl SCO	$/bbl Bitumen	$/bbl SCO	$/bbl Bitumen	$/bbl SCO
Bitumen production	$ 20.99	$ 27.28	$ 15.26	$ 17.61	$ 20.17	$ 24.48	$ 20.46	$ 24.30
Internal fuel allocation [2]	2.01	2.61	2.08	2.40	2.52	3.05	2.31	2.74
Total produced bitumen costs	23.00	29.89	17.34	20.01	22.69	27.53	22.77	27.04
Upgrading costs [1]		12.79		9.77		12.81		13.20
Less: Internal fuel allocation to bitumen [2]		(2.61)		(2.40)		(3.05)		(2.74)
Bitumen purchases		-		0.28		-		0.45
Total Syncrude operating costs		40.07		27.66		37.29		37.95
Canadian Oil Sands' adjustments [3]		(0.08)		0.14		(0.75)		(0.56)
Total operating costs		39.99		27.80		36.54		37.39
(thousands of barrels per day)	Bitumen	SCO	Bitumen	SCO	Bitumen	SCO	Bitumen	SCO
Syncrude production volumes [4]	343	264	360	312	347	286	314	264

[1]Upgrading costs include the production and ongoing maintenance costs associated with processing and upgrading of bitumen to SCO. It also includes the costs of major upgrading equipment turnarounds and catalyst replacement, all of which are expensed as incurred.
[2]Natural gas prices averaged $3.44 per GJ and $4.05 per GJ for the three and nine months ended September 30, 2010, respectively and $2.90 per GJ and $3.84 per GJ for the three and nine months ended September 30, 2009, respectively.
[3]Canadian Oil Sands' adjustments mainly pertain to actual reclamation costs, Syncrude-related pension costs, as well as the inventory impact of moving from production to sales as Syncrude reports per barrel costs based on production volumes and the Trust reports based on sales volumes.
[4]Syncrude SCO production volumes include the impact of processed purchased bitumen volumes.

	Three Months Ended September 30		Nine Months Ended September 30	
($/bbl of SCO)	**2010**	**2009**	**2010**	**2009**
Production costs	36.04	25.28	$ 32.36	$ 33.43
Purchased energy	3.95	2.52	4.18	3.96
Total operating costs	39.99	27.80	$ 36.54	$ 37.39
(GJs/bbl of SCO)				
Purchased energy consumption	1.15	0.87	1.03	1.03

In the third quarter of 2010, operating costs were $355 million, averaging $39.99 per barrel, compared with $293 million, or $27.80 per barrel in the third quarter of 2009. Year-to-date operating costs were $1,045 million in 2010, averaging $36.54 per barrel, compared with $997 million, or $37.39 per barrel, in 2009.

The increase in total operating costs for the third quarter of 2010 relative to the third quarter of 2009 was primarily due to the turnaround of Coker 8-1 combined with increased maintenance costs on other upgrading units.

The increase in year-to-date total operating costs for 2010 relative to 2009 was primarily due to the following:

- Higher maintenance costs in 2010 in mining, extraction, and upgrading;
- Additional costs supporting large projects such as mine train relocations and tailings pond dam construction; and
- Increased diesel purchases to support mining equipment and supplement decreased diesel production.

The increase in costs was partially offset by:

- Lower turnaround costs in 2010; while year-to-date 2010 costs reflect the LC Finer turnaround and a portion of the Coker 8-1 turnaround, year-to-date 2009 costs reflected the full impact of the comprehensive and extended turnaround of Coker 8-3;
- No bitumen purchases in 2010 whereas, in 2009, $12 million of bitumen was purchased to offset the impact of unplanned outages in the mining operations;
- A decrease in the value of Syncrude's long-term incentive plans in 2010 versus an increase in 2009. A portion of Syncrude's long-term incentive plans is based on the market return performance of several Syncrude owners' shares and units, the market performance of which was weaker in 2010 relative to 2009.

While total operating costs for the first nine months of 2010 were higher than the same period in 2009, per barrel costs were lower than 2009 due to the increase in sales volumes.

Non-Production Costs

Non-production costs totaled $26 million and $34 million in the third quarters of 2010 and 2009, respectively. Year-to-date non-production costs totaled $81 million for 2010 and $106 million for 2009. The decrease in non-production costs primarily reflects the treatment of project expenditures for mine train replacement and relocation and tailings initiatives. In 2010, these costs are being capitalized as property, plant and equipment, while they were expensed in 2009 due to the early stage of project development.

Non-production costs consist primarily of development expenditures relating to capital programs, such as pre-feasibility engineering, technical and support services, research and development, evaluation drilling, and regulatory and stakeholder consultation expenditures. Non-production costs can vary on a periodic basis depending on the number of projects underway and the status of the projects.

Crown Royalties

In the third quarter of 2010, Crown royalties decreased to $68 million, or $7.66 per barrel, from $108 million, or $10.25 per barrel, in the comparable 2009 quarter reflecting lower deemed bitumen revenues and higher operating expenses and capital expenditures. Year-to-date Crown royalties increased to $231 million, or $8.08 per barrel, in 2010 from $135 million, or $5.07 per barrel, in 2009 reflecting higher deemed bitumen revenues partially offset by higher operating expenses and capital expenditures. Crown royalties in 2010 also reflect an additional transition royalty expense, which did not apply until January 1, 2010.

The Syncrude Amended Royalty Agreement requires that bitumen be valued by a formula that references the value of bitumen based on a Canadian heavy oil price adjusted for reasonable quality, transportation and handling deductions (including diluent costs) to reflect the quality and location differences between Syncrude's bitumen and the reference price of bitumen. The Alberta government, Syncrude, and the Syncrude owners are in discussions to determine the appropriate adjustments for quality, transportation and handling. For estimating and paying royalties, Syncrude has used a bitumen value based on Syncrude and its owners' interpretation of the Syncrude Amended Royalty Agreement, and their estimates of the appropriate quality, transportation and handling adjustments. These adjustments are different than those provided under the Alberta government's generic bitumen valuation methodology. Canadian Oil Sands' share of the royalties recognized for the period from January 1, 2009 to September 30, 2010 are estimated to be approximately $90 million less than the amount calculated under the generic bitumen valuation methodology. The Syncrude owners and the Alberta government continue to discuss the basis for these reasonable adjustments but if such discussions do not result in an agreed upon solution, either party may seek judicial determination of the matter. Should these discussions or a judicial determination result in a bitumen value different than that used by Syncrude for estimating and paying royalties, the cumulative impact on Canadian Oil Sands' share of royalties since January 1, 2009 will be recognized as a Crown royalties expense or recovery and impact net income accordingly. A corresponding cash royalty payment or receipt will also be required.

Interest Expense, Net

($ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Interest expense on long-term debt	$ 22	$ 25	$ 70	$ 71
Interest income and other	-	-	-	(1)
Interest expense, net	$ 22	$ 25	$ 70	$ 70

Interest expense during the third quarter of 2010 was lower than in the third quarter of 2009 as a result of higher average outstanding debt levels in 2009. On a year-to-date basis, 2010 interest expense was unchanged from the same period in 2009 reflecting consent solicitation fees recorded during the first quarter of 2010 for the Trust's corporate conversion plans offsetting higher average outstanding debt levels in 2009.

Depreciation, Depletion and Accretion Expense

($ millions)	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Depreciation and depletion expense	$ 89	$ 119	$ 273	$ 299
Accretion expense	6	4	19	11
	$ 95	$ 123	$ 292	$ 310

Oil sands assets are depreciated and depleted over their estimated remaining lives, which are reviewed by management on a regular basis. During the first quarter of 2010, management determined that the usage of certain tangible equipment would be most accurately represented by a straight-line calculation on an ongoing basis. As such, depreciation and depletion of the oil sands assets is now estimated based on a blend of both a unit-of-production and straight-line basis. Depreciation, depletion and accretion expense decreased from 2009 to 2010 due to the effect of this change in accounting estimate.

The effect of this change for the three and nine months ended September 30, 2010 is that approximately $12 million and $50 million less depreciation and depletion expense, respectively, was recorded using the new estimated remaining lives than would have been recorded using the previous estimates. Beyond 2010, it is not practical to calculate the effect of this change in estimate due to the long-life nature of the assets and the amount of estimated future development costs.

Foreign Exchange (Gain) Loss

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	2010	2009	2010	2009
Foreign exchange (gain) loss-long term debt	$ (35)	$ (120)	$ (19)	$ (172)
Foreign exchange (gain) loss-other	5	30	(6)	34
Total foreign exchange (gain) loss	$ (30)	$ (90)	$ (25)	$ (138)

Foreign exchange ("FX") gains/losses are primarily the result of revaluations of our U.S. dollar denominated long-term debt caused by fluctuations in U.S. and Canadian dollar exchange rates.

The FX gains on long-term debt in 2010 were the result of a strengthening in the value of the Canadian dollar relative to the U.S. dollar to $0.97 U.S./Cdn at September 30, 2010 from $0.94 U.S./Cdn at June 30, 2010 and $0.96 U.S./Cdn at December 31, 2009. The FX gains in 2009 were likewise the result of a strengthening in the value of the Canadian dollar relative to the U.S. dollar to $0.93 U.S./Cdn at September 30, 2009 from $0.86 U.S./Cdn at June 30, 2009 and $0.82 U.S./Cdn at December 31, 2008.

Future Income Tax and Other

In the third quarter of 2010, a future income tax recovery of $26 million was recorded versus a future income tax expense of $25 million in the same period of 2009. On a year-to-date basis, a future income tax recovery of $38 million was recorded in 2010 versus a recovery of $88 million in 2009 as a result of decreases in temporary differences between accounting and tax values of Canadian Oil Sands' assets and liabilities in both years. In addition to the future income tax amounts recorded on changes in temporary differences, a future income tax recovery of $63 million was recorded during the first quarter of 2009 on the substantive enactment of tax rate reductions.

CAPITAL EXPENDITURES

Capital expenditures for the first nine months of 2010 totalled $343 million, up from expenditures of $308 million for the same period in 2009. The Syncrude Emissions Reduction ("SER") project accounted for $84 million and $87 million of the capital spent in 2010 and 2009, respectively. Mine train replacements and relocations accounted for $61 million and $15 million of the capital spent in 2010 and 2009, while the remaining expenditures related to other sustaining capital activities including construction of tailings facilities, pipe replacements and other infrastructure projects. Capital expenditures on a per barrel basis were approximately $11.99 and $11.55 for the first nine months of 2010 and 2009, respectively. Capital expenditures on a per barrel basis are affected by the Trust's sales volumes, which were higher for the first nine months of 2010 relative to the first nine months of 2009.

In the third quarter of 2010, capital expenditures totalled $137 million compared with expenditures of $85 million in the same quarter of 2009. The SER project accounted for $31 million of the capital spent in each of the third quarters of 2010 and 2009. Mine train replacements and relocations accounted for $30 million and $7 million of the capital spent in each of the third quarters of 2010 and 2009, respectively, while the remaining expenditures related to other sustaining capital activities. Capital expenditures on a per barrel basis were $15.40 and $8.14 in the third quarters of 2010 and 2009, respectively, reflecting lower sales volumes in the 2010 period.

Canadian Oil Sands' expansion-related capital expenditures have been relatively low in recent years and capital costs during 2010 and 2009 were mainly related to sustaining capital. Expansion-related capital expenditures are costs incurred to grow the productive capacity of the operation while sustaining capital expenditures are effectively all other capital expenditures. Capital expenditures may fluctuate considerably year-to-year due to the timing of expansions, equipment replacement and other factors.

Syncrude is undertaking the SER project, which commenced in 2006, to retrofit technology into the operation of Syncrude's original two cokers by the end of 2011 in order to reduce total sulphur dioxide and other emissions. The estimate of the total cost of the SER project remains at $1.6 billion ($590 million net to the Trust) and the Trust's share of SER expenditures to date is approximately $380 million.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual obligations are summarized in the Trust's 2009 annual MD&A and include future cash payments that the Trust is required to make under existing contractual arrangements that it has entered into directly or as a 36.74 per cent owner in Syncrude. During the second quarter of 2010, an actuarial valuation of the pension obligation as at December 31, 2009 was completed. This resulted in additional funding requirements over the next 24 years of approximately $265 million, with the majority of the funding requirements due within the next five years. Other than the Trust's share of new Syncrude capital

commitments of approximately $20 million related to purchases of new mining equipment, there have been no other significant new contractual obligations or commitments relative to our 2009 year-end disclosure.

UNITHOLDER DISTRIBUTIONS

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	2010	2009	2010	2009
Cash from operating activities	$ 330	$ 213	$ 997	$ 219
Net income	$ 171	$ 247	$ 575	$ 336
Unitholder distributions	$ 242	$ 121	$ 654	$ 266
Excess (shortfall) of cash from operating activities over Unitholder distributions	$ 88	$ 92	$ 343	$ (47)
Excess (shortfall) of net income over Unitholder distributions	$ (71)	$ 126	$ (79)	$ 70

Cash from operating activities exceeded Unitholder distributions by $88 million and $343 million for the third quarter and first nine months of 2010, respectively. For the third quarter of 2010, cash from operating activities and existing cash balances were sufficient to fund the Trust's capital expenditures, reclamation trust fund contributions, and distributions. In the first nine months of 2010, cash from operating activities was sufficient to fund the Trust's capital expenditures, reclamation trust fund contributions, and distributions.

Unitholder distributions exceeded net income by $71 million and $79 million for the third quarter and first nine months of 2010, respectively, primarily as a result of the impact of non-cash expenses included in the calculation of net income such as depletion, depreciation and accretion ("DD&A"). These non-cash items do not affect the Trust's cash from operating activities or ability to pay distributions over the near term.

The Trust uses debt and equity financing to the extent that cash from operating activities and existing cash balances are insufficient to fund capital expenditures, reclamation trust contributions, debt repayments, acquisitions, distributions and working capital changes from financing and investing activities. For further discussion, see the "Liquidity and Capital Resources" section of this MD&A.

On October 28, 2010 the Trust declared a quarterly distribution of $0.50 per Unit in respect of the fourth quarter of 2010 for a total distribution of approximately $242 million. The distribution will be paid on November 30, 2010 to Unitholders of record on November 19, 2010.

In 2010, the Trust has declared its distributions with the intention of achieving certain tax pool targets. Based on our October 28, 2010 Outlook, we expect to achieve our target with approximately $2 billion of tax pools at year end. This may result in slightly higher debt levels, although our balance sheet should remain strong. Optimizing tax pools in such a manner will no longer be applicable when we convert to a corporation.

Following our conversion to a corporation and consistent with other corporations, beginning January 1, 2011, Canadian Oil Sands will be subject to corporate taxation. While tax pools will be available to shelter income from cash taxes, future cash from operating activities ultimately will be reduced by corporate taxation. We anticipate future dividend amounts also will be impacted by a projected rise in capital expenditures to fund Syncrude's sustaining capital program and future expansion plans. Consistent with past practice, the Trust intends to use its cash from operating activities to help finance such expenditures. As a result of discontinuing our tax optimization strategy, the projected rise in capital expenditures and the eventual impact of taxation, we anticipate a reduction in distributions/dividends from the current 2010 level.

Dividend payments when Canadian Oil Sands becomes a corporation will be determined on a quarterly basis in the context of current and expected crude oil prices, economic conditions, Syncrude's operating performance, taxation, and the capacity to finance operating and investing obligations. We will strive to reduce the impact of significant fluctuations in these factors on dividends by taking a longer-term view, and we may distribute more or less in a period than is generated in cash from operating activities or net income. However, the variable nature of cash from operating activities and net income means Canadian Oil Sands' dividend amounts also are likely to be variable, and any expectations regarding the stability or sustainability of dividends are unwarranted and should not be inferred.

In determining the Trust's distributions, Canadian Oil Sands considers funding for its significant operating obligations, which are included in cash from operating activities. Such obligations include the Trust's share of Syncrude's pension and reclamation funding, which amounted to $92 million and $54 million in the first nine months of 2010 and 2009, respectively. We anticipate these funding requirements for the full year 2010 will rise to approximately $120 million from $69 million in 2009. The increase is due to additional reclamation activities, as well as the pension actuarial valuation completed in April 2010.

Debt covenants do not specifically limit the Trust's ability to pay distributions and are not expected to influence the Trust's liquidity in the foreseeable future. Aside from covenants relating to restrictions on Canadian Oil Sands' ability to sell all or substantially all of its assets or to change the nature of its business, the most restrictive financial covenant limits total debt-to-total capitalization to 55 per cent. With a net debt-to-total capitalization of approximately 21 per cent at September 30, 2010, a significant

increase in debt or decrease in equity would be required before covenants restrict the Trust's distributions or financial flexibility.

LIQUIDITY AND CAPITAL RESOURCES

($ millions)	September 30 2010	December 31 2009
Long-term debt	$ 1,144	$ 1,163
Cash and cash equivalents	(127)	(122)
Net debt	$ 1,017	$ 1,041
Unitholders' equity	$ 3,890	$ 3,969
Total capitalization [1]	$ 4,907	$ 5,010
Net debt to total capitalization (%)	21	21

[1] Net debt plus Unitholders' equity. Net debt, total capitalization, as well as net debt to total capitalization are non-GAAP measures.

Net debt at September 30, 2010 decreased from December 31, 2009 primarily as a result of foreign exchange gains on the U.S. dollar denominated long-term debt, the result of a strengthening in the value of the Canadian dollar relative to the U.S. dollar. Unitholders' equity at September 30, 2010 decreased from December 31, 2009 because Unitholder distributions for the first nine months of 2010 exceeded net income.

In March 2010, the Trust's $70 million line of credit was increased to $100 million and the term on the Trust's $40 million bilateral credit facility was extended to April 21, 2011.

UNITHOLDERS' CAPITAL AND UNIT TRADING ACTIVITY

The Trust's Units trade on the Toronto Stock Exchange under the symbol COS.UN. The Trust had a market capitalization of approximately $12 billion with 484 million Units outstanding and a closing price of $25.46 per Unit on September 30, 2010.

Canadian Oil Sands Trust - Trading Activity	Third Quarter 2010	September 2010	August 2010	July 2010
Unit price				
High	$ 29.66	$ 27.04	$ 27.51	$ 29.66
Low	$ 24.24	$ 24.24	$ 24.61	$ 26.41
Close	$ 25.46	$ 25.46	$ 25.08	$ 26.96
Volume of Trust Units traded (millions)	123.0	53.2	38.9	30.9
Weighted average Trust Units outstanding (millions)	484.4	484.4	484.4	484.4

FOREIGN OWNERSHIP

Based on information from the statutory declarations by Unitholders, we estimate that, as of August 23, 2010 approximately 76 per cent of our Units were held by Canadian residents with the remaining 24 per cent of Units being held by non-Canadian residents. Canadian Oil Sands' Trust Indenture provides that not more than 49 per cent of its Units can be held by non-Canadian residents.

The last declaration will be requested as of November 19, 2010. Once the Trust converts to a corporation on or about December 31, 2010, the foreign ownership restrictions will no longer apply.

CORPORATE CONVERSION

On January 28, 2010, Canadian Oil Sands' Board approved converting to a corporate structure on or about December 31, 2010. At the Annual and Special Meeting on April 29, 2010, Canadian Oil Sands' Unitholders approved this arrangement and the Court of Queen's Bench of Alberta issued a final order on April 30, 2010. See the "Unitholder Distributions" section of this MD&A for discussion on the dividend approach following conversion.

TAILINGS MANAGEMENT

On April 23, 2010 the Energy Resources Conservation Board ("ERCB") approved, with conditions, Syncrude's revised tailings pond plans submitted in September 2009 under Tailings Directive 074. These plans outline a multi-pronged approach for meeting the long-term intent of Directive 074, and include the implementation of three main tailings technologies: water capping, composite tails and centrifuge technology. Issued by the ERCB in February 2009, Tailings Directive 074 and its Tailings Performance Criteria and Requirements for Oil Sands Mining Schemes requires operators to prepare tailings plans and report on tailings ponds annually, reduce the solids content of fluid tailings through the capture of fine particles from the production process in dedicated disposal areas, and convert fines into trafficable deposits which are ready for reclamation five years after deposits have ceased.

SYNCRUDE WATERFOWL INCIDENT

In February 2009, Syncrude Canada Ltd. ("Syncrude Canada") was charged under the Federal *Migratory Birds Convention Act* and the Alberta *Environmental Protection and Enhancement Act* for a 2008 waterfowl incident. On June 25, 2010, a provincial court judge ruled in favour of the federal and provincial Crowns on the case involving this waterfowl incident. Following discussions among Syncrude Canada and the federal and provincial Crowns, the parties reached an agreement on creative sentencing, which was approved by the provincial court judge on October 22, 2010. Pursuant to such order, Syncrude Canada paid a total of $3 million comprised of fines and payments to fund research for improved waterfowl deterrent systems, to create a waterfowl habitat-conservation project, and to create a Wildlife Management Program at Keyano College focused on Aboriginal students.

Syncrude has always acknowledged its moral obligations for the waterfowl incident and even prior to the ruling had implemented improvements to its waterfowl deterrent systems. Despite these improvements, however, another waterfowl incident occurred on October 25, 2010 during a freezing rain storm when waterfowl landed at various locations on the Syncrude site including roads, parking lots and the Mildred Lake and Aurora settling basins with the result that waterfowl that came in contact with bitumen on the settling basins were euthanized. Several other oil sands operators in the area reported waterfowl mortalities as well. Syncrude is cooperating fully with regulators in their investigation of this incident. Syncrude and its owners remain committed to improving their environmental performance and in particular, the safety of wildlife in the area. More information on the environmental issues is contained in the Annual Information Form of the Trust dated March 22, 2010.

FINANCIAL RISK MANAGEMENT

The Trust did not have any financial derivatives outstanding at September 30, 2010.

Crude Oil Price Risk

Canadian Oil Sands' revenues are impacted by changes in both the U.S. dollar denominated crude oil prices and U.S./Cdn FX rates. The Trust did not have any crude oil price hedges in place during the first nine months of 2010 or 2009, and does not currently intend to enter into any crude oil hedge positions. The Trust may hedge this exposure in the future, however, depending on the business environment and our growth opportunities.

Foreign Currency Risk

Canadian Oil Sands' results are affected by fluctuations in the U.S./Cdn currency exchange rates, as revenues generated are based on a U.S. dollar WTI benchmark price while certain obligations are denominated in Canadian dollars. The Trust did not have any foreign currency hedges in place during the first nine months of 2010 or 2009, and does not currently intend to enter into any new currency hedge positions. The Trust may, however, hedge foreign currency exchange rates in the future, depending on the business environment and growth opportunities.

Interest Rate Risk

Canadian Oil Sands' net income and cash from operating activities are impacted by interest rate changes based on the amount of floating rate debt outstanding or upon the refinancing of maturing long-term debt at prevailing interest rates. As at September 30, 2010 there was no floating interest rate debt outstanding, and the next long-term debt maturity is in August 2013.

Liquidity Risk

Liquidity risk is the risk that Canadian Oil Sands will not be able to meet its financial obligations as they fall due. Canadian Oil Sands actively manages its liquidity risk through its cash, debt and equity

strategies. The next long-term debt maturity is in August, 2013, and the $800 million credit facility is undrawn and does not expire until April, 2012.

Credit Risk

Canadian Oil Sands is exposed to credit risk primarily through customer accounts receivable balances and financial counterparties with whom the Trust has invested its cash or from whom it has purchased its term deposits. The maximum exposure to any one customer or financial counterparty is controlled through a credit policy that limits exposure based on credit ratings.

The financial condition of some of our U.S.-based refinery customers has continued to come under pressure during 2010, reflecting low refinery margins. Canadian Oil Sands carries credit insurance to help mitigate a portion of the impact should a loss occur and continues to transact primarily with investment grade customers. The vast majority of accounts receivable at September 30, 2010 was due from investment grade energy producers and refinery based customers.

At September 30, 2010, our cash and cash equivalents were invested mainly in term deposits with high-quality senior Canadian banks. As of October 28, 2010, there are no financial assets that are past their maturity or impaired due to credit risk-related defaults.

NEW ACCOUNTING PRONOUNCEMENTS

There were no new accounting pronouncements issued by the Canadian Institute of Chartered Accountants ("CICA") during the first nine months of 2010 that are expected to have a material impact on the Trust.

International Financial Reporting Standards ("IFRS")

IFRS will replace Canadian GAAP for publicly accountable enterprises in Canada in 2011. The Trust will be required to adopt IFRS for interim and annual financial statements beginning on January 1, 2011 including comparative financial statements for 2010.

As part of its IFRS conversion project, the Trust has analyzed IFRS accounting standards and accounting policy alternatives and has prepared draft IFRS financial statements and disclosures.

a) IFRS 1 “First-Time Adoption of International Financial Reporting Standards”

IFRS 1 provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The Trust has analyzed the choices available under IFRS 1 and has made preliminary decisions to utilize exemptions relating to employee future benefits, interest capitalization, asset retirement obligations, business combinations, and leases. Similarly, the Trust has made preliminary decisions to reject exemptions relating to the fair value measurement of property, plant and equipment and long-term debt.

i) Employee future benefits

Utilizing the employee future benefits exemption will result in the recognition of approximately $125 million of previously unrecognized actuarial losses (net of approximately $40 million in future income taxes) through January 1, 2010 retained earnings with a corresponding increase to the employee future benefits liability. The Trust’s accounting policy under Canadian GAAP is to recognize these losses over the expected average remaining service life of active employees.

ii) Interest capitalization

By utilizing the interest capitalization exemption, the Trust will be exempted from capitalizing interest on assets already under construction at January 1, 2010. As described in the “Significant Accounting Policy Changes Post Conversion” section below, interest on certain future capital projects will be capitalized.

iii) Asset retirement obligations

The Trust intends to utilize the asset retirement obligation exemption which provides a method for adjusting the asset retirement obligations and the related property, plant and equipment assets to obtain a January 1, 2010 value. The combined effect of utilitizing this exemption and the related accounting policy change contemplated going forward is discussed in the “Significant Accounting Policy Changes Post Conversion” section below.

Current estimates suggest that the other IFRS 1 exemptions applied to the Trust will not materially impact its financial position at January 1, 2010.

b) Significant Accounting Policy Changes Post Conversion

Based on an analysis of differences between IFRS and Canadian GAAP, the amounts the Trust reports under IFRS may differ significantly from the amounts the Trust reports under Canadian GAAP

for asset retirement obligations, future income taxes, employee future benefits, interest capitalization, stock-based compensation, and impairment of property, plant and equipment.

i) Asset retirement obligations

The Trust has made a preliminary decision to discount the estimated fair value of its asset retirement obligations and the related property, plant and equipment assets using a risk-free interest rate. Under Canadian GAAP, the Trust uses a credit-adjusted interest rate. The combined effect of utilizing the IFRS 1 exemption discussed above and changing the discount rate will increase the January 1, 2010 asset retirement obligations and the related property, plant and equipment assets by approximately $160 million and $30 million, respectively, with an offsetting $130 million charge to January 1, 2010 retained earnings.

In addition, IFRS requires that asset retirement obligations be re-measured each reporting period for changes in the discount rate with a corresponding adjustment to the cost of the related property, plant and equipment assets; whereas, under Canadian GAAP, changes in discount rates do not result in a re-measurement.

ii) Future income taxes

IFRS requires the Trust to measure future income taxes using the tax rate applicable to earnings not distributed to Unitholders whereas, under Canadian GAAP, future income taxes are measured using the tax rate applicable to distributed earnings. This difference will result in an approximate $300 million increase in the January 1, 2010 future income taxes liability with a corresponding charge to retained earnings. This charge is expected to subsequently reverse as a gain in net income on December 31, 2010 when the Trust converts to a corporation.

iii) Employee future benefits

The Trust has made a preliminary decision to recognize actuarial gains and losses on Syncrude's pension plans in other comprehensive income in the period in which they arise. The Trust's current accounting policy is to defer recognition of these gains and losses and to amortize the excess of any net actuarial gain or loss exceeding 10 per cent of the greater of the benefit obligation or fair value of the plan assets over the expected average remaining service life of active employees (approximately 12 years at December 31, 2009). IFRS currently allows the use of either method. The adoption of the new policy will result in the net pension asset or liability being fully reflected on the balance sheet each period. As valuation changes will flow through other comprehensive income, they will not impact net income but will flow through retained earnings each period.

iv) Interest capitalization

IFRS requires that interest costs relating to assets that take a substantial period of time to construct be capitalized and subsequently expensed as depreciation over the assets' expected useful lives. Currently, under Canadian GAAP, the Trust expenses all interest costs. During periods when significant capital expenditures are incurred, the IFRS accounting policy could result in a significant decrease in interest expense with an offsetting increase in depreciation and depletion over subsequent periods. The new IFRS policy will result in increased cash from operating activities on the Trust's Consolidated Statement of Cash Flows in those periods.

v) Impairment of property, plant and equipment

Under IFRS, the Trust will be required to recognize an impairment loss if the carrying amount of any property, plant and equipment exceeds its estimated future discounted cash flows. Under Canadian GAAP, estimated future cash flows used to assess impairments are not discounted. As such, impairment losses may be recognized earlier under IFRS than under Canadian GAAP. The Trust is not anticipating any impairment of property, plant and equipment as at January 1, 2010 as a result of adopting IFRS.

Other post-conversion accounting policy choices and IFRS-Canadian GAAP differences are not expected to materially impact the financial position or financial results of the Trust. Although IFRS includes more explicit direction for componentization of property, plant and equipment for the purposes of calculating depreciation and depletion than Canadian GAAP, the Trust does not expect any material changes to the carrying value of its property, plant and equipment nor to its depreciation and depletion expense on adoption of IFRS.

IFRS will likely result in additional disclosures in Canadian Oil Sands' financial statements for items already disclosed in other security documents in Canada. As part of preparing draft IFRS disclosures, the Trust has analyzed and will continue to analyze the additional disclosures to ensure sufficient information is available upon adoption of IFRS.

c) Advisory

The preliminary decisions about IFRS 1 exemptions and accounting policy choices, and the assessments of differences between IFRS and Canadian GAAP have not been finalized. Users are cautioned that the analysis will not be finalized until 2011 and that the preliminary decisions and estimated impacts of adopting IFRS may change. In addition, other differences may exist between amounts reported by the Trust under Canadian GAAP versus IFRS. New or revised IFRS are being developed by the International Accounting Standards Board ("IASB") that may impact the adoption of

IFRS by the Trust in 2011 or thereafter. These standards include joint ventures, income taxes, financial instruments, emissions trading schemes, extractive industries, employee future benefits, measurement of liabilities, and the IFRS 1 exemption relating to interest capitalization. The Trust continues to monitor these and other accounting standard developments within IFRS which might impact its IFRS conversion.

d) Conversion Project Update

The Trust's IFRS conversion is overseen by the Audit Committee with quarterly reports by management to that committee on the progress of the plan and any issues that may have arisen. The Trust's IFRS project will continue through 2010 and is on schedule for a January 1, 2011 implementation date.

Specifically, the Trust has completed the analysis of its information technology needs, data systems and internal controls and has concluded that they do not require any significant modification to adopt IFRS. To ensure the appropriate level of IFRS expertise is available through transition, resources have been added to the project team and ongoing education is provided to the project team, accounting staff, investor relations staff, senior management, the Audit Committee and the Board of Directors. The effects of existing IFRS on the Trust's business activities have been reviewed and it is not expected that IFRS will result in any significant changes to the Trust's business activities.

The adoption of IFRS also impacts Syncrude's reporting of results to the Trust. Syncrude has an implementation project to manage its own transition to IFRS. Canadian Oil Sands and the other Syncrude owners are stewarding Syncrude's IFRS implementation to help ensure that information provided by Syncrude meets the owners' needs. Syncrude is not currently anticipating any significant modifications to its accounting systems or business activities as a result of adopting IFRS.

2010 OUTLOOK

(millions of Canadian dollars, except volume and per barrel amounts)		**October 28, 2010**		**July 29, 2010**
Syncrude production (MMbbls)		105		110
Canadian Oil Sands sales (MMbbls)		38.6		40.4
Revenues, net of crude oil purchases and transportation		3,037		3,111
Operating costs		1,449		1,503
Operating costs per barrel		37.56		37.19
Crown royalties		299		309
Capital expenditures		511		544
Cash from operating activities		1,137		1,098
Business environment assumptions				
West Texas Intermediate (US$/bbl)	$	78	$	75
Premium (Discount) to average C$ WTI prices (C$/bbl)	$	(1.75)	$	(2.00)
Foreign exchange rate (US$/Cdn$)	$	0.97	$	0.95
AECO natural gas (Cdn$/GJ)	$	4.25	$	4.75

On September 23, 2010, Canadian Oil Sands lowered its single point 2010 Syncrude production Outlook by five million barrels from the revised July 29, 2010 Outlook to reflect unplanned maintenance in certain upgrading units and an extension of the planned Coker 8-1 turnaround completed in late October. Canadian Oil Sands is estimating annual 2010 Syncrude production of 105 million barrels with a revised range of 102 million to 108 million barrels. The original 2010 budget estimate for Syncrude production was 115 million barrels.

The October 28, 2010 Outlook assumes an increased U.S. $78 per barrel WTI oil price, a smaller SCO discount to Cdn dollar WTI of $1.75 per barrel but a stronger U.S./Cdn foreign exchange rate of $0.97. These assumptions, combined with the revised production volumes, result in estimated revenues of $3,037 million, or $79 per barrel in 2010.

Operating costs are now estimated at $1,449 million with higher production costs more than offset by lower natural gas costs, reflecting a natural gas price assumption of $4.25 per gigajoule. Estimated per barrel operating costs have risen slightly to about $37.60.

Capital expenditures are estimated at $511 million, including $124 million related to the SER project and $122 million related to mine train replacements and relocations. Lower than forecast actual capital expenditures in the first half of 2010 are anticipated to be offset by higher spending in the second half of the year.

The assumed bitumen value has been reduced to 65 per cent of Cdn dollar WTI from 68 per cent, reflecting actual results to date. Combined with lower revenues, estimated 2010 Crown royalties have fallen to $299 million.

Based on the above assumptions, our revised 2010 Outlook for cash from operating activities is $1,137 million, or $2.35 per Unit. After deducting forecast 2010 capital expenditures of $511 million, we are estimating $626 million of remaining cash from operating activities for the year, or $1.29 per Unit.

Distributions paid in 2010 are expected to be 100 per cent taxable as other income. The actual taxability of 2010 distributions will be determined and reported to Unitholders prior to the end of the first quarter of 2011.

Changes in certain factors and market conditions could potentially impact Canadian Oil Sands' Outlook. The following table provides a sensitivity analysis of the key factors affecting the Trust's performance. In addition to the factors described in the table, the supply/demand equation and pipeline access for synthetic crude oil in North American markets could impact the differential for SCO relative to crude benchmarks; however, these factors are difficult to predict.

2010 Outlook Sensitivity Analysis (October 28, 2010)

		Cash from Operating Activities Increase	
Variable [1]	**Annual Sensitivity**	**$ millions**	**$/Trust unit**
Syncrude operating costs decrease	C$1.00/bbl	32	0.07
Syncrude operating costs decrease	C$50 million	15	0.03
WTI crude oil price increase	US$1.00/bbl	30	0.06
Syncrude production increase	2 million bbls	43	0.09
Canadian dollar weakening	US$0.01/C$	23	0.05
AECO natural gas price decrease	C$0.50/GJ	17	0.04

[1] An opposite change in each of these variables will result in the opposite cash from operating activities impacts.
Canadian Oil Sands may become subject to minimum Crown royalties at a rate of one per cent of gross bitumen revenue.
The sensitivities presented herein assume royalties are paid at 25 per cent of net bitumen revenue.

CANADIAN OIL SANDS TRUST

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions, except per Unit amounts)	**2010**	**2009**	**2010**	**2009**
Revenues	$ 745	$ 809	$ 2,524	$ 1,884
Expenses:				
Operating	355	293	1,045	997
Non-production	26	34	81	106
Crude oil purchases and transportation	53	36	256	132
Crown royalties (Note 10)	68	108	231	135
Administration	1	6	17	18
Insurance	5	2	10	6
Interest, net (Note 6)	22	25	70	70
Depreciation, depletion and accretion (Note 2)	95	123	292	310
Loss on disposal of assets	5	-	10	-
Foreign exchange gain	(30)	(90)	(25)	(138)
	600	537	1,987	1,636
Earnings before taxes	145	272	537	248
Future income tax expense (recovery)	(26)	25	(38)	(88)
Net income	171	247	575	336
Other comprehensive loss, net of income taxes				
Reclassification of derivative gains to net income	(1)	(1)	(2)	(2)
Comprehensive income	$ 170	$ 246	$ 573	$ 334
Weighted average Trust Units (millions)	484	484	484	483
Trust Units, end of period (millions)	484	484	484	484
Net income per Trust Unit:				
Basic and diluted	$ 0.35	$ 0.51	$ 1.19	$ 0.69

See Notes to Unaudited Consolidated Financial Statements

CANADIAN OIL SANDS TRUST

CONSOLIDATED STATEMENTS OF UNITHOLDERS' EQUITY

(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2010**	**2009**	**2010**	**2009**
Retained earnings				
Balance, beginning of period	$ 1,351	$ 1,306	$ 1,359	$ 1,362
Net income	171	247	575	336
Unitholder distributions (Note 8)	(242)	(121)	(654)	(266)
Balance, end of period	1,280	1,432	1,280	1,432
Accumulated other comprehensive income				
Balance, beginning of period	17	20	18	21
Other comprehensive loss	(1)	(1)	(2)	(2)
Balance, end of period	16	19	16	19
Unitholders' capital				
Balance, beginning of period	2,587	2,587	2,587	2,524
Issuance of Trust Units	-	-	-	63
Balance, end of period	2,587	2,587	2,587	2,587
Contributed surplus				
Balance, beginning of period	6	4	5	3
Stock-based compensation (Note 7)	1	1	2	2
Balance, end of period	7	5	7	5
Total Unitholders' equity	$ 3,890	$ 4,043	$ 3,890	$ 4,043

See Notes to Unaudited Consolidated Financial Statements

CANADIAN OIL SANDS TRUST
CONSOLIDATED BALANCE SHEETS
AS AT
(unaudited)

($ millions)	September 30 2010	December 31 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 127	$ 122
Accounts receivable	219	354
Inventories	138	133
Prepaid expenses	17	7
	501	616
Property, plant and equipment, net (Note 2)	6,349	6,289
Reclamation trust	51	48
	$ 6,901	$ 6,953
LIABILITIES AND UNITHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 434	$ 284
Current portion of employee future benefits (Note 4)	51	17
	485	301
Employee future benefits and other liabilities (Note 4)	65	104
Long-term debt	1,144	1,163
Asset retirement obligation	329	389
Future income taxes	988	1,027
	3,011	2,984
Unitholders' equity	3,890	3,969
	$ 6,901	$ 6,953

See Notes to Unaudited Consolidated Financial Statements

CANADIAN OIL SANDS TRUST
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

($ millions)	Three Months Ended September 30 2010	Three Months Ended September 30 2009	Nine Months Ended September 30 2010	Nine Months Ended September 30 2009
Cash from (used in) operating activities				
Net income	$ 171	$ 247	$ 575	$ 336
Items not requiring outlay of cash:				
Depreciation, depletion and accretion (Note 2)	95	123	292	310
Loss on disposal of assets	5	-	10	-
Foreign exchange gain on long-term debt	(35)	(120)	(19)	(172)
Future income tax expense (recovery)	(26)	25	(38)	(88)
Actual reclamation costs	(3)	-	(31)	(22)
Change in employee future benefits and other liabilities	-	21	(5)	24
	207	296	784	388
Change in non-cash working capital	123	(83)	213	(169)
Cash from operating activities	330	213	997	219
Cash from (used in) financing activities				
Issuance of Senior Notes	-	-	-	574
Repayment of medium term and Senior Notes	-	(271)	-	(471)
Unitholder distributions (Note 8)	(242)	(121)	(654)	(203)
Cash used in financing activities	(242)	(392)	(654)	(100)
Cash from (used in) investing activities				
Capital expenditures	(137)	(85)	(343)	(308)
Reclamation trust funding	(1)	(1)	(4)	(3)
Change in non-cash working capital	1	(8)	9	6
Cash used in investing activities	(137)	(94)	(338)	(305)
Foreign exchange loss on Cash and cash equivalents held in foreign currency	-	(19)	-	(19)
Increase in cash and cash equivalents	(49)	(292)	5	(205)
Cash and cash equivalents at beginning of period	176	366	122	279
Cash and cash equivalents at end of period	$ 127	$ 74	$ 127	$ 74
Cash and cash equivalents consist of:				
Cash			$ 27	$ 27
Short-term investments			100	47
			$ 127	$ 74

Supplementary Information (Note 11)

See Notes to Unaudited Consolidated Financial Statements

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010
(Tabular amounts expressed in millions of Canadian dollars, except where otherwise noted.)

1) BASIS OF PRESENTATION

The interim consolidated financial statements include the accounts of Canadian Oil Sands Trust and its subsidiaries (collectively, the "Trust" or "Canadian Oil Sands"), and are presented in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The interim consolidated financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the year ended December 31, 2009, except as discussed in Note 2. Certain disclosures that are normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or omitted. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto in the Trust's annual report for the year ended December 31, 2009.

2) CHANGE IN ACCOUNTING ESTIMATE

Oil sands assets are depreciated and depleted over their estimated remaining lives, which are reviewed by management on a regular basis. During the first quarter of 2010, management determined that the usage of certain tangible equipment would be most accurately represented by a straight-line calculation on an ongoing basis. Depreciation and depletion of the oil sands assets is now estimated based on a blend of both the unit-of-production and straight-line basis. The effect of this change in estimate for the three and nine months ended September 30, 2010 is that approximately $12 million and $50 million less depreciation, respectively, was recorded using the new estimated remaining lives. Beyond 2010, it is not practical to estimate the effect of this change in estimate due to the long-life nature of the assets and the amounts and timing of the estimated future development costs.

3) FUTURE CHANGES IN ACCOUNTING POLICIES

The Trust will be subject to International Financial Reporting Standards ("IFRS") commencing in 2011. The Trust is currently assessing the impact that conversion to IFRS may have on its financial statements.

4) EMPLOYEE FUTURE BENEFITS

Syncrude Canada Ltd. ("Syncrude Canada"), the operator of the Syncrude Joint Venture ("Syncrude"), has a defined benefit and two defined contribution plans providing pension benefits, and other post-employment benefit plans ("OPEB") covering most of its employees. Other post-employment benefits include certain health care and life insurance benefits for retirees, their beneficiaries and covered dependents. The OPEB plan is not funded.

Canadian Oil Sands accrues its obligations as a joint venture owner in respect of Syncrude Canada's employee benefit plans and the related costs, net of plan assets. The cost of employee pension and other retirement benefits is actuarially determined using the projected benefit method based on length of service and reflects Canadian Oil Sands' best estimate of the expected performance of the plan investment, salary escalation factors, retirement ages of employees and future health care costs. The expected return on plan assets is based on the fair value of those assets. Past service costs from plan amendments are amortized on a straight-line basis over the estimated average remaining service life of active employees ("EARSL") at the date of amendment. The excess of any net actuarial gain or loss exceeding 10 per cent of the greater of the benefit obligation and fair value of the plan assets is amortized over the EARSL.

Canadian Oil Sands' share of Syncrude Canada's net defined benefit and contribution plans expense for the three and nine months ended September 30, 2010 and 2009 is based on its 36.74 per cent working interest. The costs have been recorded in operating expense as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	**2009**	**2010**	**2009**
Defined benefit plans:				
Pension benefits	$ 10	$ 11	$ 29	$ 28
Other benefit plans	1	-	1	3
	$ 11	$ 11	$ 30	$ 31
Defined contribution plans	1	1	2	2
Total benefit cost	$ 12	$ 12	$ 32	$ 33

5) BANK CREDIT FACILITIES

Extendible revolving term facility (a)	$ 40
Line of credit (b)	100
Operating credit facility (c)	800
	$ 940

Each of the Trust's credit facilities is unsecured. These credit agreements contain covenants restricting Canadian Oil Sands' ability to sell all or substantially all of its assets or to change the nature of its business. In addition, Canadian Oil Sands has agreed to maintain its total debt-to-total book capitalization at an amount less than 60 per cent, or 65 per cent in certain circumstances involving acquisitions.

a) The $40 million extendible revolving term facility is a 364-day facility with a one-year term out, expiring April 21, 2011. This facility may be extended on an annual basis with the agreement of the bank. Amounts borrowed through this facility bear interest at a floating rate based on bankers' acceptances plus a credit spread, while any unused amounts are subject to standby fees. As at September 30, 2010, no amounts were drawn on this facility ($nil – December 31, 2009).

b) The $100 million line of credit is a one-year revolving letter of credit facility. Letters of credit written against the facility mature April 30th each year and are automatically renewed, unless notification to cancel is provided by Canadian Oil Sands or the financial institution providing the facility at least 60 days prior to expiry. Letters of credit on this facility bear interest at a credit spread.

Letters of credit of approximately $75 million were written against the line of credit as at September 30, 2010.

c) The $800 million operating facility is a multi-year facility, expiring April 27, 2012. Amounts borrowed through this facility bear interest at a floating rate based on either prime interest rates or bankers' acceptances plus a credit spread, while any unused amounts are subject to standby fees. As at September 30, 2010, no amounts were drawn against this facility ($nil – December 31, 2009).

6) INTEREST, NET

($ millions)	Three Months Ended September 30 2010	2009	Nine Months Ended September 30 2010	2009
Interest expense on long-term debt	$ 22	$ 25	$ 70	$ 71
Interest income and other	-	-	-	(1)
Interest expense, net	$ 22	$ 25	$ 70	$ 70

7) STOCK-BASED COMPENSATION

During the first nine months of 2010, 388,448 options were issued by the Trust to employees with an average exercise price of $28.20 pursuant to the Trust's Unit Incentive Option Plan. These options had an estimated value of $2 million at the time of issue.

8) UNITHOLDER DISTRIBUTIONS

Pursuant to the Trust Indenture, the Trust distributes all the Distributable Income, as defined by the Trust Indenture, received or receivable by the Trust in a quarter. The Trust's Distributable Income primarily consists of a royalty from its operating subsidiary, Canadian Oil Sands Limited ("COSL"). The royalty is designed to capture the cash generated by COSL, after the deduction of all costs and expenses, including: operating and administrative costs, income taxes, capital expenditures, debt interest and principal repayments, working capital and reserves for future obligations deemed appropriate. The amount of royalty income that the Trust receives in any period has a considerable amount of flexibility through the use of discretionary reserves and debt borrowings or repayments (either intercompany or third party). Quarterly distributions are determined by COSL's Board of Directors after considering the current and expected economic and operating conditions, ensuring financing capacity for Syncrude's expansion projects and/or Canadian Oil Sands acquisitions, and with the objective of maintaining an investment grade credit rating.

	Three Months Ended September 30 2010	2009	Nine Months Ended September 30 2010	2009
Cash from operating activities	$ 330	$ 213	$ 997	$ 219
Add (Deduct):				
Capital expenditures	(137)	(85)	(343)	(308)
Change in non-cash working capital [1]	1	(8)	9	6
Reclamation trust funding	(1)	(1)	(4)	(3)
Change in cash and cash equivalents and financing, net [2]	49	2	(5)	352
Unitholder distributions	$ 242	$ 121	$ 654	$ 266
Unitholder distributions per Trust Unit	**$ 0.50**	**$ 0.25**	**$ 1.35**	**$ 0.55**

[1] *From investing activities.*
[2] *Primarily represents the change in cash and cash equivalents and net financing to fund the Trust's share of investing activities.*

9) COMMITMENTS

During April 2010, an actuarial valuation of the pension obligation as at December 31, 2009 was completed. This resulted in additional funding requirements over the next 24 years of approximately $265 million, with the majority of the funding requirements due within the next five years.

During the first nine months of 2010, Syncrude entered into new capital commitments, mainly for mining equipment, the Trust's share of which is approximately $20 million.

10) CONTINGENCY

Crown royalties for 2010 include amounts due under the Syncrude Amended Royalty Agreement with the Alberta government. This agreement requires that bitumen be valued by a formula that references the value of bitumen based on a Canadian heavy oil price adjusted for reasonable quality, transportation and handling deductions (including diluent costs) to reflect the quality and location differences between Syncrude's bitumen and the reference price of bitumen. The Alberta government, Syncrude, and the Syncrude owners are in discussions to determine the appropriate adjustments for quality, transportation and handling. For estimating and recognizing royalties, the Trust has used a bitumen value based on Syncrude and its owners' interpretation of the Syncrude Amended Royalty Agreement, and their estimates of the appropriate quality, transportation and handling adjustments. These adjustments are different than those provided under the Alberta government's generic bitumen valuation methodology. The royalties recognized for the period from January 1, 2009 to September 30, 2010 are estimated to be approximately $90 million less than the amount calculated under the generic bitumen valuation methodology. The Syncrude owners and the Alberta government continue to discuss the basis for these reasonable adjustments but if such discussions do not result in an agreed upon solution, either party may seek judicial determination of the matter. Should these discussions or a judicial determination result in a bitumen value different than that used by Syncrude for estimating and paying royalties, the cumulative impact on Canadian Oil Sands' share of royalties since January 1, 2009 will be recognized as a Crown royalties expense or recovery and impact net income accordingly. A corresponding cash royalty payment or receipt will also be required.

11) SUPPLEMENTARY INFORMATION

	Three Months Ended September 30		Nine Months Ended September 30	
	2010	2009	2010	2009
Income tax paid	$ -	$ -	-	$ -
Interest paid	$ 20	$ 27	68	$ 68

12) PRIOR PERIOD COMPARATIVES

Certain prior period comparative figures have been reclassified to conform to the current period's presentation.

Canadian Oil Sands Limited
Marcel Coutu
President & Chief Executive Officer

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