



Canadian Oil Sands

Q1

FIRST QUARTER REPORT

April 30, 2013
TSX: COS

**Canadian Oil Sands announces first quarter financial results
and a \$0.35 per Share dividend**

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

Highlights for the three months ended March 31, 2013:

- Cash flow from operations was \$275 million (\$0.57 per Share) in the first quarter of 2013 compared with cash flow from operations of \$454 million (\$0.94 per Share) in the same quarter of 2012.
- The quarter-over-quarter decrease in cash flow from operations reflects lower sales volumes and higher current taxes, partially offset by lower Crown royalties.
- Net income for the first quarter of 2013 was \$177 million (\$0.37 per Share), down from \$318 million (\$0.66 per Share) in the 2012 first quarter.
- COS maintained its quarterly dividend at \$0.35 per Share, payable on May 31, 2013 to shareholders of record on May 24, 2013.
- Sales volumes averaged 95,700 barrels per day in the first quarter of 2013 compared with volumes averaging 108,100 barrels per day in the first quarter of 2012.
- Operating expenses were \$355 million, or \$41.20 per barrel, in the first quarter of 2013 compared with \$320 million, or \$32.58 per barrel, in the same quarter of 2012.
- As planned, capital expenditures increased to \$268 million in 2013 from \$141 million in 2012, as a result of spending on the major projects at Syncrude to replace or relocate mine trains and to support tailings management plans.
- Net debt (long-term debt less cash and cash equivalents) increased to \$361 million at March 31, 2013 from \$241 million at December 31, 2012. Net debt levels are expected to rise over the next two years, as COS draws down its \$1,471 million cash balance at March 31, 2013 to fund the major capital projects program. Spending on this program is expected to significantly taper off after 2014.

"Syncrude production was lower than expected this quarter, as we experienced several unplanned outages in extraction and upgrading. Syncrude has performed the maintenance required to address the extraction issues and is investigating the root cause of the hydrotreating outages in the upgrader. We believe the issues that impacted operations since late 2012 have been resolved, however, to reflect the impact of our first quarter results we have reduced our 2013 production Outlook by about five per cent," said Marcel Coutu, President and Chief Executive Officer. "While we believe implementation of ExxonMobil's Global Reliability System at Syncrude is the best course of action to improve performance and reduce unplanned production losses, it is a long-term, comprehensive strategy that is being applied to tens of thousands of pieces of equipment; as such, it will take time to fully implement and become embedded in Syncrude's culture."

"Importantly, COS remains in a strong position to fund our capital program and to maintain our \$0.35 per Share quarterly dividend through 2013 based on our Outlook," added Mr. Coutu. "In the first quarter, our Synthetic Crude Oil received a premium to West Texas Intermediate, resulting in a higher than expected average price of \$96 per barrel. With the expectation that we will continue to receive a premium to WTI for the first half of the year, we have raised our estimate for our average realized price for SCO in 2013 to \$85 per barrel."

Highlights

	Three Months Ended	
	March 31	
	2013	2012
Cash flow from operations ¹ (\$ millions)	\$ 275	\$ 454
Per Share ¹ (\$/Share)	\$ 0.57	\$ 0.94
Net income (\$ millions)	\$ 177	\$ 318
Per Share, Basic and Diluted (\$/Share)	\$ 0.37	\$ 0.66
Sales volumes ²		
Total (mmbbls)	8.6	9.8
Daily average (bbls)	95,683	108,108
Realized SCO selling price (\$/bbl)	\$ 96.11	\$ 97.07
West Texas Intermediate ("WTI") (average \$US/bbl)	\$ 94.36	\$ 103.03
SCO premium (discount) to WTI (weighted average \$/bbl)	\$ 0.88	\$ (5.89)
Operating expenses (\$/bbl)	\$ 41.20	\$ 32.58
Capital expenditures (\$ millions)	\$ 268	\$ 141
Dividends (\$ millions)	\$ 170	\$ 145
Per Share (\$/Share)	\$ 0.35	\$ 0.30

¹ Cash flow from operations and cash flow from operations per Share are additional GAAP financial measures and are defined in the "Additional GAAP Financial Measures" section of our "Management's Discussion and Analysis ("MD&A")".

² The Corporation's sales volumes differ from its production volumes due to changes in inventory, which are primarily in-transit pipeline volumes. Sales volumes are net of purchases.

Syncrude operations

During the first quarter of 2013, Syncrude produced an average of 260,400 barrels per day (total 23.4 million barrels), down from 294,800 barrels per day (total 26.8 million barrels) during the same 2012 period. Production in the first quarter of 2013 mainly reflects unplanned outages in extraction and hydrotreating units.

2013 Outlook revised

Canadian Oil Sands provides the following key estimates and assumptions for 2013:

- We now estimate an annual production range for Syncrude of 100 million to 110 million barrels in 2013. The single-point production figure of 105 million barrels, 38.6 million barrels net to COS, incorporates a planned turnaround of Coker 8-1 in the second half of the year.
- Sales, net of crude oil purchases and transportation expense, of approximately \$3.3 billion reflect a production estimate of 38.6 million barrels and an \$85 per barrel plant-gate realized selling price (based on a U.S. \$85 per barrel WTI oil price, a foreign exchange rate of \$1.00 U.S./Cdn, and a SCO price equal to Cdn dollar WTI).
- We estimate cash flow from operations of \$1,097 million, or \$2.26 per Share.
- Capital expenditures are estimated to total \$1,298 million, comprised of \$839 million of spending on major projects, \$360 million in regular maintenance of the business and other projects, and \$99 million in capitalized interest.
- COS intends to maintain a quarterly dividend of \$0.35 per Share in 2013, based on the assumptions provided in our Outlook for 2013.

More information on the outlook is provided in our MD&A and the April 30, 2013 guidance document, which is available on our web site at www.cdnoilsands.com under "Investor Centre".

The 2013 Outlook contains forward-looking information and users are cautioned that the actual amounts may vary from the estimates disclosed. Please refer to the "Forward-Looking Information Advisory" in the MD&A section of this report for the risks and assumptions underlying this forward-looking information.

Annual and Special Meeting

COS will hold its Annual and Special Meeting of Shareholders today, April 30, 2013 at 2:30 p.m. (MDT) in the Ballroom of the Metropolitan Conference Centre, located at 333 Fourth Avenue SW, Calgary, Alberta.

A live audio webcast of the meeting can be accessed on COS' website at www.cdnoilsands.com. An archive of the webcast will be available approximately one hour after the meeting.

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of April 30, 2013 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto of Canadian Oil Sands Limited (the "Corporation") for the three months ended March 31, 2013 and March 31, 2012, the audited consolidated financial statements and MD&A of the Corporation for the year ended December 31, 2012 and the Corporation's Annual Information Form ("AIF") dated February 21, 2013. Additional information on the Corporation, including its AIF, is available on SEDAR at www.sedar.com or on the Corporation's website at www.cdnoilsands.com. References to "Canadian Oil Sands", "COS" or "we" include the Corporation, its subsidiaries and partnerships. The financial results of Canadian Oil Sands have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars, unless stated otherwise.

Forward Looking Information Advisory

In the interest of providing the Corporation's shareholders and potential investors with information regarding the Corporation, including management's assessment of the Corporation's future production and cost estimates, plans and operations, certain statements throughout this MD&A and the related press release contain "forward-looking information" under applicable securities law. Forward-looking statements are typically identified by words such as "anticipate", "expect", "believe", "plan", "intend" or similar words suggesting future outcomes.

Forward-looking statements in this MD&A and the related press release include, but are not limited to, statements with respect to: the expectations regarding the 2013 annual Syncrude forecasted production range of 100 million barrels to 110 million barrels and the single-point Syncrude production estimate of 105 million barrels (38.6 million barrels net to the Corporation); the timing of the Coker 8-1 turnaround; the intention to maintain a quarterly dividend of \$0.35 per Share in 2013 based on the assumptions in our 2013 Outlook; future dividends and any increase or decrease from current payment amounts; the establishment of future dividend levels with the intent of absorbing short-term market volatility over several quarters; the level of natural gas consumption in 2013 and beyond; views on North American natural gas production levels and prices; the expected sales, operating expenses, development expenses, Crown royalties, capital expenditures and cash flow from operations for 2013; the anticipated amount of current taxes in 2013; expectations regarding current taxes beyond 2013; expectations regarding the Corporation's cash levels for 2013 and 2014; the expected price for crude oil and natural gas in 2013; the expected foreign exchange rates in 2013; the expected realized selling price, which includes the anticipated differential to West Texas Intermediate ("WTI") to be received in 2013 for the Corporation's product; the expectations regarding net debt; the anticipated impact of increases or decreases in oil prices, production, operating expenses, foreign exchange rates and natural gas prices on the Corporation's cash flow from operations; the expectation that regular maintenance capital costs will average approximately \$10 per barrel over the next few years; the expected amount of total major project costs, anticipated target in-service dates and estimated completion percentages for the Mildred Lake mine train replacements, the Aurora North mine train relocations, the composite tails plant at the Aurora North mine and the centrifuge plant at the Mildred Lake mine; the expectation that the Corporation will finance the major projects primarily with existing cash balances and cash flow from operations; the cost estimates for 2013 to 2015 major project spending; the expectation that the volatility in the Synthetic Crude Oil ("SCO") to WTI differential is likely to persist for several years until additional pipeline or other delivery capacity is available to deliver crude oil from Western Canada to Cushing, Oklahoma, the U.S. Gulf Coast or the Canadian East or West Coasts; the belief that the issues that impact Syncrude operations since late 2012 have now been resolved; the expected benefits of ExxonMobil's Global Reliability System; the timing of the Aurora North mine train relocations; and the expectation of uninterrupted bitumen supply during the Aurora North mine train relocation periods.

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 Corporation believes that the expectations represented by such forward-looking statements are reasonable and reflect the current views of the Corporation with respect to future events, there can be no assurance that such assumptions and expectations will prove to be correct.

The factors or assumptions on which the forward-looking information is based include, but are not limited to: the assumptions outlined in the Corporation's guidance document as posted on the Corporation's website at www.cdnoilsands.com as of April 30, 2013 and as subsequently amended or replaced from time to time, including without limitation, the assumptions as to production, operating expenses and oil prices; the successful and timely implementation of capital projects; Syncrude's major project spending plans; the ability to obtain regulatory and Syncrude joint venture owner approval; our ability to either generate sufficient cash flow from operations to meet our current and future obligations or obtain external sources of debt and equity capital; the continuation of assumed tax, royalty and regulatory regimes and the accuracy of the estimates of our reserves and resources volumes.

Some of the risks and other factors which could cause actual results or events to differ materially from current expectations expressed in the forward-looking statements contained in this MD&A and the related press release include, but are not limited to: the impacts of legislative or regulatory changes especially as such relate to royalties, taxation, the environment and tailings; 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 product; the unanimous joint venture owner approval for major expansions and changes in product types; the variances of stock market activities generally; global economic conditions/volatility; normal risks associated with litigation, general economic, business and market conditions; the impact of Syncrude being unable to meet the conditions of its approval for its tailings management plan under Directive 074; volatility of crude oil prices; volatility of the SCO to WTI price differential; unsuccessful or untimely implementation of capital or maintenance projects and such other risks and uncertainties described in the Corporation's AIF dated February 21, 2013 and in the reports and filings made with securities regulatory authorities from time to time by the Corporation which are available on the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.cdnoilsands.com.

You are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A and the related press release are made as of April 30, 2013, and unless required by law, the Corporation 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 and the related press release are expressly qualified by this cautionary statement.

Additional GAAP Financial Measures

In this MD&A and the related press release, we refer to additional GAAP financial measures that do not have any standardized meaning as prescribed by Canadian GAAP. Additional GAAP financial measures are line items, headings or subtotals in addition to those required under Canadian GAAP, and financial measures disclosed in the notes to the financial statements which are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that additional GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities.

Additional GAAP financial measures include: cash flow from operations, cash flow from operations per Share, net debt, total net capitalization, total capitalization, net debt-to-total net capitalization and long-term debt-to-total capitalization.

Cash flow from operations is calculated as cash from operating activities before changes in non-cash working capital. Cash flow from operations per Share is calculated as cash flow from operations divided by the weighted-average number of Shares outstanding in the period. We believe cash flow from operations and cash flow from operations per Share, which are not impacted by fluctuations in non-cash working capital balances, are more indicative of operational performance than cash from operating activities. With the exception of current tax payable and liabilities for Crown royalties, our non-cash working capital is liquid and typically settles within 30 days.

Cash flow from operations is reconciled to cash from operating activities as follows:

(\$ millions)	Three Months Ended	
	March 31	
	2013	2012
Cash flow from operations ¹	\$ 275	\$ 454
Change in non-cash working capital ¹	53	112
Cash from operating activities ¹	\$ 328	\$ 566

¹ As reported in the Consolidated Statements of Cash Flows.

Net debt, total net capitalization, total capitalization, net debt-to-total net capitalization and long-term debt-to-total capitalization are used by the Corporation to manage capital, as discussed in the "Liquidity and Capital Resources" section of this MD&A and in Note 12 to the unaudited consolidated financial statements for the three months ended March 31, 2013.

Overview

Synthetic Crude Oil (“SCO”) production from the Syncrude Joint Venture (“Syncrude”) was lower than expected in the first quarter of 2013, reflecting unplanned outages in extraction and hydrotreating units. Syncrude production volumes totalled 23.4 million barrels, or 260,400 barrels per day, compared with 28.0 million barrels, or 311,100 barrels per day in our February 21, 2013 Outlook (included in the 2012 annual MD&A).

Despite lower-than-expected production volumes, cash flow from operations totalled \$275 million in the 2013 first quarter, driven largely by a \$94 per barrel West Texas Intermediate (“WTI”) oil price and an \$0.88 per barrel SCO premium relative to WTI. COS realized a \$96 per barrel average selling price, 20 per cent higher than the \$80 per barrel forecast in our February 21, 2013 Outlook. Operating expenses averaged \$41.20 per barrel, reflecting the unplanned outages. Syncrude’s major capital projects progressed as planned with \$268 million of capital spending (net to COS) in the quarter.

Given the first quarter results, we have updated our 2013 Outlook to reflect a higher \$85 per barrel realized selling price, and a lower 105 million barrel (gross to Syncrude) production estimate. Our revised 2013 Outlook estimates \$1.1 billion of 2013 cash flow from operations, which, combined with our \$1.5 billion of cash at March 31, 2013, allows us to fund our \$1.3 billion of capital expenditures and maintain the \$0.35 per Share quarterly dividend in 2013.

Highlights

	Three Months Ended	
	March 31	
	2013	2012
Cash flow from operations ¹ (\$ millions)	\$ 275	\$ 454
Per Share ¹ (\$/Share)	\$ 0.57	\$ 0.94
Net income (\$ millions)	\$ 177	\$ 318
Per Share, Basic and Diluted (\$/Share)	\$ 0.37	\$ 0.66
Sales volumes ²		
Total (mmbbls)	8.6	9.8
Daily average (bbls)	95,683	108,108
Realized SCO selling price (\$/bbl)	\$ 96.11	\$ 97.07
West Texas Intermediate (“WTI”) (average \$US/bbl)	\$ 94.36	\$ 103.03
SCO premium (discount) to WTI (weighted average \$/bbl)	\$ 0.88	\$ (5.89)
Operating expenses (\$/bbl)	\$ 41.20	\$ 32.58
Capital expenditures (\$ millions)	\$ 268	\$ 141
Dividends (\$ millions)	\$ 170	\$ 145
Per Share (\$/Share)	\$ 0.35	\$ 0.30

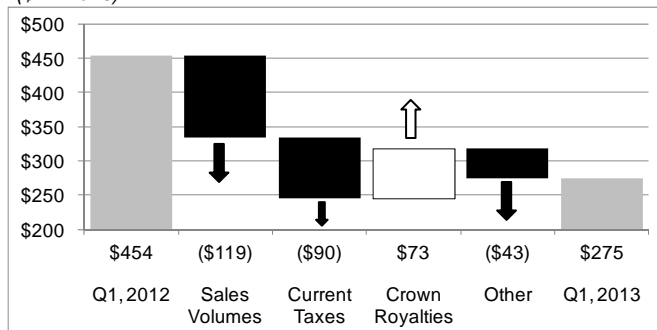
¹ Cash flow from operations and cash flow from operations per Share are additional GAAP financial measures and are defined in the “Additional GAAP Financial Measures” section of this MD&A.

² The Corporation’s sales volumes differ from its production volumes due to changes in inventory, which are primarily in-transit pipeline volumes. Sales volumes are net of purchases.

Review of Financial Results

Cash Flow from Operations

(\$ millions)



Cash flow from operations decreased to \$275 million, or \$0.57 per Share, in the first quarter of 2013 from \$454 million, or \$0.94 per Share, in the first quarter of 2012, primarily reflecting lower sales volumes and higher current taxes, partially offset by lower Crown royalties.

SCO production in the 2013 first quarter totalled 23.4 million barrels, or 260,400 barrels per day, a 13 per cent decrease from first quarter 2012 production of 26.8 million barrels, or 294,800 barrels per day. Production volumes in the first quarter of 2013 reflect unplanned outages in extraction and hydrotreating units, while 2012 first quarter production volumes reflect maintenance on Coker 8-1. Net to the Corporation, sales volumes decreased to 8.6 million barrels, or 95,700 barrels per day, in the 2013 first quarter from 9.8 million barrels, or 108,100 barrels per day, in the 2012 first quarter.

The first quarter 2013 realized selling price averaged \$96 per barrel compared with \$97 per barrel in the 2012 first quarter, reflecting a lower WTI oil price largely offset by an improvement in the SCO differential to WTI.

Current taxes increased in the first quarter of 2013 primarily because tax pools and the deferral of partnership income sheltered 2012 income from current taxes.

Crown royalties decreased in the first quarter of 2013, reflecting increases in deductible capital expenditures and lower bitumen volumes and prices.

Net Income

Net income decreased to \$177 million, or \$0.37 per Share, in the first quarter of 2013 from \$318 million, or \$0.66 per Share, in the first quarter of 2012, primarily reflecting lower sales volumes, partially offset by lower Crown royalties and lower taxes. The Corporation also realized a foreign exchange loss, primarily as a result of revaluations of its U.S. dollar-denominated debt, as opposed to a gain in the first quarter of 2012.

The following table shows the components of net income per barrel of SCO:

(\$ per barrel) ¹	Three Months Ended		
	March 31		
	2013	2012	Change
Sales net of crude oil purchases and transportation expense	\$ 96.16	\$ 97.29	\$ (1.13)
Operating expense	(41.20)	(32.58)	(8.62)
Crown royalties	(2.69)	(9.71)	7.02
	\$ 52.27	\$ 55.00	\$ (2.73)
Development expense ²	\$ (2.97)	\$ (2.53)	\$ (0.44)
Administration and insurance expenses	(1.78)	(0.82)	(0.96)
Depreciation and depletion expense	(14.19)	(9.65)	(4.54)
Net finance expense	(1.58)	(1.19)	(0.39)
Foreign exchange gain (loss)	(3.21)	1.65	(4.86)
Tax expense	(7.95)	(10.13)	2.18
	\$ (31.68)	\$ (22.67)	\$ (9.01)
Net income per barrel	\$ 20.59	\$ 32.33	\$ (11.74)
Sales volumes (mmbbls) ³	8.6	9.8	(1.2)

¹ Unless otherwise specified, the per barrel measures in this MD&A have been derived by dividing the relevant item by sales volumes in the period.

² Previously referred to as non-production expenses.

³ Sales volumes, net of purchased crude oil volumes.

Sales Net of Crude Oil Purchases and Transportation Expense

(\$ millions, except where otherwise noted)	Three Months Ended		
	2013	2012 ⁴	Change
Sales ¹	\$ 961	\$ 1,074	\$ (113)
Crude oil purchases	(124)	(107)	(17)
Transportation expense	(9)	(11)	2
	\$ 828	\$ 956	\$ (128)
Sales volumes ²			
Total (mmbbls)	8.6	9.8	(1.2)
Daily average (bbls)	95,683	108,108	(12,425)
Realized SCO selling price ³ (average \$Cdn/bbl)	\$ 96.11	\$ 97.07	\$ (0.96)
West Texas Intermediate ("WTI") (average \$US/bbl)	\$ 94.36	\$ 103.03	\$ (8.67)
SCO premium (discount) to WTI (weighted average \$Cdn/bbl)	\$ 0.88	\$ (5.89)	\$ 6.77
Average foreign exchange rate (\$US/\$Cdn)	\$ 0.99	\$ 1.00	\$ (0.01)

¹ Sales include sales of purchased crude oil and sulphur.

² Sales volumes, net of purchased crude oil volumes.

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

⁴ During the fourth quarter of 2012, the Corporation completed a review of the presentation of crude oil purchase and sales transactions and determined that certain transactions previously reported on a gross basis (sales presented gross of crude oil purchases and transportation expense) are more appropriately reflected on a net basis (crude oil purchases and/or transportation expense are netted against sales). Prior period comparative amounts have been reclassified for comparability with the current period presentation. The impact is as follows:

(\$ millions)	Three months ended March 31, 2012 Increase (decrease)
Sales	\$ (63)
Crude oil purchases	(64)
Transportation expense	1
Sales net of crude oil purchases and transportation expense	\$ -

The \$128 million, or 13 per cent, decrease in first quarter 2013 sales, net of crude oil purchases and transportation expense, primarily reflects lower sales volumes relative to the 2012 first quarter.

First quarter 2013 sales volumes were impacted by unplanned outages in extraction and hydrotreating units, and averaged 95,700 barrels per day, down from 108,100 barrels per day in the 2012 first quarter.

The first quarter 2013 realized selling price decreased \$0.96 per barrel, reflecting a U.S. \$8.67 per barrel decrease in WTI oil prices largely offset by a \$6.77 per barrel improvement in the weighted-average SCO differential to WTI and a slightly weaker Canadian dollar.

Both WTI and the SCO differential to WTI reflect supply/demand fundamentals for inland North American light crude oil. Increasing North American production of light crude oil, and refinery modifications that enable processing of heavier crude oils, can push light crude sales, including SCO, to more distant refineries, thereby increasing transportation costs and exposing COS' product to supply/demand factors in different markets. A number of pipelines in both Canada and the United States are at, or near, capacity and any pipeline apportionments can exacerbate this situation by restricting the ability of SCO and other crude oils to reach preferred markets. However, strong demand from customers and increases in rail shipments of inland crude to coastal refineries can offset these forces. These supply and demand dynamics create price volatility that is likely to persist for several years until additional pipeline or other delivery capacity is available to deliver crude oil from Western Canada to Cushing, Oklahoma, the U.S. Gulf Coast, or the Canadian East or West Coasts.

Certain of these same fundamentals are also impacting the prices of Canadian heavy oil, such as Western Canadian Select ("WCS"), which is the heavy oil reference price used as a starting point to calculate Syncrude Crown royalties. WCS is

priced at a discount to WTI, and this discount increased in the first quarter of 2013 relative to the comparative 2012 quarter, contributing to lower Crown royalties.

The Corporation purchases crude oil from third parties to fulfill sales commitments with customers when there are shortfalls in Syncrude's production and to facilitate certain transportation arrangements. Sales include the sale of purchased crude oil while the cost of these purchases is included in crude oil purchases and transportation expense. Crude oil purchases were higher in the 2013 first quarter relative to the 2012 first quarter, reflecting additional purchased volumes to support unanticipated production shortfalls and to facilitate certain transportation arrangements.

Operating Expenses

The following table breaks down operating expenses into their major components:

	Three Months Ended March 31			
	2013		2012	
	\$ millions	\$ per bbl	\$ millions	\$ per bbl
Production and maintenance ¹	\$ 282	\$ 32.70	\$ 255	\$ 25.94
Natural gas and diesel purchases ²	44	5.12	36	3.69
Pension and incentive compensation	21	2.50	19	1.93
Other ³	8	0.88	10	1.02
Total operating expenses	\$ 355	\$ 41.20	\$ 320	\$ 32.58

¹ Includes non-major turnaround costs. Major turnaround costs are capitalized as property, plant and equipment.

² Includes costs to purchase natural gas used to produce energy and hydrogen and diesel consumed as fuel.

³ Includes fees for management services provided by Imperial Oil Resources, insurance premiums, and greenhouse gas emissions levies.

The increase in total operating expenses in the first quarter of 2013 reflects:

- higher production and maintenance costs, primarily due to unplanned outages in extraction units; and
- higher natural gas purchases due to higher prices.

The increase in per-barrel operating expenses in the first quarter of 2013 also reflects lower sales volumes.

The following table shows operating expenses per barrel of bitumen and SCO. The information allocates costs to bitumen production and upgrading on the basis used to determine Crown royalties.

(\$ per barrel)	Three Months Ended March 31			
	2013		2012 ³	
	Bitumen	SCO	Bitumen	SCO
Bitumen production	\$ 25.02	\$ 30.64	\$ 19.95	\$ 24.17
Internal fuel allocation ¹	2.65	3.25	2.14	2.59
Total bitumen production expenses	\$ 27.67	\$ 33.89	\$ 22.09	\$ 26.76
Upgrading ²		\$ 10.56		\$ 8.41
Less: internal fuel allocation ¹		(3.25)		(2.59)
Total upgrading expenses		\$ 7.31		\$ 5.82
Total operating expenses		\$ 41.20		\$ 32.58
(thousands of barrels per day)				
Syncrude production volumes	319	260	357	295
Canadian Oil Sands sales volumes		96		108

¹ Reflects energy generated by the upgrader that is used in the bitumen production process and is valued by reference to natural gas and diesel prices. Natural gas prices averaged \$2.95 per GJ and \$2.23 per GJ in the three months ended March 31, 2013 and March 31, 2012, respectively. Diesel prices averaged \$0.90 per litre and \$0.93 per litre in the three months ended March 31, 2013 and March 31, 2012, respectively.

² Upgrading expenses include the production and maintenance expenses associated with processing and upgrading bitumen to SCO.

³ Certain comparative period amounts have been restated to conform to the current period presentation.

Crown Royalties

Crown royalties decreased to \$23 million, or \$2.69 per barrel, in the first quarter of 2013, from \$96 million, or \$9.71 per barrel, in the first quarter of 2012 due primarily to increases in deductible capital expenditures and lower bitumen volumes and prices in the 2013 first quarter. The higher capital expenditures reflect spending on capital projects to replace or relocate Syncrude mine trains and to support tailings management plans.

The Syncrude Royalty Amending Agreement requires that bitumen be valued by a formula that references the value of bitumen based on a Canadian heavy oil reference price adjusted to reflect quality and location differences between Syncrude's bitumen and the Canadian reference price bitumen. In addition, the agreement provides that a minimum bitumen value, or "floor price", may be imposed in circumstances where Canadian heavy oil prices are temporarily suppressed relative to North American heavy oil prices.

Canadian Oil Sands' share of the royalties recognized for the period from January 1, 2009 to March 31, 2013 reflect management's best estimate of both reasonable quality and transportation deductions and adjustments to reflect the "floor price". However, the Syncrude owners and the Alberta government are disputing the basis for the quality, transportation and "floor price" adjustments. Under alternate assumptions, Canadian Oil Sands' share of Crown royalties for this period could be as much as \$60 million (on an after-tax basis) more than the amounts recognized.

The Syncrude owners and the Alberta government continue to discuss these matters, but if such discussions do not result in an agreed upon solution, either party may seek judicial determination of the matter. The cumulative impact, if any, of such discussions or judicial determination, as applicable, would be recognized and impact both net income and cash flow from operations accordingly.

Development Expenses

Development expenses, previously referred to as non-production expenses, totaled \$26 million and \$24 million in the first quarters of 2013 and 2012, respectively. Development expenses consist primarily of expenditures relating to capital programs, which are expensed, such as pre-feasibility engineering, technical and support services, research, evaluation drilling and regulatory and stakeholder consultation expenditures. Development expenses can vary from period to period depending on the number of projects underway and the development stage of the projects.

Depreciation and Depletion Expense

Depreciation and depletion expense increased to \$122 million in the first quarter of 2013 from \$95 million in the comparative 2012 quarter, reflecting:

- changes made to the estimated useful lives of certain assets; and
- new depreciation charges for assets related to the Syncrude Emissions Reduction (SER) project, which was determined to be substantially complete and available for use in the fourth quarter of 2012.

Net Finance Expense

(\$ millions)	Three Months Ended	
	March 31	
	2013	2012
Interest costs on long-term debt ¹	\$ 26	\$ 21
Less capitalized interest on long-term debt	(23)	(20)
Interest expense on long-term debt	\$ 3	\$ 1
Interest expense on employee future benefits	4	5
Accretion of asset retirement obligation	6	6
Net finance expense	\$ 13	\$ 12

¹ Interest costs on long-term debt are net of interest income of \$5 million and \$2 million for the three months ended March 31, 2013 and March 31, 2012, respectively.

Interest costs on long-term debt were higher in the first quarter of 2013 as a result of the U.S. \$700 million debt issued on March 29, 2012; however, interest expense was similar because substantially all interest costs were capitalized in both quarters.

Foreign Exchange (Gain) Loss

(\$ millions)	Three Months Ended March 31	
	2013	2012
Foreign exchange (gain) loss – long-term debt	\$ 37	\$ (20)
Foreign exchange (gain) loss – other	(9)	4
Total foreign exchange (gain) loss	\$ 28	\$ (16)

Foreign exchange gains/losses are primarily the result of revaluations of our U.S. dollar-denominated long-term debt caused by fluctuations in U.S./Cdn dollar exchange rates.

The foreign exchange loss on long-term debt in the first quarter of 2013 was the result of a weakening Canadian dollar to U.S. \$0.98 at March 31, 2013 from U.S. \$1.01 at December 31, 2012. Conversely, the foreign exchange gain in the first quarter of 2012 was the result of a strengthening Canadian dollar to U.S. \$1.00 at March 31, 2012 from U.S. \$0.98 at December 31, 2011.

The quarter-over-quarter change in foreign exchange also reflects higher outstanding debt levels in the first quarter of 2013, as a result of the U.S. \$700 million debt issued on March 29, 2012.

Tax Expense

(\$ millions)	Three Months Ended March 31	
	2013	2012
Current tax expense	\$ 90	\$ -
Deferred tax expense (recovery)	(22)	99
Total tax expense	\$ 68	\$ 99

The quarter-over-quarter decrease in total tax expense from 2012 to 2013 reflects lower earnings before tax in the 2013 quarter.

Current taxes increased in 2013 primarily because:

- tax pools sheltered 2012 income from significant current taxes; and
- taxes on income generated in the Corporation's partnership in 2012 were deferred to 2013.

Asset Retirement Obligation

Three months ended (\$ millions)	March 31 2013
Asset retirement obligation, beginning of period	\$ 1,102
Increase in risk-free interest rate	(62)
Accretion expense	6
Reclamation expenditures	(33)
Asset retirement obligation, end of period	\$ 1,013
Less current portion	(44)
Non-current portion	\$ 969

Canadian Oil Sands decreased its estimated asset retirement obligation from \$1,102 million at December 31, 2012 to \$1,013 million at March 31, 2013, reflecting a 25 basis point increase in the interest rate used to discount future reclamation and closure expenditures, and reclamation spending during the quarter.

Pension and Other Post-Employment Benefit Plans

The Corporation's share of the estimated unfunded portion of Syncrude Canada Ltd.'s ("Syncrude Canada") pension and other post-employment benefit plans decreased to \$408 million at March 31, 2013 from \$438 million at December 31, 2012, reflecting contributions to the plans in excess of the current period costs and strong returns on the plan assets during the 2013 first quarter.

Summary of Quarterly Results

	2013	2012 ⁶				2011 ⁶		
	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Sales ¹ (\$ millions)	\$ 828	\$ 929	\$ 941	\$ 740	\$ 956	\$ 884	\$ 989	\$ 1,045
Net income (\$ millions)	\$ 177	\$ 219	\$ 335	\$ 98	\$ 318	\$ 232	\$ 242	\$ 346
Per Share, Basic & Diluted	\$ 0.37	\$ 0.45	\$ 0.69	\$ 0.20	\$ 0.66	\$ 0.48	\$ 0.50	\$ 0.71
Cash flow from operations ² (\$ millions)	\$ 275	\$ 418	\$ 470	\$ 245	\$ 454	\$ 363	\$ 512	\$ 544
Per Share ²	\$ 0.57	\$ 0.86	\$ 0.97	\$ 0.51	\$ 0.94	\$ 0.75	\$ 1.06	\$ 1.12
Dividends (\$ millions)	\$ 170	\$ 169	\$ 170	\$ 170	\$ 145	\$ 146	\$ 145	\$ 145
Per Share	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.35	\$ 0.30	\$ 0.30	\$ 0.30	\$ 0.30
Daily average sales volumes ³ (bbls)	95,683	111,669	113,331	89,597	108,108	91,259	109,260	102,938
Realized SCO selling price (\$/bbl)	\$ 96.11	\$ 89.99	\$ 89.89	\$ 90.45	\$ 97.07	\$ 104.78	\$ 97.89	\$ 111.00
WTI ⁴ (average \$US/bbl)	\$ 94.36	\$ 88.23	\$ 92.20	\$ 93.35	\$ 103.03	\$ 94.06	\$ 89.54	\$ 102.34
SCO premium (discount) to WTI (\$/bbl)	\$ 0.88	\$ 2.43	\$ (2.09)	\$ (5.45)	\$ (5.89)	\$ 8.51	\$ 9.77	\$ 11.72
Operating expenses ⁵ (\$/bbl)	\$ 41.20	\$ 38.56	\$ 36.07	\$ 50.62	\$ 32.58	\$ 46.88	\$ 37.19	\$ 37.07
Purchased natural gas price (\$/GJ)	\$ 2.95	\$ 3.02	\$ 2.00	\$ 1.79	\$ 2.23	\$ 3.19	\$ 3.51	\$ 3.62
Foreign exchange rates (\$US/\$Cdn)								
Average	\$ 0.99	\$ 1.01	\$ 1.00	\$ 0.99	\$ 1.00	\$ 0.98	\$ 1.02	\$ 1.03
Quarter-end	\$ 0.98	\$ 1.01	\$ 1.02	\$ 0.98	\$ 1.00	\$ 0.98	\$ 0.96	\$ 1.04

¹ Sales after crude oil purchases and transportation expense.

² Cash flow from operations and cash flow from operations per Share are additional GAAP financial measures and are defined in the "Additional GAAP Financial Measures" section of this MD&A.

³ Daily average sales volumes net of crude oil purchases.

⁴ Pricing obtained from Bloomberg.

⁵ Derived from operating expenses, as reported on the Consolidated Statements of Income and Comprehensive Income, divided by sales volumes during the period.

⁶ Net income and operating expenses in 2012 have been adjusted to reflect the amendments to International Accounting Standard ("IAS") 19, Employee Benefits. Net income and operating expenses in 2011 have not been adjusted. Additional information on the amendments to IAS 19 is provided in the "Changes in Accounting Policies" section of this MD&A.

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

- fluctuations in realized selling prices have affected the Corporation's sales and Crown royalties. Monthly average WTI prices have ranged from U.S. \$82 per barrel to U.S. \$110 per barrel, and the monthly average differentials between our realized selling price and Canadian dollar WTI prices have ranged from a \$14 per barrel premium to a \$17 per barrel discount;
- 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 realized selling prices;
- planned and unplanned maintenance activities have reduced quarterly production volumes and revenues and increased operating expenses;
- fluctuations in natural gas prices have affected the Corporation's operating expenses and Crown royalties;
- increased spending on capital projects to replace or relocate Syncrude mining trains and to support tailings management plans has reduced Crown royalties; and

- increases in current taxes in 2013 have reduced cash flow from operations. Prior to 2013, tax pools sheltered the Corporation's income from significant current taxes. In addition, taxes on income generated in the Corporation's partnership in 2012 were deferred to 2013.

Quarterly variances in net income and cash flow from operations are caused mainly by fluctuations in realized selling prices, production and sales volumes, operating expenses, natural gas prices, and current tax expense. Net income is also impacted by foreign exchange gains and losses, depreciation and depletion, and deferred tax expense. The dividends paid to Shareholders are likewise dependent on the factors impacting cash flow from operations as well as the amount and timing of capital expenditures.

While the supply/demand balance for crude oil affects selling prices, the impact of this relationship 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. Technological developments in North American natural gas production have significantly increased production levels and impacted natural gas prices. These conditions may persist for the next several years.

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 outages cannot always be precisely scheduled and unplanned outages may occur. The costs of major turnarounds are capitalized as property, plant and equipment and depreciated over the period until the next scheduled turnaround. The costs of all other turnarounds and maintenance activities are expensed in the period incurred, which can result in volatility in quarterly operating expenses. All turnarounds and maintenance activities impact per barrel operating expenses because sales volumes are lower in the periods when this work is occurring.

Capital Expenditures

(\$ millions)	Three Months Ended March 31	
	2013	2012
Major Projects		
Mildred Lake Mine Train Replacement Reconstruct crushers, surge facilities, and slurry prep facilities to support tailings storage requirements	\$ 113	\$ 43
Aurora North Mine Train Relocation Relocate crushers, surge facilities, and slurry prep facilities to support tailings storage requirements	31	8
Aurora North Tailings Management Construct a composite tails (CT) plant at the Aurora North mine to process tailings	13	19
Centrifuge Tailings Management Construct a centrifuge plant at the Mildred Lake mine to process tailings	37	7
Syncrude Emissions Reduction (SER) Retrofit technology into Syncrude's original two cokers to reduce total sulphur dioxide and other emissions	2	7
Capital expenditures on major projects	\$ 196	\$ 84
Regular maintenance		
Capitalized turnaround costs	\$ 2	\$ 7
Other ¹	47	30
Capital expenditures on regular maintenance	\$ 49	\$ 37
Capitalized interest	\$ 23	\$ 20
Total capital expenditures	\$ 268	\$ 141

¹ Other regular maintenance capital includes expenditures on relocation of tailings facilities and other infrastructure projects.

Capital expenditures increased to \$268 million in the first quarter of 2013 from \$141 million in the first quarter of 2012, reflecting spending on the major capital projects at Syncrude. More information on the major capital projects is provided in the "Outlook" section of this MD&A.

The increase in regular maintenance capital expenditures in 2013 reflects increased spending on projects to relocate tailings facilities. The increase in capitalized interest costs reflects higher cumulative capital expenditures on qualifying assets.

Contractual Obligations and Commitments

Canadian Oil Sands' contractual obligations and commitments are summarized in the 2012 annual MD&A and include future cash payments that the Corporation is required to make under existing contractual arrangements entered into directly or as a 36.74 per cent owner in Syncrude. There are no significant new contractual obligations or commitments from the 2012 annual disclosure.

Dividends

On April 30, 2013, the Corporation declared a quarterly dividend of \$0.35 per Share for a total dividend of approximately \$170 million. The dividend will be paid on May 31, 2013 to shareholders of record on May 24, 2013. During the first quarter of 2013, the Corporation paid dividends to shareholders totalling \$170 million, or \$0.35 per Share.

Dividend payments are set quarterly by the Board of Directors in the context of current and expected crude oil prices, economic conditions, Syncrude's operating performance, and the Corporation's capacity to finance operating and investing obligations. Dividend levels are established with the intent of absorbing short-term market volatility over several quarters. Dividend levels also recognize our intention to fund the current major projects primarily with cash flow from operations and existing cash balances, while maintaining a strong balance sheet to reduce exposure to potential oil price declines, capital cost increases or major operational upsets.

Liquidity and Capital Resources

As at (\$ millions, except % amounts)	March 31 2013	December 31 2012
Long-term debt ^{1,2}	\$ 1,832	\$ 1,794
Cash and cash equivalents	(1,471)	(1,553)
Net debt ^{1,3}	\$ 361	\$ 241
Shareholders' equity	\$ 4,537	\$ 4,515
Total net capitalization ^{1,4}	\$ 4,898	\$ 4,756
Total capitalization ^{1,5}	\$ 6,369	\$ 6,309
Net debt-to-total net capitalization ^{1,6} (%)	7	5
Long-term debt-to-total capitalization ^{1,7} (%)	29	28

¹ Additional GAAP financial measure.

² Includes current and non-current portions of long-term debt.

³ Long-term debt less cash and cash equivalents.

⁴ Net debt plus Shareholders' equity.

⁵ Long-term debt plus Shareholders' equity.

⁶ Net debt divided by total net capitalization.

⁷ Long-term debt divided by total capitalization.

Net debt, comprised of current and non-current portions of long-term debt less cash and cash equivalents, increased to \$361 million at March 31, 2013 from \$241 million at December 31, 2012, as existing cash balances were used to fund capital expenditures and dividend payments in excess of cash flow from operations. As a result, net debt-to-total net capitalization increased to seven per cent at March 31, 2013 from five per cent at December 31, 2012.

Shareholders' equity increased to \$4,537 million at March 31, 2013 from \$4,515 million at December 31, 2012, as net income exceeded dividends in the first quarter of 2013.

Canadian Oil Sands has a \$1,500 million operating credit facility which expires on June 1, 2016 and a \$40 million extendible revolving term credit facility which expires on June 30, 2014. No amounts were drawn against these facilities at March 31, 2013 or December 31, 2012.

The U.S. \$300 million of Senior Notes, which mature in August 2013, were refinanced with a U.S. \$700 million Senior Notes issuance on March 29, 2012.

The Senior Notes indentures and credit facility agreements contain certain covenants that restrict Canadian Oil Sands' ability to sell all or substantially all of its assets or change the nature of its business, and limit long-term debt-to-total capitalization to 55 per cent. Canadian Oil Sands is in compliance with its debt covenants, and with a long-term debt-to-total capitalization of 29 per cent at March 31, 2013, a significant increase in debt or decrease in equity would be required to negatively impact the Corporation's financial flexibility.

We expect cash levels to decrease over the next two years as we fund the major capital projects and repay our August, 2013 debt maturity. As a result, and based on the assumptions in our 2013 Outlook, our net debt levels are expected to rise to \$1 billion to \$2 billion by the end of 2014, coincident with reduced capital expenditure risk from the substantial completion of our major capital projects.

Shareholders' Capital and Trading Activity

The Corporation's shares trade on the Toronto Stock Exchange under the symbol COS. On March 31, 2013, the Corporation had a market capitalization of approximately \$10.1 billion with 484.6 million shares outstanding and a closing price of \$20.94 per Share. The following table summarizes the trading activity for the first quarter of 2013.

Canadian Oil Sands Limited – Trading Activity

	First Quarter 2013	January 2013	February 2013	March 2013
Share price				
High	\$ 21.93	\$ 21.93	\$ 21.93	\$ 21.76
Low	\$ 19.95	\$ 19.95	\$ 20.27	\$ 20.60
Close	\$ 20.94	\$ 20.99	\$ 21.11	\$ 20.94
Volume of Shares traded (millions)	88.7	23.0	25.5	40.2
Weighted average Shares outstanding (millions)	484.6	484.6	484.6	484.6

Changes in Accounting Policies

In June 2011, the International Accounting Standards Board (“IASB”) amended International Accounting Standard (“IAS”) 19, *Employee Benefits*, addressing the recognition and measurement of defined benefit pension expense and termination benefits and disclosures for all employee benefits. The key amendments are as follows:

- Actuarial gains and losses, which are now referred to as re-measurements, are recognized immediately in “other comprehensive income” (“OCI”), eliminating the choice between immediate recognition through net income or OCI, or deferral using the corridor approach. This change does not impact Canadian Oil Sands as the Corporation previously recognized actuarial gains and losses immediately through OCI.
- The expected rate of return on plan assets is no longer calculated. Instead, the estimated rate of return on plan assets is now the same rate used to accrete the discounted accrued benefit obligation. The interest cost component of the pension expense, which previously represented accretion of the discounted accrued benefit obligation, now represents accretion of the net accrued benefit liability (the accrued benefit obligation net of the fair value of plan assets).
- The interest cost component of pension expense, which was previously presented within operating expenses, is now presented within net finance expense.

Canadian Oil Sands has applied the amendments effective January 1, 2013 in accordance with the applicable transitional provisions. Certain amounts reported in the Corporation’s Consolidated Statements of Income and Comprehensive Income have been adjusted as follows:

(\$ millions)	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Before Adjustments	Adjustments	After Adjustments	Before Adjustments	Adjustments	After Adjustments
Operating expenses	\$ 355	\$ -	\$ 355	\$ 321	\$ (1)	\$ 320
Net finance expense	\$ 9	\$ 4	\$ 13	\$ 7	\$ 5	\$ 12
Tax expense	\$ 69	\$ (1)	\$ 68	\$ 100	\$ (1)	\$ 99
Net income	\$ 180	\$ (3)	\$ 177	\$ 321	\$ (3)	\$ 318
Re-measurements of employee future benefit plans	\$ 11	\$ 3	\$ 14	\$ -	\$ 3	\$ 3
Earnings per Share	\$ 0.37	\$ -	\$ 0.37	\$ 0.66	\$ -	\$ 0.66

2013 Outlook

<i>(millions of Canadian dollars, except volume and per barrel amounts)</i>	As of April 30 2013	As of February 21 2013
Operating assumptions		
Syncrude production (mmbbls)	105	110
Canadian Oil Sands sales (mmbbls)	38.6	40.4
Sales, net of crude oil purchases and transportation	\$ 3,280	\$ 3,233
Operating expenses	\$ 1,482	\$ 1,482
Operating expenses per barrel	\$ 38.41	\$ 36.67
Crown royalties	\$ 109	\$ 113
Current taxes	\$ 350	\$ 350
Cash flow from operations ¹	\$ 1,097	\$ 1,045
Capital expenditure assumptions		
Major projects	\$ 839	\$ 836
Regular maintenance	\$ 360	\$ 393
Capitalized interest	\$ 99	\$ 97
Total capital expenditures	\$ 1,298	\$ 1,326
Business environment assumptions		
West Texas Intermediate (U.S.\$/bbl)	\$ 85.00	\$ 85.00
Discount to average Cdn\$ WTI prices (Cdn\$/bbl)	\$ -	\$ (5.00)
Foreign exchange rate (U.S.\$/Cdn\$)	\$ 1.00	\$ 1.00
AECO natural gas (Cdn\$/GJ)	\$ 3.50	\$ 3.50

¹ Cash flow from operations is an additional GAAP financial measure and is defined in the "Additional GAAP Financial Measures" section of this MD&A.

Canadian Oil Sands has increased estimated 2013 sales, net of crude oil purchases and transportation expense, to \$3,280 million, due to an increase in the forecast realized selling price partially offset by a decrease in estimated production volumes.

The forecast realized selling price for 2013 has increased \$5 per barrel to \$85 per barrel and assumes a U.S. \$85 per barrel WTI oil price, no SCO premium/discount to Canadian dollar WTI, and a foreign exchange rate of \$1.00 U.S./Cdn.

Syncrude has performed the maintenance required to address the extraction issues and is investigating the root cause of the hydrotreating outages. While we believe the issues that impacted operations since late 2012 have been resolved, we have reduced our 2013 Syncrude production range to 100 to 110 million barrels and adjusted our single-point production estimate to 105 million barrels (287,700 barrels per day). Net to Canadian Oil Sands, the single-point estimate is equivalent to 38.6 million barrels (105,700 barrels per day). The revised estimate reflects a planned turnaround of Coker 8-1 in the second half of the year.

We estimate 2013 operating expenses of \$1,482 million, or \$38.41 per barrel, reflecting actual costs incurred to date and a natural gas price assumption of \$3.50 per gigajoule.

We estimate 2013 Crown royalties of \$109 million. Mainly as a result of capital spending on major projects, allowable deductible costs for royalty purposes in 2013 are anticipated to exceed deemed bitumen revenues. As a result, we are estimating minimum Crown royalties at one per cent of gross deemed bitumen revenues (instead of 25 per cent of net deemed bitumen revenues) in 2013. We continue to recognize the transition and upgrader growth capital recapture royalties.

We estimate current taxes of \$350 million for 2013.

Based on these assumptions, we estimate 2013 cash flow from operations of \$1,097 million, or \$2.26 per Share.

Estimated 2013 capital expenditures have decreased to \$1,298 million, due to adjustments to the expected timing of regular maintenance capital spending.

We expect cash levels to decrease over the next two years as we fund major capital projects and repay the debt maturity in August, 2013. As a result, net debt levels are expected to rise to \$1 billion to \$2 billion by the end of 2014, coincident with reduced capital expenditure risk from the substantial completion of the major capital projects.

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 Corporation's performance.

Outlook Sensitivity Analysis (April 30, 2013)

Variable	Annual Sensitivity	Cash Flow from Operations Increase	
		\$ millions ^{1,2}	\$ / Share ^{1,2}
Syncrude operating expense decrease	Cdn\$1.00/bbl	\$ 29	\$ 0.06
Syncrude operating expense decrease	Cdn\$50 million	\$ 14	\$ 0.03
WTI crude oil price increase	U.S.\$1.00/bbl	\$ 29	\$ 0.06
Syncrude production increase	2 million bbls	\$ 47	\$ 0.10
Canadian dollar weakening	U.S.\$0.01/Cdn\$	\$ 25	\$ 0.05
AECO natural gas price decrease	Cdn\$0.50/GJ	\$ 19	\$ 0.04

¹ Canadian Oil Sands anticipates recording approximately \$350 million in current taxes in 2013. These sensitivities are after the impact of taxes.

² These sensitivities assume Canadian Oil Sands remains in minimum royalty in 2013.

The 2013 Outlook contains forward-looking information and users are cautioned that the actual amounts may vary from the estimates disclosed. Please refer to the "Forward-Looking Information Advisory" section of this MD&A for the risks and assumptions underlying this forward-looking information.

Major Projects

The following tables provide cost and schedule estimates for Syncrude's major projects. Regular maintenance capital costs for years after 2013 will be provided on an annual basis when we disclose the budgets for those years, and are currently estimated to average approximately \$10 per barrel over the next few years.

Major Projects – Total Project Cost and Schedule Estimates¹

		Total Cost Estimate (\$ billions)	Total Cost Estimate Accuracy (%)	Estimated % Complete at Mar 31, 2013 ²	Target In-Service Date
Mildred Lake Mine Train Replacement	Syncrude	\$ 4.2	+15%/-15%	45%	Q4 2014
	COS share	1.6			
Aurora North Mine Train Relocation	Syncrude	\$ 1.0	+15%/-15%	60%	Q1 2014
	COS share	0.4			
Aurora North Tailings Management	Syncrude	\$ 0.8	+15%/-15%	75%	Q4 2013
	COS share	0.3			
Centrifuge Tailings Management	Syncrude	\$ 1.9	+15%/-15%	15%	H1 2015
	COS share	0.7			

Major Projects – Annual Spending Profile¹

(\$ billions)	Spent to to Dec 31, 2012	2013	2014	2015	Total
Syncrude	\$ 2.6	\$ 2.4	\$ 2.3	\$ 0.6	\$ 7.9
Canadian Oil Sands share	\$ 1.0	\$ 0.9	\$ 0.9	\$ 0.2	\$ 3.0

¹ Major projects costs include capital expenditures, excluding capitalized interest, and certain development expenses.

² The estimated percentage complete is based on hours spent as a percentage of total forecasted hours to project completion.

In May, Syncrude will begin the planned relocation of the first mine train at the Aurora North mine. The second mine train is scheduled to be moved in August 2013. Each mine train relocation is anticipated to take about 65 days. Syncrude has enhanced its preventative maintenance program on its mine train fleet in advance of the relocations to support uninterrupted bitumen supply during the relocation periods. Syncrude expects to complete both mine train relocations by the end of the year with close-out and clean-up work continuing into the first quarter of 2014.

Canadian Oil Sands plans to finance the major projects primarily with existing cash balances and cash flow from operations.

The major projects tables contain forward-looking information and users of this information are cautioned that the actual yearly and total major project costs and the actual in-service dates for the major projects may vary from the plans disclosed. The major project cost estimates and major project target in-service dates are based on current spending plans. Please refer to the "Forward-Looking Information Advisory" section of this MD&A for the risks and assumptions underlying this forward-looking information. For a list of additional risk factors that could cause the actual amount of the major project costs and the major project target in-service dates to differ materially, please refer to the Corporation's Annual Information Form dated February 21, 2013 which is available on the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.cdnoilsands.com.

Consolidated Statements of Income and Comprehensive Income

(unaudited)

	Three Months Ended March 31	
	2013	2012
<i>(millions of Canadian dollars, except per Share and Share volume amounts)</i>		
Sales (Note 17)	\$ 961	\$ 1,074
Crown royalties (Note 15)	(23)	(96)
Revenues	\$ 938	\$ 978
Expenses		
Operating (Note 3)	\$ 355	\$ 320
Development	26	24
Crude oil purchases and transportation (Note 17)	133	118
Administration	10	6
Insurance	6	2
Depreciation and depletion	122	95
	\$ 652	\$ 565
Earnings from operating activities	\$ 286	\$ 413
Foreign exchange loss (gain) (Note 9)	28	(16)
Net finance expense (Notes 3 and 10)	13	12
Earnings before taxes	\$ 245	\$ 417
Tax expense (Notes 3 and 11)	68	99
Net income	\$ 177	\$ 318
Other comprehensive income (loss), net of income taxes		
Items not reclassified to net income:		
Re-measurements of employee future benefit plans (Notes 3 and 8)	14	3
Items reclassified to net income:		
Derivative gains	(1)	(1)
Comprehensive income	\$ 190	\$ 320
Weighted average Shares (millions)	485	485
Shares, end of period (millions)	485	485
Net income per Share		
Basic and diluted	\$ 0.37	\$ 0.66

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(unaudited)

<i>(millions of Canadian dollars)</i>	Three Months Ended	
	March 31	
	2013	2012
Retained earnings		
Balance, beginning of period	\$ 1,823	\$ 1,517
Net income	177	318
Re-measurements of employee future benefit plans	14	3
Dividends	(170)	(145)
Balance, end of period	\$ 1,844	\$ 1,693
Accumulated other comprehensive income		
Balance, beginning of period	\$ 9	\$ 12
Reclassification of derivative gains to net income	(1)	(1)
Balance, end of period	\$ 8	\$ 11
Shareholders' capital		
Balance, beginning of period	\$ 2,673	\$ 2,673
Issuance of shares	1	-
Balance, end of period	\$ 2,674	\$ 2,673
Contributed surplus		
Balance, beginning of period	\$ 10	\$ 8
Share-based compensation	1	1
Balance, end of period	11	9
Total Shareholders' equity	\$ 4,537	\$ 4,386

See Notes to Unaudited Consolidated Financial Statements

Consolidated Balance Sheets

(unaudited)

<i>As at (millions of Canadian dollars)</i>	March 31 2013	December 31 2012
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,471	\$ 1,553
Accounts receivable	315	311
Inventories	160	137
Prepaid expenses	6	9
	\$ 1,952	\$ 2,010
Property, plant and equipment, net (Note 4)	8,087	8,003
Exploration and evaluation	89	89
Reclamation trust	71	69
	\$ 10,199	\$ 10,171
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	\$ 759	\$ 704
Current portion of long-term debt	303	297
Current taxes	86	40
Current portion of employee future benefits	76	76
	\$ 1,224	\$ 1,117
Employee future benefits	332	362
Other liabilities (Note 6)	92	89
Long-term debt	1,529	1,497
Asset retirement obligation (Note 7)	969	1,058
Deferred taxes	1,516	1,533
	\$ 5,662	\$ 5,656
Shareholders' equity	4,537	4,515
	\$ 10,199	\$ 10,171

Commitments and Contingencies (Notes 14 and 15, respectively)

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Cash Flows

(unaudited)

<i>(millions of Canadian dollars)</i>	Three Months Ended March 31	
	2013	2012
Cash from (used in) operating activities		
Net income	\$ 177	\$ 318
Items not requiring an outlay of cash		
Depreciation and depletion	122	95
Accretion of asset retirement obligation (Note 7)	6	6
Foreign exchange (gain) loss on long-term debt (Note 9)	37	(20)
Deferred tax expense (Note 11)	(22)	99
Share-based compensation	2	-
Reclamation expenditures (Note 7)	(33)	(43)
Change in employee future benefits and other	(14)	(1)
Cash flow from operations	\$ 275	\$ 454
Change in non-cash working capital (Note 16)	53	112
Cash from operating activities	\$ 328	\$ 566
Cash from (used in) financing activities		
Issuance of senior notes	\$ -	\$ 689
Issuance of shares	1	-
Dividends	(170)	(145)
Cash from (used in) financing activities	\$ (169)	\$ 544
Cash from (used in) investing activities		
Capital expenditures	\$ (268)	\$ (141)
Reclamation trust funding	(2)	(3)
Change in non-cash working capital (Note 16)	23	18
Cash used in investing activities	\$ (247)	\$ (126)
Foreign exchange gain (loss) on cash and cash equivalents held in foreign currency	\$ 6	\$ -
Increase (decrease) in cash and cash equivalents	\$ (82)	\$ 984
Cash and cash equivalents, beginning of period	1,553	718
Cash and cash equivalents, end of period	\$ 1,471	\$ 1,702
Cash and cash equivalents consist of:		
Cash	\$ 758	\$ 24
Short-term investments	713	1,678
	\$ 1,471	\$ 1,702

Supplementary Information (Note 16)

See Notes to Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements For the Three Months Ended March 31, 2013

(Tabular amounts expressed in millions of Canadian dollars, except where otherwise noted)

1) Nature of Operations

Canadian Oil Sands Limited ("Canadian Oil Sands" or the "Corporation") was incorporated in 2010 under the laws of the Province of Alberta, Canada pursuant to a plan of arrangement effecting the reorganization from an income trust into a corporate structure effective December 31, 2010.

The Corporation indirectly owns a 36.74 per cent interest ("Working Interest") in the Syncrude Joint Venture ("Syncrude"). Syncrude is involved in the mining and upgrading of bitumen from oil sands near Fort McMurray in northern Alberta. The Syncrude Project is comprised of open-pit oil sands mines, utilities plants, bitumen extraction plants, and an upgrading complex that processes bitumen into Synthetic Crude Oil ("SCO"). Syncrude is a joint operation jointly controlled by seven owners. Decisions about Syncrude's relevant activities require unanimous consent of the owners. Each owner takes its proportionate share of production in kind, and funds its proportionate share of Syncrude's operating development and capital costs on a daily basis. The Corporation also owns 36.74 per cent of the issued and outstanding shares of Syncrude Canada Ltd. ("Syncrude Canada"). Syncrude Canada operates Syncrude on behalf of the owners and is responsible for selecting, compensating, directing and controlling Syncrude's employees, and for administering all related employment benefits and obligations. The Corporation's investment in Syncrude and Syncrude Canada represents its only producing asset.

The Corporation's office is located at the following address: 2500 First Canadian Centre, 350 – 7th Avenue S.W., Calgary, Alberta, Canada T2P 3N9.

2) Basis of Presentation

These unaudited interim consolidated financial statements are prepared and reported in Canadian dollars in accordance with Canadian generally accepted accounting principles as set out in the Handbook of the Canadian Institute of Chartered Accountants ("CICA Handbook"). The CICA Handbook incorporates International Financial Reporting Standards ("IFRS") and publicly accountable enterprises, such as the Corporation, are required to apply such standards. These unaudited interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements and International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, and the accounting policies applied in these interim unaudited consolidated financial statements are based on IFRS as issued, outstanding and effective on April 30, 2013.

Certain disclosures that are normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or omitted. These unaudited interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2012.

3) Accounting Policies

The same accounting policies and methods of computation are followed in these unaudited interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements for the year ended December 31, 2012 except as follows:

Taxes

Current taxes in interim periods are accrued based on our best estimate of the annual tax rate applied to year-to-date earnings. Current taxes accrued in one interim period may be adjusted in a subsequent interim period if the estimate of the annual tax rate changes.

Employee Future Benefits

In June 2011, the International Accounting Standards Board ("IASB") amended International Accounting Standard ("IAS") 19, *Employee Benefits*, addressing the recognition and measurement of defined benefit pension expense and termination benefits and disclosures for all employee benefits. The key amendments are as follows:

- Actuarial gains and losses, which are now referred to as re-measurements, are recognized immediately in "other comprehensive income" ("OCI"), eliminating the choice between immediate recognition through net income or OCI, or deferral using the corridor approach. This change does not impact Canadian Oil Sands as the Corporation previously recognized actuarial gains and losses immediately through OCI.
- The expected rate of return on plan assets is no longer calculated. Instead, the estimated rate of return on plan assets is now the same rate used to accrete the discounted accrued benefit obligation. The interest cost component of the pension expense, which previously represented accretion of the discounted accrued benefit obligation, now represents accretion of the net accrued benefit liability (the accrued benefit obligation net of the fair value of plan assets).
- The interest cost component of pension expense, which was previously presented within operating expenses, is now presented within net finance expense.

Canadian Oil Sands has applied the amendments effective January 1, 2013 in accordance with the applicable transitional provisions. Certain amounts reported in the Corporation's Consolidated Statements of Income and Comprehensive Income have been adjusted as follows:

(\$ millions)	Three Months Ended March 31, 2013			Three Months Ended March 31, 2012		
	Before Adjustments	Adjustments	After Adjustments	Before Adjustments	Adjustments	After Adjustments
Operating expenses	\$ 355	\$ -	\$ 355	\$ 321	\$ (1)	\$ 320
Net finance expense	\$ 9	\$ 4	\$ 13	\$ 7	\$ 5	\$ 12
Tax expense	\$ 69	\$ (1)	\$ 68	\$ 100	\$ (1)	\$ 99
Net income	\$ 180	\$ (3)	\$ 177	\$ 321	\$ (3)	\$ 318
Re-measurements of employee future benefit plans	\$ 11	\$ 3	\$ 14	\$ -	\$ 3	\$ 3
Earnings per Share	\$ 0.37	\$ -	\$ 0.37	\$ 0.66	\$ -	\$ 0.66

Consolidation

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*, to replace International Accounting Standard ("IAS") 31, *Interests in Joint Ventures*; IFRS 12, *Disclosure of Interests in Other Entities*; and amendments to IAS 27, *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*.

Canadian Oil Sands has applied these new standards effective January 1, 2013 in accordance with the transitional provisions. IFRS 10, which establishes principles for the presentation and preparation of consolidated financial statements, has not impacted Canadian Oil Sands' financial statements or disclosures. IFRS 11 eliminates the accounting policy choice between proportionate consolidation and equity method accounting for joint ventures available under IAS 31 and, instead, mandates one of these two methodologies based on the economic substance of the joint arrangement. Canadian Oil Sands has determined that its investments in Syncrude and Syncrude Canada are considered joint operations under the new

standard and continues to recognize its proportionate share of the assets, liabilities, revenues, expenses, and commitments of both. IFRS 12 requires entities to disclose information about the nature of their interests in joint ventures, which has resulted in additional disclosures in Note 1, Nature of Operations.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, *Fair Value Measurements*, which establishes a single source of guidance for fair value measurements and related disclosures. Canadian Oil Sands has applied this new standard effective January 1, 2013 in accordance with the transitional provisions, resulting in new fair value disclosures in Note 13, Financial Instruments.

Financial Instruments: Disclosures

In December 2011, the IASB issued amendments to IFRS 7, *Financial Instruments: Disclosures*, requiring entities to disclose information about the effect, or potential effect, of netting arrangements on an entity's financial position. Canadian Oil Sands has applied these amendments effective January 1, 2013 in accordance with their transitional provisions, resulting in additional disclosures in Note 13, Financial Instruments.

Production Stripping Costs

In October 2011, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 20, *Stripping Costs in the Production Phase of a Surface Mine*, which clarifies the accounting for costs associated with waste removal in surface mining during the production phase of a mine. Canadian Oil Sands has applied this new interpretation effective January 1, 2013 in accordance with the transitional provisions but there has been no impact on Canadian Oil Sands' financial statements or disclosures.

4) Property, Plant and Equipment, Net

(\$ millions)	Three Months Ended March 31, 2013								
	Upgrading and Extracting	Mining Equipment	Vehicles and Equipment	Buildings	Asset Retirement Costs	Major Turnaround Costs	Construction in Progress	Mine Development	Total
Cost									
Balance at January 1, 2013	\$ 5,300	\$ 1,397	\$ 686	\$ 324	\$ 1,024	\$ 166	\$ 1,501	\$ 392	\$ 10,790
Additions	–	–	2	–	–	2	264	–	268
Change in asset retirement costs	–	–	–	–	(62)	–	–	–	(62)
Retirements	(22)	–	(1)	–	–	–	–	–	(23)
Reclassifications ¹	1	–	–	–	–	–	(1)	–	–
Balance at March 31, 2013	\$ 5,279	\$ 1,397	\$ 687	\$ 324	\$ 962	\$ 168	\$ 1,764	\$ 392	\$ 10,973
Accumulated depreciation									
Balance at January 1, 2013	\$ 1,447	\$ 539	\$ 320	\$ 107	\$ 180	\$ 73	\$ –	\$ 121	\$ 2,787
Depreciation	63	16	13	2	12	15	–	1	122
Retirements	(22)	–	(1)	–	–	–	–	–	(23)
Reclassifications ¹	–	–	–	–	–	–	–	–	–
Balance at March 31, 2013	\$ 1,488	\$ 555	\$ 332	\$ 109	\$ 192	\$ 88	\$ –	\$ 122	\$ 2,886
Net book value at									
March 31, 2013	\$ 3,791	\$ 842	\$ 355	\$ 215	\$ 770	\$ 80	\$ 1,764	\$ 270	\$ 8,087

¹ Reclassifications are primarily transfers from construction in progress to other categories of property, plant and equipment when construction is completed and assets are available for use.

For the three months ended March 31, 2013, interest costs of \$23 million were capitalized and included in property, plant and equipment (three months ended March 31, 2012 – \$20 million) based on a 6.5 per cent interest capitalization rate (7.3 per cent for the three months ended March 31, 2012).

5) Accounts Payable and Accrued Liabilities

<i>(\$ millions)</i>	March 31 2013	December 31 2012
Trade payables	\$ 553	\$ 498
Crown royalties	202	215
Current portion of asset retirement obligation	44	44
Interest payable	41	29
	\$ 840	\$ 786
Less non-current portion of Crown royalties	(81)	(82)
Accounts payable and accrued liabilities	\$ 759	\$ 704

6) Other Liabilities

<i>(\$ millions)</i>	March 31 2013	December 31 2012
Non-current portion of Crown royalties	\$ 81	\$ 82
Other	11	7
Other liabilities	\$ 92	\$ 89

7) Asset Retirement Obligation

The Corporation and each of the other Syncrude owners are liable for their share of ongoing obligations related to the reclamation and closure of the Syncrude properties on abandonment. The Corporation estimates reclamation and closure expenditures will be made progressively over the next 70 years and has applied a risk-free interest rate of 2.50 per cent at March 31, 2013 (December 31, 2012 – 2.25 per cent) in deriving the asset retirement obligation. The risk-free rate is based on the yield for benchmark Government of Canada long-term bonds.

The following table presents the reconciliation of the beginning and ending aggregate carrying amount of the Corporation's share of the obligation associated with the reclamation and closure of the Syncrude properties:

<i>(\$ millions)</i>	Three Months Ended March 31 2013	Year Ended December 31 2012
Asset retirement obligation, beginning of period	\$ 1,102	\$ 1,037
Change in risk-free interest rate	(62)	68
Change in estimated reclamation and closure expenditures	-	25
Accretion expense	6	26
Reclamation expenditures	(33)	(54)
Asset retirement obligation, end of period	\$ 1,013	\$ 1,102
Less current portion	(44)	(44)
Non-current portion	\$ 969	\$ 1,058

The \$62 million decrease in the asset retirement obligation was recorded as a decrease in property, plant and equipment. The \$44 million current portion of the asset retirement obligation is included in accounts payable and accrued liabilities, while the \$969 million non-current portion is presented separately as an asset retirement obligation on the March 31, 2013 Consolidated Balance Sheet. The total undiscounted estimated cash flows required to settle Canadian Oil Sand's share of the asset retirement obligation were \$2,071 million at March 31, 2013 (December 31, 2012 – \$2,104 million).

8) Employee Future Benefits

The Corporation's share of Syncrude Canada's defined benefit and contribution plans' costs for the three months ended March 31, 2013 and 2012 is based on its 36.74 per cent working interest. The costs have been recorded in operating expenses, net finance expense and other comprehensive income as follows:

(\$ millions)	Three Months Ended March 31	
	2013	2012
Operating expenses	\$ 11	\$ 7
Net finance expense	\$ 4	\$ 5
Other comprehensive income ¹	(18)	(4)
Total benefit cost (recovery)	\$ (3)	\$ 8

¹ Employee future benefit costs (recoveries) are presented on the Consolidated Statements of Income and Comprehensive Income net of tax.

The Corporation's share of the estimated unfunded portion of Syncrude Canada's pension and other post-employment benefit plans decreased to \$408 million at March 31, 2013 from \$438 million at December 31, 2012, reflecting contributions to the plans and higher than estimated returns on plan assets. The impact of the higher-than-estimated plan asset returns is reflected as a \$14 million re-measurement, net of \$4 million in taxes, in Other Comprehensive Income. A liability for the \$408 million unfunded balance is recognized on the March 31, 2013 Consolidated Balance Sheet.

9) Foreign Exchange

(\$ millions)	Three Months Ended March 31	
	2013	2012
Foreign exchange (gain) loss – long-term debt	\$ 37	\$ (20)
Foreign exchange (gain) loss – other	(9)	4
Total foreign exchange (gain) loss	\$ 28	\$ (16)

10) Net Finance Expense

(\$ millions)	Three Months Ended March 31	
	2013	2012
Interest costs on long-term debt ¹	\$ 26	\$ 21
Less capitalized interest on long-term debt	(23)	(20)
Interest expense on long-term debt	\$ 3	\$ 1
Interest expense on employee future benefits	4	5
Accretion of asset retirement obligation	6	6
Net finance expense	\$ 13	\$ 12

¹ Interest costs on long-term debt are net of interest income of \$5 million and \$2 million for the three months ended March 31, 2013 and March 31, 2012, respectively.

11) Tax Expense

(\$ millions)	Three Months Ended March 31	
	2013	2012
Current tax expense	\$ 90	\$ -
Deferred tax expense (recovery)	(22)	99
Total tax expense	\$ 68	\$ 99

12) Capital Management

The Corporation's capital consists of cash and cash equivalents, debt and Shareholders' equity. The balance of each of these items at March 31, 2013 and December 31, 2012 was as follows:

(\$ millions, except % amounts)	March 31 2013	December 31 2012
Long-term debt ^{1,2}	\$ 1,832	\$ 1,794
Cash and cash equivalents	(1,471)	(1,553)
Net debt ^{1,3}	\$ 361	\$ 241
Shareholders' equity	\$ 4,537	\$ 4,515
Total net capitalization ^{1,4}	\$ 4,898	\$ 4,756
Total capitalization ^{1,5}	\$ 6,369	\$ 6,309
Net debt-to-total net capitalization ^{1,6} (%)	7	5
Long-term debt-to-total capitalization ^{1,7} (%)	29	28

¹ Additional GAAP financial measure.

² Includes current and non-current portions of long-term debt.

³ Long-term debt less cash and cash equivalents.

⁴ Net debt plus Shareholders' equity.

⁵ Long-term debt plus Shareholders' equity.

⁶ Net debt divided by total net capitalization.

⁷ Long-term debt divided by total capitalization.

Net debt, comprised of current and non-current portions of long-term debt less cash and cash equivalents, increased to \$361 million at March 31, 2013 from \$241 million at December 31, 2012, as existing cash balances were used to fund capital expenditures and dividend payments in excess of cash flow from operations. As a result, net debt-to-total net capitalization increased to seven per cent at March 31, 2013 from five per cent at December 31, 2012.

Shareholders' equity increased to \$4,537 million at March 31, 2013 from \$4,515 million at December 31, 2012, as net income exceeded dividends in the first quarter of 2013.

As disclosed in Notes 10 and 11 to the 2012 annual consolidated financial statements, the Corporation's senior notes indentures and credit facility agreements contain certain covenants which restrict Canadian Oil Sands' ability to sell all or substantially all of its assets or change the nature of its business, and limit long-term debt-to-total capitalization to 55 per cent. Canadian Oil Sands is in compliance with its debt covenants, and with a long-term debt-to-total capitalization of 29 per cent at March 31, 2013, a significant increase in debt or decrease in equity would be required to negatively impact the Corporation's financial flexibility.

13) Financial Instruments

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, investments held in a reclamation trust, accounts payable and accrued liabilities, and current and non-current portions of long-term debt. The nature, the Corporation's use of, and the risks associated with these instruments are unchanged from December 31, 2012.

Offsetting Financial Assets and Financial Liabilities

The carrying values of accounts receivable and accounts payable and accrued liabilities have each been reduced by \$62 million (\$25 million at December 31, 2012) as a result of netting agreements with counterparties.

Fair Values

The fair values of cash and cash equivalents, accounts receivable, reclamation trust investments and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments. The fair value of long-term debt, based on third-party market indications, is as follows:

As at (\$ millions)	March 31 2013	December 31 2012
8.2% Senior Notes due April 1, 2027 (U.S. \$73.95 million)	\$ 98	\$ 104
7.9% Senior Notes due September 1, 2021 (U.S. \$250 million)	325	332
5.8% Senior Notes due August 15, 2013 (U.S. \$300 million)	312	309
7.75% Senior Notes due May 15, 2019 (U.S. \$500 million)	647	628
4.5% Senior Notes due April 1, 2022 (U.S. \$400 million)	435	435
6.0% Senior Notes due April 1, 2042 (U.S. \$300 million)	346	350
	\$ 2,163	\$ 2,158

14) Commitments

Canadian Oil Sands' commitments are summarized in the 2012 annual consolidated financial statements and include future cash payments that the Corporation is required to make under existing contractual arrangements entered into directly or as a 36.74 per cent owner in Syncrude. There are no significant new commitments relative to the 2012 annual disclosure.

15) Contingencies

Crown royalties include Canadian Oil Sands' share of amounts due under the Syncrude Royalty Amending Agreement with the Alberta government. The Syncrude Royalty Amending Agreement requires that bitumen be valued by a formula that references the value of bitumen based on a Canadian heavy oil reference price adjusted to reflect quality and location differences between Syncrude's bitumen and the Canadian reference price bitumen. In addition, the agreement provides that a minimum bitumen value, or "floor price", may be imposed in circumstances where Canadian heavy oil prices are temporarily suppressed relative to North American heavy oil prices.

Canadian Oil Sands' share of the royalties recognized for the period from January 1, 2009 to March 31, 2013 reflect management's best estimate of both reasonable quality and transportation deductions and adjustments to reflect the "floor price." However, the Syncrude owners and the Alberta government are disputing the basis for the quality, transportation and "floor price" adjustments. Under alternate assumptions, Canadian Oil Sands' share of Crown royalties for this period could be as much as \$60 million (on an after-tax basis) more than the amounts recognized.

The Syncrude owners and the Alberta government continue to discuss these matters, but if such discussions do not result in an agreed upon solution, either party may seek judicial determination of the matter. The cumulative impact, if any, of such discussions or judicial determination, as applicable, would be recognized and impact both net income and cash flow from operations accordingly.

16) Supplementary Information

a) Change in Non-Cash Working Capital

(\$ millions)	Three Months Ended March 31	
	2013	2012
Operating activities:		
Accounts receivable ("AR")	\$ (4)	\$ 51
Inventories	(23)	(7)
Prepaid expenses	3	5
Accounts payable and accrued liabilities ("AP")	55	80
Current taxes	46	-
Less: AP and AR changes reclassified to investing and other	(24)	(17)
Change in operating non-cash working capital	\$ 53	\$ 112
Investing activities:		
Accounts payable and accrued liabilities	\$ 23	\$ 18
Change in investing non-cash working capital	\$ 23	\$ 18
Change in total non-cash working capital	\$ 76	\$ 130

b) Income Taxes and Interest Paid

(\$ millions)	Three Months Ended March 31	
	2013	2012
Income taxes paid	\$ 44	\$ -
Interest paid	\$ 20	\$ 23

Income taxes paid and the portion of interest costs that is expensed are included within cash from operating activities on the Consolidated Statements of Cash Flows. The portion of interest costs that is capitalized as property, plant and equipment is included within cash used in investing activities on the Consolidated Statements of Cash Flows.

c) Cash Flow From Operations Per Share

(\$ millions)	Three Months Ended March 31	
	2013	2012
Cash Flow From Operations Per Share	\$ 0.57	\$ 0.94

Cash flow from operations per Share is calculated as cash flow from operations, which is cash from operating activities before changes in non-cash working capital, divided by the weighted-average number of outstanding Shares in the period.

17) Prior Period Comparative Amounts

During the fourth quarter of 2012, the Corporation completed a review of the presentation of crude oil purchase and sale transactions and it was determined that certain transactions previously reported on a gross basis (sales are presented gross of crude oil purchases and transportation expense) are more appropriately reflected on a net basis (crude oil purchases and transportation expense are netted against sales). Prior period comparative amounts have been reclassified to conform to the current period presentation. The impact is as follows:

<i>(\$ millions)</i>	Three Months Ended March 31, 2012
Sales	\$ (63)
Crude oil purchases and transportation expense	(63)
Net income	\$ -

Canadian Oil Sands Limited
Marcel Coutu
President & Chief Executive Officer

Shares Listed – Symbol: COS
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