Canadian Oil Sands

Q1

FIRST QUARTER REPORT

April 30, 2015
TSX: COS

Canadian Oil Sands Announces First Quarter Results and Progress on Cost Savings at Syncrude

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

Canadian Oil Sands Limited ("COS") reported strong operating performance at Syncrude for the first quarter of 2015, with cost reduction initiatives and stable production mitigating the impact of lower oil prices. COS' cash flow from operations of $76 million ($0.16 per Share) fully funded capital expenditures in the period. Realized Synthetic Crude Oil ("SCO") selling prices averaged $56 per barrel, representing a 47 percent drop compared with the first quarter of 2014. Syncrude produced an average 293,700 barrels per day during the first quarter of 2015 at an operating expense of $35.71 per barrel.

"Our first quarter results clearly demonstrate the value of a stable operation and Syncrude's cost management initiatives," said Ryan Kubik, President and Chief Executive Officer. "With a further reduction in our cost estimates for 2015 and the wrap-up of investment in major capital projects, we expect Syncrude to spend about $1.7 billion less in 2015 than last year to run and maintain the operation."

Added Mr. Kubik: “Syncrude is entering a period of lower spending in its capital investment cycle, which we expect will extend for several years, while maintaining its commitment to reliability initiatives and safety and environmental performance.”

Highlights for the three months ended March 31, 2015:

- Operating expenses are down 24 percent to $35.71 per barrel in the first quarter of 2015 compared with the comparative 2014 period.
- Capital expenditures are down 66 percent to $73 million, reflecting the substantial completion of the major projects and progress on cost reductions. With the completion of these major projects, capital investment is set to be lower for the next several years.
- Sales volumes for the quarter averaged about 107,300 barrels per day relative to the 105,300 barrels per day recorded in the first quarter of 2014.
- Cash flow from operations was $76 million ($0.16 per Share) compared with $357 million ($0.74 per Share) in the same quarter of 2014. Despite the impact of significantly lower selling prices, COS was able to fund its capital expenditures from cash flow from operations in the first quarter of 2015.
- A net loss of $186 million (($0.38) per Share) was recorded for the quarter compared with net income of $172 million ($0.35 per Share) in the 2014 comparative period, largely as a result of unrealized foreign exchange losses on COS' U.S. dollar denominated long-term debt.
- COS declared a quarterly dividend of $0.05 per Share, payable on May 29, 2015 to shareholders of record on May 22, 2015.
- COS remains in a strong financial position and has sufficient liquidity and balance sheet strength in the current environment, including $1.1 billion available under credit facilities that do not expire until 2018.

	Three Months Ended March 31 2015	2014
Cash flow from operations[1] ($ millions)	**$ 76**	$ 357
Per Share[1] ($/Share)	**$ 0.16**	$ 0.74
Net income (loss) ($ millions)	**$ (186)**	$ 172
Per Share, Basic and Diluted ($/Share)	**$ (0.38)**	$ 0.35
Sales volumes[2]		
Total (mmbbls)	**9.7**	9.5
Daily average (bbls)	**107,305**	105,283
Realized SCO selling price ($/bbl)	**$ 55.95**	$ 105.73
West Texas Intermediate ("WTI") (average $US/bbl)	**$ 48.57**	$ 98.61
SCO premium (discount) to WTI (weighted average $/bbl)	**$ (4.36)**	$ (2.93)
Average foreign exchange rate ($US/$Cdn)	**$ 0.81**	$ 0.91
Operating expenses ($ millions)	**$ 345**	$ 445
Per barrel ($/bbl)	**$ 35.71**	$ 46.91
Capital expenditures ($ millions)	**$ 73**	$ 217
Dividends ($ millions)	**$ 24**	$ 170
Per Share ($/Share)	**$ 0.05**	$ 0.35

[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 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 2015, Syncrude produced 26.4 million barrels, or 293,700 barrels per day, compared with 26.3 million barrels, or 292,500 barrels per day, in the first quarter of 2014. A planned turnaround of Coker 8-3 and ancillary units commenced in late March 2015 and is expected to be completed in May.

Operating expenses for the first quarter of 2015 totaled $345 million, or $35.71 per barrel, compared with $445 million, or $46.91 per barrel in the 2014 first quarter. The decrease reflects lower costs for purchased natural gas and diesel and progress on cost reduction initiatives. With progress on these initiatives proceeding better than expected, COS is raising its estimate for 2015 cost savings to the midpoint of the targeted range of $260 million to $400 million (net to COS). Syncrude is continuing to target the upper end of this range and aiming to establish cost-efficiency improvements to affect structural cost reductions.

Syncrude's capital expenditures totaled $73 million in the first quarter of 2015, down significantly from $217 million in the comparative 2014 quarter as a result of substantial completion of the major projects and progress on capital cost reductions. Continued success in executing the major projects has delivered additional reductions in the cost estimates. The remaining Centrifuge Tailings Management project is now estimated to cost $1.8 billion, down from the original budget of $1.9 billion (gross to Syncrude). The project is 99 percent complete and on schedule for completion in 2015. In total, Syncrude has achieved cost savings of $700 million, gross to Syncrude, relative to COS' estimated costs for the major projects.

"Operating performance in the first quarter is encouraging, demonstrating a return to more typical production rates at Syncrude and supporting our production Outlook for 2015," said Mr. Kubik. "With the major projects completed and supporting production for decades, Syncrude's focus is on stabilizing and growing production volumes while managing costs."

Annual General Meeting

COS will hold its Annual General Meeting of Shareholders today, April 30, 2015 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 archived version of the webcast and presentation material will be available shortly after the meeting from the website for 90 days.

COS' founding Chairman, Mr. Chuck Shultz, will retire from Canadian Oil Sands' Board of Directors at the meeting. Mr. Shultz has served 19 years on COS' Board, including almost 14 years as Chairman. Following his retirement, the COS Board will be reduced to 10 members.

2015 Outlook

- COS is maintaining its estimate for annual Syncrude production to range from 95 to 110 million barrels with a single-point estimate of 103 million barrels. The production outlook reflects a planned turnaround of Coker 8-3 and ancillary units, including the Vacuum Distillation Unit, which began in late March and is expected to be completed in May. Second quarter production and per barrel operating expenses will reflect the impact of this work.
- Our assumption for average 2015 WTI crude oil prices is US$55 per barrel. Assuming an $0.82 CAD:USD exchange rate and a $4 per barrel discount for SCO relative to Canadian dollar WTI, our expected annual realized SCO selling price is about $63 per barrel.
- We have reduced our estimate for operating expenses to $1,494 million, or just under $40 per barrel.
- Our estimate for cash flow from operations has increased to $407 million, or $0.84 per Share.
- The estimate for capital expenditures has declined to $429 million, net to COS.
- Based on the assumptions in our Outlook, net debt is forecast to peak during the second quarter, with lower sales volumes and cash flows due to the turnaround, before returning to current levels by year end.

(millions of Canadian dollars, except volume and per barrel amounts)		**As of April 30, 2015**		**As of January 29, 2015**
Operating assumptions				
Syncrude production (mmbbls)		**103**		103
Canadian Oil Sands sales (mmbbls)		**37.8**		37.8
Sales, net of crude oil purchases and transportation	**$**	**2,387**	$	2,387
Realized SCO selling price ($/bbl)	**$**	**63.08**	$	63.08
Operating expenses	**$**	**1,494**	$	1,521
Operating expenses per barrel	**$**	**39.48**	$	40.19
Development expenses	**$**	**144**	$	151
Crown royalties	**$**	**145**	$	119
Current taxes	**$**	**55**	$	65
Cash flow from operations[1, 2]	**$**	**407**	$	368
Capital expenditure assumptions				
Major projects	**$**	**89**	$	104
Regular maintenance	**$**	**299**	$	315
Capitalized interest	**$**	**41**	$	32
Total capital expenditures	**$**	**429**	$	451
Business environment assumptions				
Sales weighted average WTI crude oil (USD/bbl)	**$**	**55.00**	$	55.00
Sales weighted average premium/discount to CAD WTI ($/bbl)	**$**	**(4.00)**	$	(4.00)
Sales weighted average foreign exchange rate (CAD:USD)	**$**	**0.82**	$	0.82
Sales weighted average AECO natural gas (CAD/GJ)	**$**	**3.00**	$	3.00

[1] *Cash flow from operations is an additional GAAP financial measure and is defined in the "Additional GAAP Financial Measures" section of the MD&A.*
[2] *Estimated 2015 cash flow from operations in this Outlook excludes $66 million of Crown royalties which were expensed in prior years and will be paid in the first quarter of 2016.*

Changes in certain factors and market conditions could potentially impact Canadian Oil Sands' Outlook. More information on the Company's results and Outlook is provided in our MD&A and the April 30, 2015 guidance document, which are available on our web site at **www.cdnoilsands.com** under "Investor Centre".

Forward-Looking Information

In the interest of providing the shareholders and potential investors of Canadian Oil Sands Limited (the "Corporation") 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 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 press release include, but are not limited to, statements with respect to: the estimated potential 2015 cost reductions; the expectation that Syncrude will spend about $1.7 billion less in 2015 than in 2014 to run and maintain its operation; the belief that, with the completion of the Syncrude major projects, capital investment is set to be lower for the next several years; the timing of the turnaround of Coker 8-3; all expectations regarding dividends; all expectations regarding net debt; all expectations regarding the Corporation's liquidity; the estimated cost and timing of completion of the Centrifuge plant at the Mildred Lake Mine; the 2015 annual Syncrude production range of 95 million barrels to 110 million barrels and the Corporation's 2015 budget assumption of 103 million barrels (37.8 million barrels net to the Corporation); the estimated sales, operating expenses, *development expenses, Crown royalties, current taxes, capital expenditures, and cash flow from operations in 2015; the estimated price for crude oil and natural gas in 2015; the estimated foreign exchange rate in 2015; 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 estimated 2015 major project, regular maintenance and capitalized interest spending; and the estimated realized selling price, which includes the anticipated differential to West Texas Intermediate ("WTI") to be received in 2015 for the Corporation's product.*

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, 2015 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 press release include, but are not limited to: volatility of crude oil prices; volatility of the synthetic crude oil ("SCO") to WTI differential; the impact that pipeline capacity and apportionment and refinery demand have on prices for SCO and the ability to deliver SCO; the impacts of regulatory changes especially those which relate to royalties, taxation, tailings, water and the environment; the impact of new technologies on the cost of oil sands mining; the impacts of rising costs associated with tailings and water management; the inability of Syncrude to obtain required consents, permits or approvals, including without limitation, the inability of Syncrude to obtain approval to return water from its operations; the impact of Syncrude being unable to meet the conditions of its approval for its tailings management plan under Directive 074; various events which could disrupt operations including fires, equipment failures and severe weather; unsuccessful or untimely implementation of capital or maintenance projects; the impact of technology on operations and processes and how new complex technology may not perform as expected; the obtaining of required owner approvals from the Syncrude owners for expansions, operational issues and contractual issues; labour turnover and shortages and the productivity achieved from labour in the Fort McMurray area; uncertainty of estimates with respect to reserves and resources; the supply and demand metrics for oil and natural gas; currency and interest rate fluctuations; volatility of natural gas prices; the Corporation's ability to either generate sufficient cash flow from operations to meet its current and future obligations or obtain external sources of debt and equity capital; the inability of the Corporation to continue to meet the listing requirements of the Toronto Stock Exchange; general economic, business and market conditions and such other risks and uncertainties described in the Corporation's AIF dated February 24, 2015 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 press release are made as of April 30, 2015, 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 press release are expressly qualified by this cautionary statement.

Additional GAAP Financial Measures

In this 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 include: cash flow from operations, cash flow from operations per Share and net debt. For more information on additional GAAP financial measures please refer to our First Quarter MD&A which is available on the Corporation's website at ***www.cdnoilsands.com****.*

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Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of April 30, 2015 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, 2015 and March 31, 2014, the audited consolidated financial statements and MD&A of the Corporation for the year ended December 31, 2014 and the Corporation's Annual Information Form ("AIF") dated February 24, 2015. 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 otherwise noted.

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Forward-Looking Information

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Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: the 2015 annual Syncrude production range of 95 million barrels to 110 million barrels and the Corporation's 2015 Budget assumption of 103 million barrels (37.8 million barrels net to the Corporation); the timing of the turnaround of Coker 8-3; the estimated potential 2015 cost reductions; all expectations regarding dividends; the estimated sales, operating expenses, development expenses, Crown royalties, current taxes, capital expenditures and cash flow from operations for 2015; the estimated price for crude oil and natural gas in 2015; the estimated foreign exchange rates in 2015; the estimated realized selling price, which includes the anticipated differential to West Texas Intermediate ("WTI") to be received in 2015 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 belief that fluctuations in the Corporation's realized selling prices, U.S. to Canadian dollar exchange rate fluctuations, planned maintenance activities and unplanned outages, changes in bitumen values and fluctuations in natural gas prices may impact the Corporation's financial results in the future; the belief that capital expenditures shall decline and future depreciation and depletion expense will increase upon completion of the Syncrude major projects; all expectations regarding the Corporation's credit facilities; the estimated cost and completion date for the centrifuge plant at the Mildred Lake mine; the estimated 2015 regular maintenance, capitalized interest and major project spending and the belief that, with the cost and dividend reductions announced to date, the Corporation has sufficient liquidity and balance sheet strength.

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, 2015 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 include, but are not limited to: volatility of crude oil prices; volatility of the synthetic crude oil ("SCO") to WTI differential; the impact that pipeline capacity and apportionment and refinery demand have on prices for SCO and the ability to deliver SCO; the impacts of regulatory changes especially those which relate to royalties, taxation, tailings, water and the environment; the impact of new technologies on the cost of oil sands mining; the impacts of rising costs associated with tailings and water management; the inability of Syncrude to obtain required consents, permits or approvals, including without limitation, the inability of Syncrude to obtain approval to return water from its operations; the impact of Syncrude being unable to meet the conditions of its approval for its tailings management plan under Directive 074; various events which could disrupt operations including fires, equipment failures and severe weather; unsuccessful or untimely implementation of capital or maintenance projects; the impact of technology on operations and processes and how new complex technology may not perform as expected; the obtaining of required owner approvals from the Syncrude owners for expansions, operational issues and contractual issues; labour turnover and shortages and the productivity achieved from labour in the Fort McMurray area; uncertainty of estimates with respect to reserves and resources; the supply and demand metrics for oil and natural gas; currency and interest rate fluctuations; volatility of natural gas prices; the Corporation's ability to either generate sufficient cash flow from operations to meet its current and future obligations or obtain external sources of debt and equity capital; the inability of the Corporation to continue to meet the listing requirements of the Toronto Stock Exchange; general economic, business and market conditions and such other risks and uncertainties described in the Corporation's AIF dated February 24, 2015 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 are made as of April 30, 2015, 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 are expressly qualified by this cautionary statement.

Additional GAAP Financial Measures

In this MD&A, 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 (used in) 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. Because cash flow from operations and cash flow from operations per Share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of operational performance *than cash from (used in) operating activities. With the exception of current taxes, liabilities for Crown royalties and the current portion of our asset retirement obligation, our non-cash working capital is liquid and typically settles within 30 days.*

Cash flow from operations is reconciled to cash from (used in) operating activities as follows:

	Three Months Ended March 31	
($ millions)	**2015**	**2014**
Cash flow from operations[1]	**$ 76**	$ 357
Change in non-cash working capital[1]	**(119)**	(479)
Cash used in operating activities[1]	**$ (43)**	$ (122)

[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 analyze liquidity and 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, 2015.

Overview

COS generated cash flow from operations of $76 million ($0.16 per Share) for the first quarter of 2015, as stable operations and cost reductions at Syncrude mitigated the effect of the approximately 50 percent decrease in crude oil prices. Despite low oil prices, COS was able to fund its capital expenditures from cash flow from operations in the first quarter of 2015. COS remains in a strong financial position and has sufficient liquidity and balance sheet strength in the current environment, including $1.1 billion available under credit facilities that do not expire until 2018.

Syncrude produced 26.4 million barrels of Synthetic Crude Oil ("SCO") in the first quarter of 2015, reflecting stable operations at Syncrude. The planned turnaround of Coker 8-3 and ancillary units, including the Vacuum Distillation Unit, began in late March 2015 and is expected to be completed in May.

The realized SCO selling price was $56 per barrel in the first quarter of 2015 which was 47 percent lower than last year. A significantly weaker Canadian dollar helped offset the impact of lower WTI benchmark crude oil prices. As a result, sales net of crude oil purchases and transportation expense in the first quarter of 2015 were $540 million, down from $995 million in the first quarter of 2014.

During the first quarter of 2015, operating expenses decreased by $100 million, or $11.20 per barrel, to $35.71 per barrel compared to the prior year quarter. The decrease reflects lower costs for natural gas and diesel and cost savings, further to the cost reduction plans announced by COS in January 2015.

Capital expenditures were $73 million in the first quarter of 2015, down significantly from the first quarter of 2014. The decline reflects the substantial completion of the major capital projects and progress on cost reductions. The Centrifuge Tailings Management project is now 99 percent complete and is expected to be completed in 2015. With the project costs trending below the original budget, we have reduced our cost estimate for the project from $1.9 billion to $1.8 billion (gross to Syncrude), which carries an estimated cost accuracy of plus or minus two percent.

During the first quarter of 2015, COS announced a cost reduction program targeting savings of between $260 million and $400 million, net to COS, for 2015. With progress on track, Syncrude continues to target cost reductions in the upper half of this range and COS has increased its targeted cost reductions from the lower end to the middle of the range. COS' estimate for cash flow from operations for 2015 has risen by about $40 million to $407 million. Further information on the 2015 Outlook is provided in the Outlook section of this MD&A.

Highlights

	Three Months Ended March 31	
	2015	**2014**
Cash flow from operations[1] ($ millions)	**$ 76**	$ 357
Per Share[1] ($/Share)	**$ 0.16**	$ 0.74
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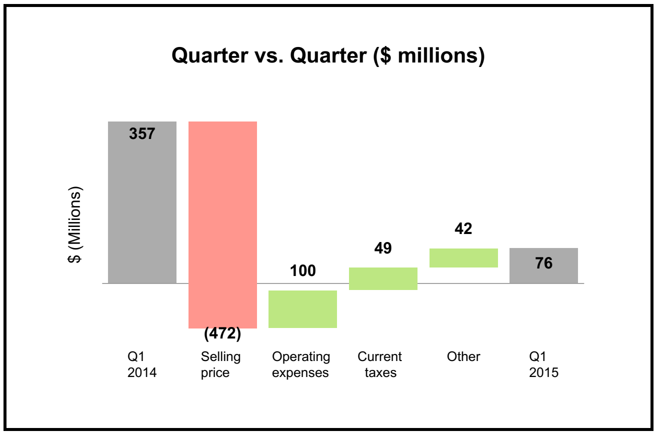
[2] The Corporation’s sales volumes differ from its production volumes due to changes in inventory, which are primarily in-transit pipeline volumes. Sales volumes are net of purchases.

Review of Operations

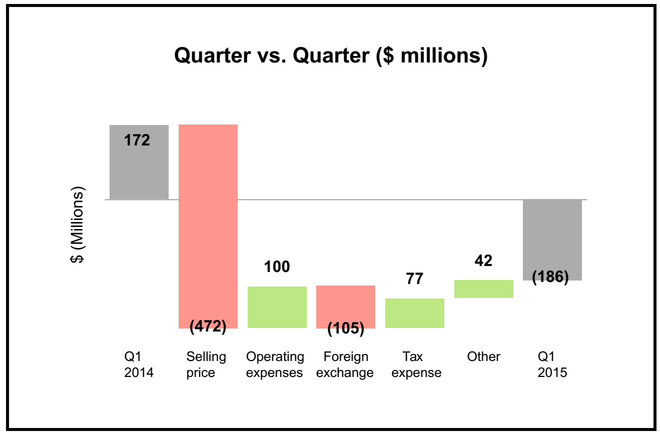
During the first quarter of 2015, Syncrude produced 26.4 million barrels, or 293,700 barrels per day, compared with 26.3 million barrels, or 292,500 barrels per day, in the first quarter of 2014. Both periods reflect stable operations. A planned turnaround of Coker 8-3 and ancillary units, including the Vacuum Distillation Unit, began in late March 2015 and is expected to be completed in May.

Review of Financial Results

Cash Flow from Operations



Net Income (Loss)



Cash flow from operations and net income decreased in the first quarter of 2015 from the first quarter of 2014 as a result of a lower realized SCO selling price partially offset by lower operating expenses and current taxes. Additionally, unrealized foreign exchange losses contributed to the net loss in the first quarter of 2015 due to a weakening Canadian dollar.

The changes in the components of cash flow from operations and net income are discussed in greater detail later in this MD&A.

The following table shows net income components per barrel of SCO.

	Three Months Ended March 31		
($ per barrel)[1]	**2015**	**2014**	**Change**
Sales net of crude oil purchases and transportation expense	**$ 55.95**	$ 105.06	$ (49.11)
Operating expense	**(35.71)**	(46.91)	11.20
Crown royalties	**(2.43)**	(6.13)	3.70
	$ 17.81	$ 52.02	$ (34.21)
Development expense	**$ (3.36)**	$ (3.42)	$ 0.06
Administration and insurance expenses	**(0.84)**	(1.74)	0.90
Depreciation and depletion expense	**(13.12)**	(13.58)	0.46
Net finance expense	**(3.39)**	(1.44)	(1.95)
Foreign exchange loss	**(16.49)**	(5.77)	(10.72)
Tax (expense) recovery	**0.23**	(7.94)	8.17
	(36.97)	(33.89)	(3.08)
Net income (loss) per barrel	**$ (19.16)**	$ 18.13	$ (37.29)
Sales volumes (mmbbls)[2]	**9.7**	9.5	0.2

[1] Per barrel measures derived by dividing the relevant item by sales volumes in the period.
[2] 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 March 31 2015	2014	Change
Sales[1]	**$ 657**	$ 1,114	$ (457)
Crude oil purchases	**(101)**	(105)	4
Transportation expense	**(16)**	(14)	(2)
	$ 540	$ 995	$ (455)
Sales volumes[2]			
Total (mmbbls)	**9.7**	9.5	0.2
Daily average (bbls)	**107,305**	105,283	2,022
Realized SCO selling price[3] (average $Cdn/bbl)	**$ 55.95**	$ 105.73	$ (49.78)
West Texas Intermediate ("WTI") (average $US/bbl)	**$ 48.57**	$ 98.61	$ (50.04)
SCO premium (discount) to WTI (weighted-average $Cdn/bbl)	**$ (4.36)**	$ (2.93)	$ (1.43)
Average foreign exchange rate ($US/$Cdn)	**$ 0.81**	$ 0.91	$ (0.10)

[1] *Sales include sales of purchased crude oil.*
[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.*

The $455 million decrease in first quarter sales, net of crude oil purchases and transportation expense, reflects a $50 per barrel drop in the realized selling price relative to the first quarter of 2014.

Operating Expenses

The following table shows the major components of operating expenses in total dollars and per barrel of SCO:

	Three Months Ended March 31 2015 $ millions	2015 $ per bbl	2014 $ millions	2014 $ per bbl
Production and maintenance[1]	**$ 278**	**$ 28.81**	$ 332	$ 35.04
Natural gas and diesel purchases[2]	**37**	**3.79**	71	7.52
Syncrude pension and incentive compensation	**21**	**2.20**	30	3.12
Other[3]	**9**	**0.91**	12	1.23
Total operating expenses	**$ 345**	**$ 35.71**	$ 445	$ 46.91

[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 decrease in first quarter 2015 operating expenses from the comparative 2014 quarter was mainly due to the following:

- Lower natural gas and diesel prices and lower purchased diesel volumes
- Cost efficiencies from Syncrude's efforts to reduce costs throughout the organization
- Reduced mining maintenance in the first quarter of 2015 due to new Mildred Lake mine train equipment
- Reductions in incentive compensation

The following table shows operating expenses per barrel of bitumen and SCO. Costs are allocated to bitumen production and upgrading on the basis used to determine Crown royalties.

	Three Months Ended March 31			
	2015		2014	
($ per barrel)	**Bitumen**	**SCO**	**Bitumen**	**SCO**
Bitumen production	**$ 21.59**	**$ 25.65**	$ 29.79	$ 35.41
Internal fuel allocation[1]	**1.82**	**2.16**	3.10	3.69
Total bitumen production expenses	**$ 23.41**	**$ 27.81**	$ 32.89	$ 39.10
Upgrading[2]		**$ 10.06**		$ 11.50
Less: internal fuel allocation[1]		**(2.16)**		(3.69)
Total upgrading expenses		**$ 7.90**		$ 7.81
Total operating expenses		**$ 35.71**		$ 46.91
(thousands of barrels per day)				
Syncrude production volumes	**349**	**294**	348	293
Canadian Oil Sands sales volumes		**107**		105

[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 $2.72 per GJ and $5.43 per GJ in the three months ended March 31, 2015 and March 31, 2014, respectively. Diesel prices averaged $0.73 per litre and $1.08 per litre in the three months ended March 31, 2015 and March 31, 2014, respectively.
[2] Upgrading expenses include the production and maintenance expenses associated with processing and upgrading bitumen to SCO.

Crown Royalties

Crown royalties decreased to $23 million, or $2.43 per barrel, in the first quarter of 2015 from $58 million, or $6.13 per barrel, in the first quarter of 2014, mainly due to lower deemed bitumen values that were partially offset by lower deductible operating and capital expenditures.

Net Finance Expense

	Three Months Ended March 31	
($ millions)	**2015**	**2014**
Interest costs on long-term debt	**$ 34**	$ 30
Less capitalized interest on long-term debt	**(12)**	$ (24)
Interest expense on long-term debt	**$ 22**	$ 6
Interest expense on employee future benefits	**4**	3
Accretion of asset retirement obligation	**7**	7
Interest income	**—**	(2)
Net finance expense	**$ 33**	$ 14

Higher interest costs on the Corporation's long-term debt in 2015 reflects higher average outstanding debt levels due to drawings on credit facilities and a weaker Canadian dollar. Capitalized interest on long-term debt decreased in 2015 as a result of the completion of the Mildred Lake Mine Replacement Project at the end of 2014.

Foreign Exchange

	Three Months Ended March 31	
($ millions)	**2015**	**2014**
Foreign exchange loss – long-term debt	**$ 163**	$ 63
Foreign exchange gain – other	**(4)**	(9)
Total foreign exchange loss	**$ 159**	$ 54

Foreign exchange gains and losses are the result of revaluations of the Corporation's U.S. dollar-denominated long-term debt, accounts receivable and cash into Canadian dollars. Overall, a weakening Canadian dollar resulted in foreign exchange losses in the first quarters of 2015 and 2014.

The Canadian dollar weakened from a $US/$Cdn exchange rate of $0.86 at December 31, 2014 to $0.79 at March 31, 2015 and from $0.94 at December 31, 2013 to $0.90 at March 31, 2014.

Tax Expense

	Three Months Ended March 31	
($ millions)	**2015**	**2014**
Current tax expense	**$ 11**	$ 60
Deferred tax expense (recovery)		15
Total tax expense (recovery)	**$ (2)**	$ 75

The tax recovery in 2015 reflects a net loss before taxes compared with net income in 2014. Current tax expense decreased in 2015 due to lower taxable income generated by the Corporation's partnership.

Asset Retirement Obligation

($ millions)	**Three Months Ended March 31 2015**	**Year Ended December 31 2014**
Asset retirement obligation, beginning of period	**$ 1,219**	$ 896
Decrease in risk-free interest rate	**—**	224
Reclamation expenditures	**(6)**	(18)
Increase in estimated reclamation and closure expenditures	**2**	89
Accretion expense	**7**	28
Asset retirement obligation, end of period	**$ 1,222**	$ 1,219
Less current portion	**(18)**	(18)
Non-current portion	**$ 1,204**	$ 1,201

Pension and Other Post-Employment Benefit Plans

($ millions)	**Three Months Ended March 31 2015**	**Year Ended December 31 2014**
Accrued benefit liability, beginning of period	**$ 338**	$ 308
Current service cost	**12**	42
Interest expense	**4**	14
Contributions	**(11)**	(48)
Re-measurement (gains) losses:		
Return on plan assets (excluding amounts included in net finance expense)[1]	**(61)**	(76)
Decrease in discount rate	**—**	100
Other	**—**	(2)
Accrued benefit liability, end of period	**$ 282**	$ 338
Less current portion	**(20)**	(20)
Non-current portion	**$ 262**	$ 318

[1] *Interest earned on plan assets included in net finance expense in the three months ended March 31, 2015 was $8 million (year ended December 31, 2014 - $34 million).*

The Corporation's obligation for Syncrude Canada Ltd.'s ("Syncrude Canada") accrued benefit liability decreased to $282 million at March 31, 2015 from $338 million at December 31, 2014 due to higher than expected actual returns on plan assets.

Summary of Quarterly Results

	2015	2014				2013		
	Q1	**Q4**	**Q3**	**Q2**	**Q1**	**Q4**	**Q3**	**Q2**
Sales[1] ($ millions)	**$ 540**	$ 809	$ 829	$ 786	$ 995	$ 945	$ 871	$ 921
Net income (loss) ($ millions)	**$ (186)**	$ 25	$ 87	$ 176	$ 172	$ 192	$ 246	$ 219
Per Share, Basic & Diluted ($/Share)	**$ (0.38)**	$ 0.05	$ 0.18	$ 0.36	$ 0.35	$ 0.40	$ 0.51	$ 0.45
Cash flow from operations[2] ($ millions)	**$ 76**	$ 207	$ 302	$ 240	$ 357	$ 392	$ 339	$ 340
Per Share[2] ($/Share)	**$ 0.16**	$ 0.43	$ 0.62	$ 0.50	$ 0.74	$ 0.81	$ 0.70	$ 0.70
Dividends ($ millions)	**$ 24**	$ 169	$ 170	$ 169	$ 170	$ 169	$ 170	$ 169
Per Share ($/Share)	**$ 0.05**	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.35
Daily average sales volumes[3] (bbls)	**107,305**	108,139	87,787	77,064	105,283	112,092	84,250	100,094
Realized SCO selling price ($/bbl)	**$ 55.95**	$ 81.32	$ 102.58	$ 112.04	$ 105.73	$ 91.47	$ 112.55	$ 100.90
WTI[4] (average $US/bbl)	**$ 48.57**	$ 73.20	$ 97.25	$ 102.99	$ 98.61	$ 97.61	$ 105.81	$ 94.17
SCO premium (discount) to WTI (weighted-average $/bbl)	**$ (4.36)**	$ (3.23)	$ (3.14)	$ (0.37)	$ (2.93)	$ (10.84)	$ 2.63	$ 4.79
Operating expenses[5] ($/bbl)	**$ 35.71**	$ 44.04	$ 47.73	$ 59.64	$ 46.91	$ 37.60	$ 46.15	$ 43.23
Capital expenditures ($ millions)	**$ 73**	$ 170	$ 222	$ 321	$ 217	$ 292	$ 413	$ 369
Purchased natural gas price ($/GJ)	**$ 2.72**	$ 3.63	$ 3.94	$ 4.45	$ 5.43	$ 3.28	$ 2.59	$ 3.41
Foreign exchange rates ($US/$Cdn)								
Average	**$ 0.81**	$ 0.88	$ 0.92	$ 0.92	$ 0.91	$ 0.95	$ 0.96	$ 0.98
Quarter-end	**$ 0.79**	$ 0.86	$ 0.89	$ 0.94	$ 0.90	$ 0.94	$ 0.97	$ 0.95

[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.

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

- Fluctuations in realized selling prices have affected the Corporation's sales. During the last eight quarters, quarterly average WTI prices have ranged from U.S. $49 per barrel to U.S. $106 per barrel, and the quarterly average SCO differentials to WTI have ranged from a $11 per barrel discount to a $5 per barrel premium.
- 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 maintenance activities and unplanned outages have impacted quarterly sales volumes, revenues, operating expenses and per barrel results.
- Changes in bitumen values have impacted Crown royalties.
- Major capital projects to replace or relocate Syncrude mine trains and to support tailings management plans have increased capital expenditures, reduced Crown royalties and lowered net finance expense. These projects were substantially complete at the end of 2014. Upon completion of these projects, capital expenditures are expected to decline significantly, while depreciation and depletion expense will increase.
- Fluctuations in natural gas prices have impacted operating expenses.

Capital Expenditures

($ millions)	Three Months Ended March 31 2015	2014
Major Projects		
Centrifuge Tailings Management	**$ 12**	$ 73
Mildred Lake Mine Train Replacement	**3**	88
Capital expenditures on major projects	**$ 15**	$ 161
Regular maintenance		
Capitalized turnaround costs	**$ 9**	$ 3
Other	**37**	29
Capital expenditures on regular maintenance	**$ 46**	$ 32
Capitalized interest	**$ 12**	$ 24
Total capital expenditures	**$ 73**	$ 217

Capital expenditures decreased by $144 million in the first quarter of 2015 from the comparative 2014 period, mainly reflecting the completion of the Mildred Lake Mine Train Replacement project in the fourth quarter of 2014 and slower spending on the Centrifuge Tailings Management project, which is nearing completion.

More information on the Centrifuge Tailings Management project is provided in the “Outlook” section of this MD&A.

Contractual Obligations and Commitments

The following table outlines the significant contractual obligations and commitments that were assumed as part of the normal course of operations and were known as of April 30, 2015. These obligations and commitments represent future cash payments that the Corporation is required to make under existing contractual agreements that it has entered into either directly, or as a 36.74 percent owner in Syncrude. The principal payments and accrued interest due on long-term debt, the asset retirement obligation and the pension plan solvency deficiency payments are recognized as liabilities in the Corporation's consolidated financial statements. The other contractual obligations and commitments are not recognized as liabilities.

		Cash Outflow By Period			
($ millions)	Total	2015	2016 to 2017	2018 to 2019	After 2019
Long-term debt[1]	$ 3,165	$ 96	$ 255	$ 858	$ 1,956
Asset retirement obligations[2]	2,375	18	35	73	2,249
Pipeline and storage[3]	2,307	53	136	134	1,984
Other obligations[4]	359	140	125	31	63
	$ 8,206	$ 307	$ 551	$ 1,096	$ 6,252

[1] Reflects principal and interest payments on Senior Notes and excludes $385 million drawn on our credit facilities.
[2] Reflects Canadian Oil Sands' 36.74 percent share of the undiscounted estimated future expenditures required to settle Syncrude's obligation to reclaim and close each of its mine sites and decommission its utilities plants, bitumen extraction plants, and upgrading complex.
[3] Reflects Canadian Oil Sands' take-or-pay commitments for the transportation and storage of crude oil, primarily on proposed pipelines that are still subject to regulatory approval.
[4] Primarily reflects Canadian Oil Sands' 36.74 percent share of payments required to fund Syncrude Canada's registered pension plan solvency deficiency, Syncrude's commitments for purchasing tires, employee housing and capital expenditures.

The total contractual obligations and commitments have increased approximately $200 million in the first quarter of 2015 due to the revaluation of U.S. dollar denominated long-term debt payments using current exchange rates.

Dividends

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 amounts are established with the intent of absorbing short-term market volatility over several quarters, while maintaining a strong balance sheet to reduce exposure to potential oil price declines, cost increases or major operational upsets. The Corporation paid dividends to shareholders totaling $24 million, or $0.05 per Share, in the first quarter of 2015.

The quarterly dividend of $0.05 per Share was declared by the Corporation on April 30, 2015, for a total dividend of approximately $24 million. The dividend will be paid on May 29, 2015 to shareholders of record on May 22, 2015.

Liquidity and Capital Resources

As at *($ millions, except % amounts)*	**March 31 2015**	December 31 2014
Long-term debt[1]	**$ 2,298**	$ 1,889
Cash and cash equivalents[1]	**(120)**	(33)
Net debt[2,3]	**$ 2,178**	$ 1,856
Shareholders' equity[1]	**$ 4,333**	$ 4,497
Total net capitalization[2,4]	**$ 6,511**	$ 6,353
Total capitalization[2,5]	**$ 6,631**	$ 6,386
Net debt-to-total net capitalization[2,6] (%)	**33**	29
Long-term debt-to-total capitalization[2,7] (%)	**35**	30

[1] *As reported in the Consolidated Balance Sheets.*
[2] *Additional GAAP financial measure.*
[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 rose to $2,178 million at March 31, 2015, as capital expenditures, dividends and payments to settle working capital obligations exceeded cash flow from operations in the first quarter of 2015. In addition, a weakening Canadian dollar from December 31, 2014 to March 31, 2015 increased the Canadian dollar equivalent value of long-term debt. As a result, net debt-to-total net capitalization increased to 33 percent at March 31, 2015 from 29 percent at December 31, 2014.

Shareholders' equity decreased to $4,333 million at March 31, 2015 from $4,497 million at December 31, 2014, as the Corporation incurred a comprehensive loss and paid dividends in the first quarter of 2015.

Canadian Oil Sands has a $1,500 million operating credit facility which expires June 30, 2018 and a $40 million term credit facility which expires June 30, 2016. As at March 31, 2015, $385 million was drawn against these facilities (December 31, 2014 - $140 million).

Canadian Oil Sands' 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 percent. With a long-term debt-to-total capitalization of 35 percent at March 31, 2015, a significant increase in debt or decrease in equity would be required to negatively impact the Corporation's financial flexibility. Our earliest Senior Note maturity is in 2019 and COS has about $1.1 billion available under credit facilities that expire in 2018. With the cost and dividend reductions announced to date, COS has sufficient liquidity and balance sheet strength in the current environment.

Shareholders’ Capital and Trading Activity

The Corporation’s shares trade on the Toronto Stock Exchange under the symbol COS. On March 31, 2015, the Corporation had a market capitalization of approximately $4.8 billion with 484.6 million shares outstanding and a closing price of $9.85 per Share. The following table summarizes the trading activity for the first quarter of 2015.

	First Quarter 2015	January 2015	February 2015	March 2015
Share price				
High	$ 12.31	$ 10.55	$ 12.31	$ 11.26
Low	$ 6.01	$ 6.01	$ 8.62	$ 8.58
Close	$ 9.85	$ 7.85	$ 11.21	$ 9.85
Volume of Shares traded (millions)	307.4	117.5	112.2	77.7
Weighted average Shares outstanding (millions)	484.6	484.6	484.6	484.6

2015 Outlook

(millions of Canadian dollars, except volume and per barrel amounts)		As of April 30, 2015		As of January 29, 2015
Operating assumptions				
Syncrude production (mmbbls)		**103**		103
Canadian Oil Sands sales (mmbbls)		**37.8**		37.8
Sales, net of crude oil purchases and transportation	**$**	**2,387**	$	2,387
Realized SCO selling price ($/bbl)	**$**	**63.08**	$	63.08
Operating expenses	**$**	**1,494**	$	1,521
Operating expenses per barrel	**$**	**39.48**	$	40.19
Development expenses	**$**	**144**	$	151
Crown royalties	**$**	**145**	$	119
Current taxes	**$**	**55**	$	65
Cash flow from operations[1, 2]	**$**	**407**	$	368
Capital expenditure assumptions				
Major projects	**$**	**89**	$	104
Regular maintenance	**$**	**299**	$	315
Capitalized interest	**$**	**41**	$	32
Total capital expenditures	**$**	**429**	$	451
Business environment assumptions				
Sales weighted average WTI crude oil (USD/bbl)	**$**	**55.00**	$	55.00
Sales weighted average premium/discount to CAD WTI ($/bbl)	**$**	**(4.00)**	$	(4.00)
Sales weighted average foreign exchange rate (CAD:USD)	**$**	**0.82**	$	0.82
Sales weighted average AECO natural gas (CAD/GJ)	**$**	**3.00**	$	3.00

[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.*
[2] *Estimated 2015 cash flow from operations in this Outlook excludes $66 million of Crown royalties which were expensed in prior years and will be paid in the first quarter of 2016.*

We have increased estimated 2015 cash flow from operations and decreased estimated 2015 capital expenditures, mainly reflecting progress on cost reduction initiatives. With progress on these initiatives proceeding better than expected, COS is raising its estimate for 2015 cost savings to the midpoint of the targeted range of $260 million to $400 million (net to COS).

The Centrifuge Tailings Management project is now 99 percent complete, with final completion expected in 2015. With the project costs trending below the original budget, we have reduced our cost estimate for the project from $1.9 billion to $1.8 billion (gross to Syncrude) with an estimated cost accuracy of plus or minus two percent.

Based on the assumptions in our Outlook, net debt is forecast to peak during the second quarter, with lower sales volumes and cash flows due to the turnaround, before returning to current levels by year end.

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, 2015)

		Cash Flow from Operations Increase[3]	
Variable	**Annual Sensitivity**	**$ millions[1,2]**	**$ / Share[1,2]**
WTI crude oil price increase	USD $1.00/bbl	$ 29	$ 0.06
Syncrude production increase	1 million bbls	$ 14	$ 0.03
Canadian dollar weakening	$0.01 CAD:USD	$ 19	$ 0.04
Syncrude operating expense decrease	$1.00/bbl	$ 23	$ 0.05
Syncrude operating expense decrease	$100 million	$ 22	$ 0.05
AECO natural gas price decrease	$0.50/GJ	$ 12	$ 0.02

[1] These sensitivities are after the impact of taxes.
[2] These sensitivities assume Canadian Oil Sands pays Crown royalties based on 25 percent of net deemed bitumen revenues.
[3] An opposite change in each of these variables will result in the opposite cash flow from operations impact.

The 2015 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.

Consolidated Statements of Income and Comprehensive Income
(unaudited)

(millions of Canadian dollars, except per Share and Share volume amounts)	Three Months Ended March 31 2015	2014
Sales	**$ 657**	$ 1,114
Crown royalties	**(23)**	(58)
Revenues	**$ 634**	$ 1,056
Expenses		
Operating	**$ 345**	$ 445
Development	**32**	32
Crude oil purchases and transportation	**117**	119
Administration	**6**	10
Insurance	**3**	6
Depreciation and depletion	**127**	129
	$ 630	$ 741
Earnings from operating activities	**$ 4**	$ 315
Foreign exchange loss (Note 9)	**159**	54
Net finance expense (Note 10)	**33**	14
Earnings (loss) before taxes	**$ (188)**	$ 247
Tax expense (recovery) (Note 11)	**(2)**	75
Net income (loss)	**$ (186)**	$ 172
Other comprehensive income (loss), net of taxes		
Items not reclassified to net income:		
Re-measurements of employee future benefit plans (Note 6)	**46**	24
Items reclassified to net income:		
Derivative gains	**(1)**	(1)
Comprehensive income (loss)	**$ (141)**	$ 195
Weighted average Shares (millions)	**485**	485
Shares, end of period (millions)	**485**	485
Net income (loss) per Share		
Basic and diluted	**$ (0.38)**	$ 0.35

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(unaudited)

(millions of Canadian dollars)	Three Months Ended March 31 2015	2014
Retained earnings		
Balance, beginning of period	**$ 1,805**	$ 2,040
Net income (loss)	**(186)**	172
Re-measurements of employee future benefit plans	**46**	24
Dividends	**(24)**	(170)
Balance, end of period	**$ 1,641**	$ 2,066
Accumulated other comprehensive income		
Balance, beginning of period	**$ 3**	$ 6
Reclassification of derivative gains to net income	**(1)**	(1)
Balance, end of period	**$ 2**	$ 5
Shareholders' capital		
Balance, beginning of period	**$ 2,675**	$ 2,674
Issuance of shares	**—**	1
Balance, end of period	**$ 2,675**	$ 2,675
Contributed surplus		
Balance, beginning of period	**$ 14**	$ 12
Share-based compensation	**1**	1
Balance, end of period	**15**	13
Total Shareholders' equity	**$ 4,333**	$ 4,759

See Notes to Unaudited Consolidated Financial Statements

Consolidated Balance Sheets
(unaudited)

As at *(millions of Canadian dollars)*		March 31 2015		December 31 2014
Assets				
Current assets				
Cash and cash equivalents	**$**	**120**	$	33
Accounts receivable		**227**		185
Inventories		**163**		188
Current taxes		**22**		17
Prepaid expenses		**5**		9
	$	**537**	$	432
Property, plant and equipment, net (Note 4)		**9,389**		9,441
Exploration and evaluation		**54**		54
Reclamation trust		**90**		87
	$	**10,070**	$	10,014
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	**$**	**419**	$	487
Current portion of employee future benefits (Note 6)		**20**		20
	$	**439**	$	507
Long-term debt		**2,298**		1,889
Deferred taxes		**1,529**		1,527
Employee future benefits (Note 6)		**262**		318
Asset retirement obligation (Note 7)		**1,204**		1,201
Other liabilities (Note 8)		**5**		75
	$	**5,737**	$	5,517
Shareholders' equity		**4,333**		4,497
	$	**10,070**	$	10,014

Commitments (Note 14)

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Cash Flows
(unaudited)

(millions of Canadian dollars)	Three Months Ended March 31 2015	2014
Cash from (used in) operating activities		
Net income (loss)	**$ (186)**	$ 172
Adjustments to reconcile net income (loss) to cash flow from operations:		
Depreciation and depletion	**127**	129
Accretion of asset retirement obligation (Note 7)	**7**	7
Foreign exchange loss on long-term debt (Note 9)	**163**	63
Deferred taxes (Note 11)	**(13)**	15
Share-based compensation	**(3)**	4
Reclamation expenditures (Note 7)	**(6)**	(17)
Change in employee future benefits and other	**(13)**	(16)
Cash flow from operations	**$ 76**	$ 357
Change in non-cash working capital (Note 15)	**(119)**	(479)
Cash used in operating activities	**$ (43)**	$ (122)
Cash from (used in) financing activities		
Drawdown of bank credit facilities	**$ 245**	$ —
Issuance of shares	**—**	1
Dividends	**(24)**	(170)
Cash from (used in) financing activities	**$ 221**	$ (169)
Cash from (used in) investing activities		
Capital expenditures (Note 4)	**$ (73)**	$ (217)
Reclamation trust funding	**(3)**	(3)
Change in non-cash working capital (Note 15)	**(15)**	(3)
Cash used in investing activities	**$ (91)**	$ (223)
Increase (decrease) in cash and cash equivalents	**$ 87**	$ (514)
Cash and cash equivalents, beginning of period	**33**	806
Cash and cash equivalents, end of period	**$ 120**	$ 292
Cash and cash equivalents consist of:		
Cash	**$ 89**	$ 170
Short-term investments	**31**	122
	$ 120	$ 292

Supplementary Information (Note 15)

See Notes to Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements
For the Three Months Ended March 31, 2015

(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") is incorporated under the laws of the Province of Alberta, Canada. The Corporation indirectly owns a 36.74 percent 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 jointly controlled by seven owners and each owner takes its proportionate share of production in kind, and funds its share of Syncrude's operating, development and capital costs on a daily basis. The Corporation also indirectly owns 36.74 percent 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: 2000 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 Part 1 of the Chartered Professional Accountants of Canada Handbook.

Certain disclosures that are normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or omitted as permitted by International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* 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, 2014.

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, 2014 except as follows:

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

4) Property, Plant and Equipment, Net

($ millions)	Upgrading and Extracting	Mining Equipment	Vehicles and Equipment	Buildings	Asset Retirement Costs	Major Turnaround Costs	Construction in Progress	Mine Development	Total
	Three months ended March 31, 2015								
Cost									
Opening balance	$ 5,642	$ 3,365	$ 692	$ 365	$ 1,164	$ 202	$ 797	$ 629	$ 12,856
Additions	—	—	—	—	—	9	64	—	73
Change in asset retirement costs	—	—	—	—	2	—	—	—	2
Retirements	—	(5)	(18)	(1)	—	—	—	—	(24)
Reclassifications[1]	1	(1)	—	—	—	—	—	—	—
Ending balance	$ 5,643	$ 3,359	$ 674	$ 364	$ 1,166	$ 211	$ 861	$ 629	$ 12,907
Accumulated depreciation									
Opening balance	$ 1,796	$ 619	$ 374	$ 124	$ 262	$ 110	$ —	$ 130	$ 3,415
Depreciation	51	29	13	3	8	13	—	10	127
Retirements	—	(5)	(18)	(1)	—	—	—	—	(24)
Ending balance	$ 1,847	$ 643	$ 369	$ 126	$ 270	$ 123	$ —	$ 140	$ 3,518
Net book value at March 31, 2015	**$ 3,796**	**$ 2,716**	**$ 305**	**$ 238**	**$ 896**	**$ 88**	**$ 861**	**$ 489**	**$ 9,389**

[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, 2015, interest costs of $12 million were capitalized and included in property, plant and equipment (three months ended March 31, 2014 – $24 million) based on an interest capitalization rate of 6.6 percent for the three months ended March 31, 2015 (6.6 percent for the three months ended March 31, 2014).

5) Accounts Payable and Accrued Liabilities

As at ($ millions)	**March 31 2015**	**December 31 2014**
Trade payables	**$ 276**	$ 378
Crown royalties	**78**	132
Current portion of asset retirement obligation	**18**	18
Interest payable	**47**	25
	$ 419	$ 553
Less non-current portion of Crown royalties	**—**	(66)
Accounts payable and accrued liabilities	**$ 419**	$ 487

6) Employee Future Benefits

The Corporation's 36.74 percent share of Syncrude Canada's obligation for pension and other post-employment benefits in excess of the fair value of the assets held in the benefit plans (the "accrued benefit liability") is as follows:

($ millions)	Three Months Ended March 31 2015	Year Ended December 31 2014
Accrued benefit liability, beginning of period	**$ 338**	$ 308
Current service cost[1]	**12**	42
Interest expense[2]	**4**	14
Contributions	**(11)**	(48)
Re-measurement (gains) losses:[3]		
Return on plan assets (excluding amounts included in net finance expense)[4]	**(61)**	(76)
Decrease in discount rate	**—**	100
Other	**—**	(2)
Accrued benefit liability, end of period	**$ 282**	$ 338
Less current portion	**(20)**	(20)
Non-current portion	**$ 262**	$ 318

[1] Current service cost is recognized in net income as operating expense.
[2] Interest expense is net of estimated return on plan assets and is recognized in net income as net finance expense.
[3] Re-measurement (gains) losses are recognized, net of taxes, in other comprehensive income (loss).
[4] Interest earned on plan assets is included in net finance expense, which is based on a prescribed four percent annualized rate.

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 on disturbed mines and existing facilities will be made progressively over the next 70 years and has applied a risk-free interest rate of 2.25 percent at March 31, 2015 (December 31, 2014 – 2.25 percent) in deriving the asset retirement obligation.

($ millions)	Three Months Ended March 31 2015	Year Ended December 31 2014
Asset retirement obligation, beginning of period	**$ 1,219**	$ 896
Decrease in risk-free interest rate	**—**	224
Reclamation expenditures	**(6)**	(18)
Increase in estimated reclamation and closure expenditures	**2**	89
Accretion expense	**7**	28
Asset retirement obligation, end of period	**$ 1,222**	$ 1,219
Less current portion	**(18)**	(18)
Non-current portion	**$ 1,204**	$ 1,201

8) Other Liabilities

As at ($ millions)	March 31 2015	December 31 2014
Non-current portion of Crown royalties[1]	$ —	$ 66
Other	5	9
Other liabilities	$ 5	$ 75

[1] *Transition royalties due under Syncrude's Royalty Amending Agreement.*

9) Foreign Exchange

	Three Months Ended March 31	
($ millions)	2015	2014
Foreign exchange loss – long-term debt	$ 163	$ 63
Foreign exchange gain – other	(4)	(9)
Total foreign exchange loss	$ 159	$ 54

10) Net Finance Expense

	Three Months Ended March 31	
($ millions)	2015	2014
Interest costs on long-term debt	$ 34	$ 30
Less capitalized interest on long-term debt	(12)	(24)
Interest expense on long-term debt	$ 22	$ 6
Interest expense on employee future benefits	4	3
Accretion of asset retirement obligation	7	7
Interest income	—	(2)
Net finance expense	$ 33	$ 14

11) Tax Expense (Recovery)

($ millions)	Three Months Ended March 31 2015	2014
Current tax expense	$ 11	$ 60
Deferred tax expense (recovery)	(13)	15
Total tax expense (recovery)	$ (2)	$ 75

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, 2015 and December 31, 2014 was as follows:

As at *($ millions, except % amounts)*	March 31 2015	December 31 2014
Long-term debt[1]	$ 2,298	$ 1,889
Cash and cash equivalents[1]	(120)	(33)
Net debt[2,3]	$ 2,178	$ 1,856
Shareholders' equity[1]	$ 4,333	$ 4,497
Total net capitalization[2,4]	$ 6,511	$ 6,353
Total capitalization[2,5]	$ 6,631	$ 6,386
Net debt-to-total net capitalization[2,6] (%)	33	29
Long-term debt-to-total capitalization[2,7] (%)	35	30

[1] *As reported in the Consolidated Balance Sheets.*
[2] *Additional GAAP financial measure.*
[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 rose to $2,178 million at March 31, 2015, as capital expenditures, dividends and payments to settle working capital obligations exceeded cash flow from operations in the first quarter of 2015. In addition, a weakening Canadian dollar from December 31, 2014 to March 31, 2015 increased the Canadian dollar equivalent value of long-term debt. As a result, net debt-to-total net capitalization increased to 33 percent at March 31, 2015 from 29 percent at December 31, 2014.

Shareholders' equity decreased to $4,333 million at March 31, 2015 from $4,497 million at December 31, 2014, as the Corporation incurred a comprehensive loss and paid dividends in the first quarter of 2015.

Canadian Oil Sands has a $1,500 million operating credit facility which expires June 30, 2018 and a $40 million term credit facility which expires June 30, 2016. As at March 31, 2015, $385 million was drawn against these facilities (December 31, 2014 - $140 million).

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 percent. Our earliest Senior Note maturity is in 2019 and the Corporation has about $1.1 billion available under credit facilities that expire in 2018. With a long-term debt-to-total capitalization of 35 percent at March 31, 2015, 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 long-term debt. The nature, the Corporation's use of, and the risks associated with these instruments are unchanged from December 31, 2014.

Offsetting Financial Assets and Financial Liabilities
The carrying values of accounts receivable and accounts payable and accrued liabilities have each been reduced by $37 million ($52 million at December 31, 2014) as a result of netting agreements with counterparties.

Fair Values
The fair values of cash and cash equivalents, accounts receivable, reclamation trust investments, accounts payable and accrued liabilities, and amounts drawn on the credit facility recorded as long-term debt approximate their carrying values due to the short-term nature of those instruments. The following fair values of long-term debt are based on Level 2 inputs to fair value measurement, which represent indicative bids or spreads for a round lot transaction within the relevant market:

As at *($ millions)*		**March 31 2015**		**December 31 2014**
7.75% Senior Notes due May 15, 2019 (U.S. $500 million)	**$**	**690**	$	626
7.9% Senior Notes due September 1, 2021 (U.S. $250 million)		**349**		314
4.5% Senior Notes due April 1, 2022 (U.S. $400 million)		**468**		433
8.2% Senior Notes due April 1, 2027 (U.S. $73.95 million)		**104**		96
6.0% Senior Notes due April 1, 2042 (U.S. $300 million)		**343**		313
	$	**1,954**	$	1,782

14) Commitments

Canadian Oil Sands is obligated to make future cash payments under contractual agreements that it has entered into either directly, or as a 36.74 percent owner in Syncrude. Cash from operating activities, existing cash balances and credit facilities, if required, are expected to be sufficient to fund the contractual obligations and commitments as they become due. The following table outlines the significant commitments that the Corporation will be required to fund which are not recorded as liabilities.

	Cash Outflow By Period								
($ millions)		Total		2015		2016 to 2017		2018 to 2019	After 2019
Pipeline and storage[1]	$	2,307	$	53	$	136	$	134	$ 1,984
Other obligations[2]		295		129		95		25	46
	$	2,602	$	182	$	231	$	159	$ 2,030

[1] *Reflects Canadian Oil Sands' take-or-pay commitments for the transportation and storage of crude oil, primarily on proposed pipelines.*
[2] *Primarily reflects Canadian Oil Sands' 36.74 percent share of Syncrude's commitments for purchasing tires, employee housing and capital expenditures.*

15) Supplementary Information

a) Change in Non-Cash Working Capital

($ millions)	Three Months Ended March 31 2015	2014
Operating activities:		
Accounts receivable	**$ (42)**	$ (36)
Inventories	**25**	(10)
Prepaid expenses	**4**	3
Accounts payable and accrued liabilities (“AP”)	**(68)**	(142)
Current taxes	**(5)**	(277)
Other	**(48)**	(20)
AP changes reclassified to investing activities	**15**	3
Change in operating non-cash working capital	**$ (119)**	$ (479)
Investing activities:		
Accounts payable and accrued liabilities	**$ (15)**	$ (3)
Change in investing non-cash working capital	**$ (15)**	$ (3)
Change in total non-cash working capital	**$ (134)**	$ (482)

b) Income Taxes and Interest Paid

($ millions)	Three Months Ended March 31 2015	2014
Income taxes paid	**$ 16**	$ 338
Interest paid	**$ 13**	$ 35

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 2015	2014
Cash flow from operations per Share, basic and diluted	**$ 0.16**	$ 0.74

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.

Canadian Oil Sands Limited
Ryan Kubik
President & Chief Executive Officer

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