Canadian Oil Sands

Q2

SECOND QUARTER REPORT

July 30, 2015

TSX: COS

Canadian Oil Sands' Second Quarter Results Reflect Continued Progress on Syncrude's Cost Reduction Efforts

All financial figures are unaudited, have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars, unless otherwise noted.

Canadian Oil Sands Limited ("COS") reported cash flow from operations in the second quarter of $70 million, or $0.14 per Share, reflecting the impact of planned turnaround work at Syncrude, stronger than expected Synthetic Crude Oil ("SCO") prices and continued progress on cost reductions.

"Syncrude is on track to achieve targeted cost savings with year-to-date operating expenses down about 17 percent from last year," said Ryan Kubik, President and Chief Executive Officer. "Our production target is also on track with Syncrude resuming normal operations following completion of the planned turnaround at the end of May."

Highlights for the three months ended June 30, 2015:

- Sales volumes averaged about 77,088 barrels per day relative to the 77,064 barrels per day recorded in the second quarter of 2014. Both quarters reflected the impact of turnaround activity.
- Operating expenses per barrel are down $7.01 to $52.63 compared with the same 2014 period. The decrease reflects lower purchased energy costs and other reductions, including lower workforce expenses.
- COS realized a SCO selling price of $74.47 per barrel compared with $112.04 per barrel in the same 2014 quarter. During the second quarter of 2015, our SCO traded at a $2.49 per barrel premium to West Texas Intermediate.
- Capital expenditures are down 52 percent to $155 million compared with the 2014 second quarter, reflecting completion of Syncrude's major projects and cost reductions. The Centrifuge Tailings Management project is now mechanically complete and in commissioning.
- Cash flow from operations was $70 million ($0.14 per Share) compared with $240 million ($0.50 per Share) in the same quarter of 2014, reflecting a lower realized SCO selling price.
- COS reported a net loss of $128 million ($0.26 per Share) for the quarter, reflecting the decline in the SCO realized selling price and additional deferred tax expense from the increase in the Alberta corporate tax rate to 12 percent from 10 percent.
- COS declared a quarterly dividend of $0.05 per Share, payable on August 31, 2015 to shareholders of record on August 24, 2015.

Said Mr. Kubik: "We expect cash flow from operations to cover capital expenditures in 2015. Going forward, low sustaining capital over the next several years and a continued drive to reduce costs will demonstrate the resilience of the Syncrude operation in a lower crude oil price environment."

"We are confident in COS' financial position. Net debt is expected to decline through the balance of the year, now that the major maintenance is behind us, and we have no maturities due until 2019. Our credit facility provides us with sufficient liquidity to weather this period of low oil prices."

	Three Months Ended June 30				Six Months Ended June 30			
		2015		2014		**2015**		2014
Cash flow from operations[1] ($ millions)	**$**	**70**	$	240	**$**	**146**	$	597
Per Share[1] ($/Share)	**$**	**0.14**	$	0.50	**$**	**0.30**	$	1.23
Net income (loss) ($ millions)	**$**	**(128)**	$	176	**$**	**(314)**	$	348
Per Share, Basic and Diluted ($/Share)	**$**	**(0.26)**	$	0.36	**$**	**(0.65)**	$	0.72
Sales volumes[2]								
Total (mmbbls)		**7.0**		7.0		**16.7**		16.5
Daily average (bbls)		**77,088**		77,064		**92,113**		91,095
Realized SCO selling price ($/bbl)	**$**	**74.47**	$	112.04	**$**	**63.74**	$	108.40
West Texas Intermediate (“WTI”) (average $US/bbl)	**$**	**57.95**	$	102.99	**$**	**53.34**	$	100.84
SCO premium (discount) to WTI (weighted average $/bbl)	**$**	**2.49**	$	(0.37)	**$**	**(1.47)**	$	(1.85)
Average foreign exchange rate ($US/$Cdn)	**$**	**0.81**	$	0.92	**$**	**0.81**	$	0.91
Operating expenses ($ millions)	**$**	**369**	$	418	**$**	**714**	$	863
Per barrel ($/bbl)	**$**	**52.63**	$	59.64	**$**	**42.83**	$	52.33
Capital expenditures ($ millions)	**$**	**155**	$	321	**$**	**228**	$	538
Dividends ($ millions)	**$**	**24**	$	169	**$**	**48**	$	339
Per Share ($/Share)	**$**	**0.05**	$	0.35	**$**	**0.10**	$	0.70

[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 second quarter of 2015, Syncrude produced 18.9 million barrels, or 207,700 barrels per day, compared with 18.5 million barrels, or 202,500 barrels per day, in the second quarter of 2014. During the quarter, Syncrude completed a planned turnaround of Coker 8-3 and the Vacuum Distillation Unit, while a planned turnaround of Coker 8-2 and an unplanned outage of Coker 8-1 impacted second quarter 2014 production. During the 2015 turnaround, design improvements in two of Syncrude's CO boilers and modifications to the Flue Gas Desulphurizer were also made, as part of Syncrude's continued efforts under its reliability plans.

On a year-to-date basis, Syncrude produced 45.3 million barrels, or 250,400 barrels per day, in 2015 compared with 44.8 million barrels, or 247,200 barrels per day in 2014.

Syncrude won the Emerald Award for Large Business in June 2015 for its groundbreaking work on the Sandhill Fen Watershed Research Project. The Emerald Awards recognize outstanding environmental initiatives in Alberta. The 17-hectare project is part of a research watershed that covers 57 hectares of sand-capped composite tailings in Syncrude's former East Mine. Syncrude is working with seven universities on different research projects in the fen to study water, wetland and upland plants, the weather and the soil.

In June 2015, the Alberta government revised the terms of the Specified Gas Emitters Regulation (SGER). Under SGER, a facility that emits 100,000 tonnes or more of greenhouse gases a year is required to reduce their emissions intensity. The new terms will increase the reduction target and the carbon price beginning in 2016 with a further increase in 2017. We expect when the new terms take full effect in 2017, Syncrude's cost under SGER will approximately triple. In 2014, Syncrude paid approximately $0.21 per barrel under SGER.

2015 Outlook

- COS is narrowing its range for annual Syncrude production to 96 to 107 million barrels while maintaining the single-point estimate of 103 million barrels. No major maintenance is planned for the remainder of the year.
- Our estimate of cash flow from operations has increased to $474 million, or $0.98 per Share, mainly reflecting a higher assumed SCO selling price.
- We are maintaining a U.S. $55 per barrel WTI crude oil price assumption but have revised the foreign exchange assumption and SCO discount to WTI to $0.80 and $3 per barrel, respectively.
- Our estimate for operating expenses remains about $1.5 billion, or just under $40 per barrel.
- Our estimate for capital expenditures has declined to $422 million, net to COS.

(millions of Canadian dollars, except volume and per barrel amounts)		**As of July 30, 2015**		**As of April 30, 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	**$**	**2,488**	$	2,387
Realized SCO selling price ($/bbl)	**$**	**65.75**	$	63.08
Operating expenses	**$**	**1,497**	$	1,494
Operating expenses per barrel	**$**	**39.56**	$	39.48
Development expenses	**$**	**138**	$	144
Crown royalties	**$**	**176**	$	145
Current taxes	**$**	**30**	$	55
Cash flow from operations[1, 2]	**$**	**474**	$	407
Capital expenditure assumptions				
Major projects	**$**	**87**	$	89
Regular maintenance	**$**	**294**	$	299
Capitalized interest	**$**	**41**	$	41
Total capital expenditures	**$**	**422**	$	429
Business environment assumptions				
Sales weighted average WTI crude oil (USD/bbl)	**$**	**55.00**	$	55.00
Sales weighted average premium/discount to CAD WTI ($/bbl)	**$**	**(3.00)**	$	(4.00)
Sales weighted average foreign exchange rate (CAD:USD)	**$**	**0.80**	$	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 $37 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 July 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 estimated impact of the changes to the Specified Gas Emitters Regulation; all expectations regarding dividends; all expectations regarding net debt; all expectations regarding the Corporation's liquidity; the expectation that cash flow from operations will cover capital expenditures in 2015; the view on sustaining capital over the next several years; the status of the Centrifuge plant at the Mildred Lake Mine; the 2015 annual Syncrude production range of 96 million barrels to 107 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 July 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 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 other legislative 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 legislative and 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; 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 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 July 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 Second Quarter MD&A which is available on the Corporation's website at ***www.cdnoilsands.com****.*

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of July 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 and six months ended June 30, 2015 and June 30, 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

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 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 include, but are not limited to, statements with respect to: the 2015 annual Syncrude production range of 96 million barrels to 107 million barrels and the Corporation's 2015 assumption of 103 million barrels (37.8 million barrels net to the Corporation); 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 will 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 status of the centrifuge plant at the Mildred Lake mine; the estimated 2015 regular maintenance, capitalized interest and major project spending and the belief that the Corporation has sufficient liquidity and balance sheet strength in the current environment.

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 July 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 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 other legislative 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 legislative and 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; 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 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**.*

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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 June 30		Six Months Ended June 30	
($ millions)	**2015**	2014	**2015**	2014
Cash flow from operations[1]	**$ 70**	$ 240	**$ 146**	$ 597
Change in non-cash working capital[1]	**(101)**	30	**(220)**	(449)
Cash from (used in) operating activities[1]	**$ (31)**	$ 270	**$ (74)**	$ 148

[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 and six months ended June 30, 2015.

Overview

Canadian Oil Sands generated $70 million of cash flow from operations, or $0.14 per Share, during the second quarter of 2015. Sales volumes of seven million barrels were slightly lower than expected and reflect the scheduled turnaround of Coker 8-3 and the Vacuum Distillation Unit. The impact of lower sales volumes was offset by a higher than anticipated realized SCO selling price and continued progress on cost reductions.

The $74 per barrel second quarter 2015 realized SCO selling price was higher than forecast, reflecting a U.S. $58 per barrel WTI oil price, an $0.81 $US/$Cdn foreign exchange rate, and a $2.49 SCO premium to WTI. The second quarter 2015 realized SCO selling price was, however, 34 percent lower than the $112 per barrel realized in the same quarter of 2014.

Operating expenses in the second quarter of 2015 were $369 million, or $52.63 per barrel, a $7.01 per barrel decrease from the same quarter of 2014, reflecting progress on Syncrude's cost reduction efforts as well as lower natural gas prices. Second quarter capital expenditures also declined, as expected, to $155 million with the completion of the major capital projects program and progress on cost reductions.

COS recorded a $128 million loss in the quarter, mainly reflecting a $120 million deferred tax expense recorded on enactment of the Alberta corporate tax rate increase from 10 percent to 12 percent. The tax rate increase results in a new combined federal and provincial tax rate of 27 percent effective in 2016.

On a year-to-date basis, cash flow from operations fell to $146 million in 2015 from $597 million in 2014. Operating expenses per barrel declined 18 percent to $42.83 per barrel, but those savings were insufficient to offset a $44.66 per barrel decline in the realized SCO selling price relative to the same period in 2014.

With the turnaround activity in the second quarter, net debt rose as expected to $2.4 billion at June 30, 2015, as capital expenditures, dividends and payments to settle working capital obligations were in excess of cash flow from operations. The net debt increase also reflects a $132 million foreign exchange loss in 2015 from a weakening Canadian dollar. Long-term debt-to-total capitalization rose to 37 percent, and based on our revised outlook, is expected to decline slightly in the second half of the year.

We are narrowing our range for Syncrude production to 96 to 107 million barrels while maintaining our single-point estimate of 103 million barrels. We have increased our estimated 2015 realized SCO selling price to approximately $66 per barrel, reflecting a better than expected SCO discount to WTI and a weaker Canadian dollar. Operating costs are estimated at $1,497 million, or $39.56 per barrel, and estimated capital expenditures have decreased to $422 million. Based on these and other assumptions, our estimated 2015 cash flow from operations has increased to $474 million from $407 million.

Highlights

	Three Months Ended June 30		Six Months Ended June 30	
	2015	2014	**2015**	2014
Cash flow from operations[1] ($ millions)	**$ 70**	$ 240	**$ 146**	$ 597
Per Share[1] ($/Share)	**$ 0.14**	$ 0.50	**$ 0.30**	$ 1.23
Net income (loss) ($ millions)	**$ (128)**	$ 176	**$ (314)**	$ 348
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SCO premium (discount) to WTI (weighted average $/bbl)	**$ 2.49**	$ (0.37)	**$ (1.47)**	$ (1.85)
Average foreign exchange rate ($US/$Cdn)	**$ 0.81**	$ 0.92	**$ 0.81**	$ 0.91
Operating expenses ($ millions)	**$ 369**	$ 418	**$ 714**	$ 863
Per barrel ($/bbl)	**$ 52.63**	$ 59.64	**$ 42.83**	$ 52.33
Capital expenditures ($ millions)	**$ 155**	$ 321	**$ 228**	$ 538
Dividends ($ millions)	**$ 24**	$ 169	**$ 48**	$ 339
Per Share ($/Share)	**$ 0.05**	$ 0.35	**$ 0.10**	$ 0.70

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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.

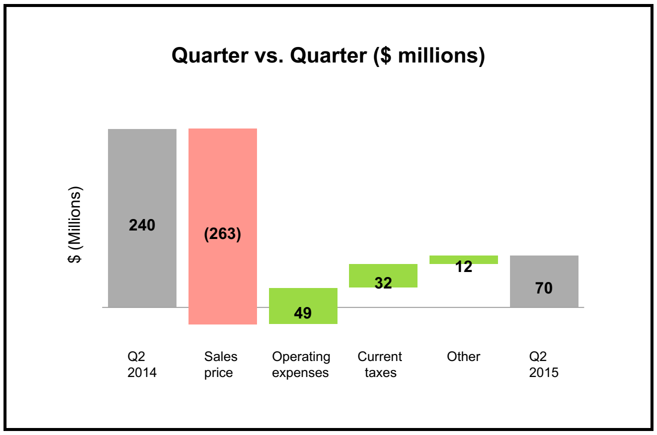
Review of Operations

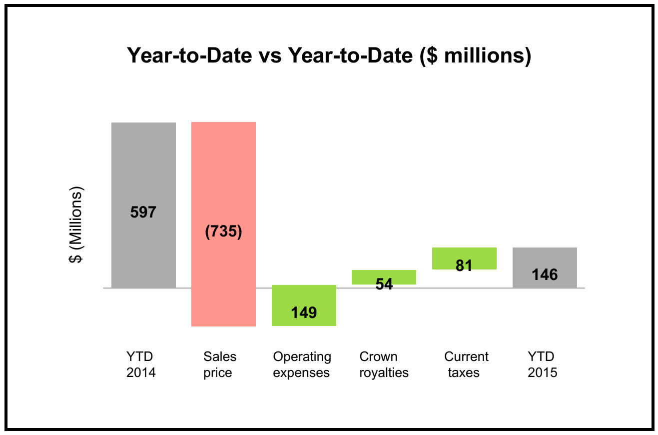
During the second quarter of 2015, Syncrude produced 18.9 million barrels, or 207,700 barrels per day, compared with 18.5 million barrels, or 202,500 barrels per day, in the second quarter of 2014. The second quarter of 2015 reflects the planned turnaround of Coker 8-3 and the Vacuum Distillation Unit, two of Syncrude's largest production units, while the second quarter of 2014 reflects the planned turnaround of Coker 8-2 and an unplanned Coker 8-1 outage.

On a year-to-date basis, Syncrude produced 45.3 million barrels, or 250,400 barrels per day, in 2015 compared with 44.8 million barrels, or 247,200 barrels per day in 2014.

Review of Financial Results

Cash Flow from Operations

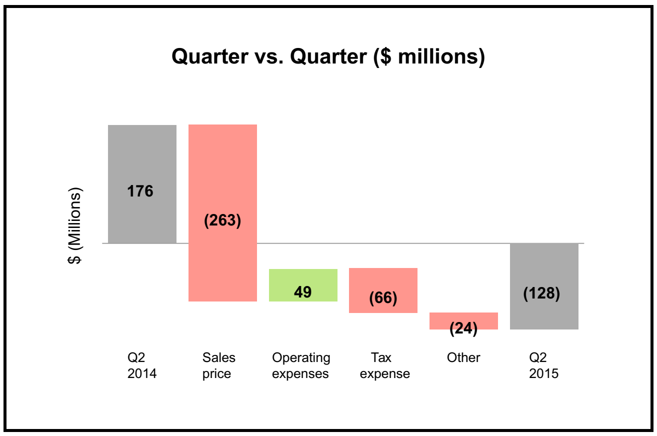


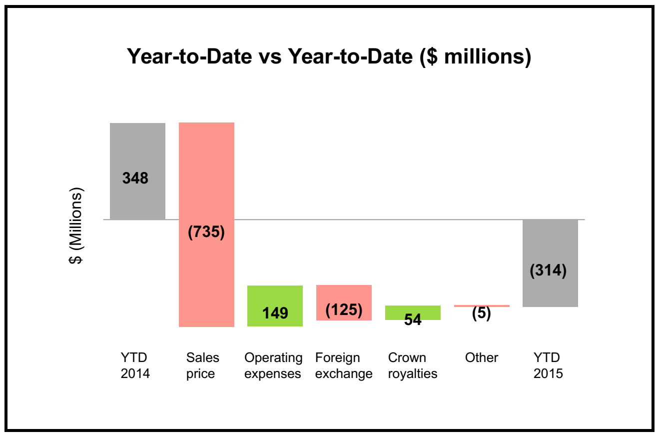


Cash flow from operations decreased to $70 million in the second quarter and $146 million in the first half of 2015 compared with $240 million and $597 million, respectively, in the 2014 periods, as a result of lower realized SCO selling prices, partially offset by lower operating expenses, current taxes and Crown royalties.

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

Net Income (Loss)





COS reported a net loss of $128 million for the second quarter of 2015 compared with $176 million of net income for the second quarter of 2014, mainly as a result of the decline in the realized SCO selling price and additional tax expense due to an increase in the corporate tax rate enacted by the Alberta government in June 2015. The impact of these factors was partially offset by lower operating expenses.

On a year-to-date basis, COS recorded a $314 million net loss in 2015 versus net income of $348 million in 2014. A lower realized SCO selling price and an unrealized foreign exchange loss on long-term debt were partially offset by lower operating expenses and Crown royalties.

The changes in the components of net income are discussed in greater detail later in this MD&A.

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

($ per barrel)[1]	Three Months Ended June 30 2015	2014	Change	Six Months Ended June 30 2015	2014	Change
Sales net of crude oil purchases and transportation expense	**$ 74.54**	$ 112.06	$ (37.52)	**$ 63.76**	$ 108.03	$ (44.27)
Operating expense	**(52.63)**	(59.64)	7.01	**(42.83)**	(52.33)	9.50
Crown royalties	**(3.00)**	(5.78)	2.78	**(2.67)**	(5.98)	3.31
	$ 18.91	$ 46.64	$ (27.73)	**$ 18.26**	$ 49.72	$ (31.46)
Development expense	**$ (3.02)**	$ (4.47)	$ 1.45	**$ (3.22)**	$ (3.86)	$ 0.64
Administration and insurance expenses	**(1.40)**	(1.38)	(0.02)	**(1.07)**	(1.59)	0.52
Depreciation and depletion expense	**(17.79)**	(15.97)	(1.82)	**(15.08)**	(14.59)	(0.49)
Net finance expense	**(4.63)**	(1.63)	(3.00)	**(3.91)**	(1.51)	(2.40)
Foreign exchange gain (loss)	**4.16**	7.11	(2.95)	**(7.80)**	(0.29)	(7.51)
Tax expense	**(14.49)**	(5.06)	(9.43)	**(5.97)**	(6.72)	0.75
	(37.17)	(21.40)	(15.77)	**(37.05)**	(28.56)	(8.49)
Net income (loss) per barrel	**$ (18.26)**	$ 25.24	$ (43.50)	**$ (18.79)**	$ 21.16	$ (39.95)
Sales volumes (mmbbls)[2]	**7.0**	7.0	—	**16.7**	16.5	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 June 30 2015	2014	Change	Six Months Ended June 30 2015	2014	Change
Sales[1]	**$ 609**	$ 941	$ (332)	**$ 1,266**	$ 2,055	$ (789)
Crude oil purchases	**(71)**	(141)	70	**(172)**	(246)	74
Transportation expense	**(15)**	(14)	(1)	**(31)**	(28)	(3)
	$ 523	$ 786	$ (263)	**$ 1,063**	$ 1,781	$ (718)
Sales volumes[2]						
Total (mmbbls)	**7.0**	7.0	—	**16.7**	16.5	0.2
Daily average (bbls)	**77,088**	77,064	24	**92,113**	91,095	1,018
Realized SCO selling price[3] (average $Cdn/bbl)	**$ 74.47**	$ 112.04	$ (37.57)	**$ 63.74**	$ 108.40	$ (44.66)
West Texas Intermediate ("WTI") (average $US/bbl)	**$ 57.95**	$ 102.99	$ (45.04)	**$ 53.34**	$ 100.84	$ (47.50)
SCO premium (discount) to WTI (weighted-average $Cdn/bbl)	**$ 2.49**	$ (0.37)	$ 2.86	**$ (1.47)**	$ (1.85)	$ 0.38
Average foreign exchange rate ($US/$Cdn)	**$ 0.81**	$ 0.92	$ (0.11)	**$ 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 $263 million decrease in second quarter sales, net of crude oil purchases and transportation expense, reflects a $38 per barrel drop in the realized selling price relative to the second quarter of 2014. Similarly, the $718 million decrease in 2015 year-to-date sales, net of crude oil purchases and transportation expense, reflects a $45 per barrel drop in the realized selling price relative to 2014. The decline in the realized selling price in both periods was due to a drop in the WTI oil price by nearly $50 per barrel compared to the 2014 periods, which was only partially offset by a stronger price differential and a weaker Canadian dollar.

Operating Expenses

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

	Three Months Ended June 30				Six Months Ended June 30			
	2015		2014		2015		2014	
	$ millions	$ per bbl	$ millions	$ per bbl	$ millions	$ per bbl	$ millions	$ per bbl
Production and maintenance[1]	**$ 317**	**$ 45.16**	$ 335	$ 47.81	**$ 595**	**$ 35.69**	$ 667	$ 40.47
Natural gas and diesel purchases[2]	**22**	**3.22**	44	6.30	**59**	**3.55**	116	7.00
Syncrude pension and incentive compensation	**20**	**2.80**	28	3.96	**41**	**2.45**	57	3.48
Other[3]	**10**	**1.45**	11	1.57	**19**	**1.14**	23	1.38
Total operating expenses	**$ 369**	**$ 52.63**	$ 418	$ 59.64	**$ 714**	**$ 42.83**	$ 863	$ 52.33

[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.

Continued progress on Syncrude's cost reduction efforts have helped to control operating expenses and, together with lower natural gas prices, resulted in a $49 million, or $7.01 per barrel, decrease in the second quarter of 2015 from the comparative 2014 quarter. The cost reduction efforts target savings in production and maintenance costs and have resulted in changes to Syncrude's workforce costs.

On a year-to-date basis, operating expenses decreased by $149 million, or $9.50 per barrel, mainly due to the following:

- Progress on Syncrude's cost reduction initiatives; and
- Lower natural gas and diesel prices and lower purchased diesel volumes.

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 June 30				Six Months Ended June 30			
	2015		2014		2015		2014	
($ per barrel)	Bitumen	SCO	Bitumen	SCO	Bitumen	SCO	Bitumen	SCO
Bitumen production	**$ 30.40**	**$ 36.68**	$ 32.44	$ 40.52	**$ 25.30**	**$ 30.26**	$ 30.91	$ 37.53
Internal fuel allocation[1]	**2.42**	**2.92**	3.38	4.23	**2.07**	**2.48**	3.22	3.91
Total bitumen production expenses	**$ 32.82**	**$ 39.60**	$ 35.82	$ 44.75	**$ 27.37**	**$ 32.74**	$ 34.13	$ 41.44
Upgrading[2]		**$ 15.95**		$ 19.12		**$ 12.57**		$ 14.80
Less: internal fuel allocation[1]		**(2.92)**		(4.23)		**(2.48)**		(3.91)
Total upgrading expenses		**$ 13.03**		$ 14.89		**$ 10.09**		$ 10.89
Total operating expenses		**$ 52.63**		$ 59.64		**$ 42.83**		$ 52.33
(thousands of barrels per day)								
Syncrude production volumes	**251**	**208**	253	202	**299**	**250**	300	247
Canadian Oil Sands sales volumes		**77**		77		**92**		91

[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 $2.57 per GJ and $2.66 per GJ in the three and six months ended June 30, 2015, respectively, and $4.45 per GJ and $4.98 per GJ in the three and six months ended June 30, 2014, respectively. Diesel prices averaged $0.69 per litre and $0.71 per litre in the three and six months ended June 30, 2015, respectively, and $1.03 per litre and $1.06 per litre in the three and six months ended June 30, 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 $22 million in the second quarter of 2015 from $41 million in the second quarter of 2014. On a year-to-date basis, Crown royalties decreased to $45 million in 2015 from $99 million in 2014. The decreases in both the quarterly and year-to-date Crown royalties reflects lower deemed bitumen prices, partially offset by lower bitumen-related operating and capital expenditures.

Net Finance Expense

($ millions)	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
Interest costs on long-term debt	**$ 36**	$ 29	**$ 70**	$ 59
Less capitalized interest on long-term debt	**(13)**	(28)	**(25)**	(52)
Interest expense on long-term debt	**$ 23**	$ 1	**$ 45**	$ 7
Interest expense on employee future benefits	**3**	4	**7**	7
Accretion of asset retirement obligation	**7**	7	**14**	14
Interest income	**(1)**	(1)	**(1)**	(3)
Net finance expense	**$ 32**	$ 11	**$ 65**	$ 25

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 Train Replacement Project at the end of 2014.

Foreign Exchange

($ millions)	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
Foreign exchange (gain) loss – long-term debt	**$ (31)**	$ (57)	**$ 132**	$ 6
Foreign exchange (gain) loss – other	**2**	8	**(2)**	(1)
Total foreign exchange (gain) loss	**$ (29)**	$ (49)	**$ 130**	$ 5

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.

The $US/$Cdn exchange rate was $0.80 at June 30, 2015 versus $0.79 at March 31, 2015 and $0.86 at December 31, 2014. The change in exchange rates generated a $31 million foreign exchange gain in the second quarter of 2015, partially offsetting a $163 million foreign exchange loss recorded in the first quarter of 2015.

The $US/$Cdn exchange rate was $0.94 at June 30, 2014, $0.90 at March 31, 2014 and $0.94 at December 31, 2013. As a result, a $57 million foreign exchange gain was recorded in the second quarter of 2014, which partially offset a $63 million foreign exchange loss recorded in the first quarter of 2014.

Tax Expense

($ millions)	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
Current tax expense (recovery)	**$ (1)**	$ 31	**$ 10**	$ 91
Deferred tax expense	**103**	5	**90**	20
Total tax expense	**$ 102**	$ 36	**$ 100**	$ 111

In June 2015, the Alberta government enacted an increase to the corporate tax rate from 10 percent to 12 percent effective July 1, 2015. As a result, COS recorded an additional deferred tax expense of $120 million in the second quarter of 2015. The Corporation's combined federal and provincial tax rate will increase to 27 percent beginning in 2016.

Current tax expense decreased in 2015 due to lower taxable income generated by the Corporation's partnership.

Asset Retirement Obligation

($ millions)		Six Months Ended June 30 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		**14**		28
Asset retirement obligation, end of period	**$**	**1,229**	$	1,219
Less current portion		**(18)**		(18)
Non-current portion	**$**	**1,211**	$	1,201

Pension and Other Post-Employment Benefit Plans

($ millions)		Six Months Ended June 30 2015		Year Ended December 31 2014
Accrued benefit liability, beginning of period	**$**	**338**	$	308
Current service cost		**24**		42
Interest expense[1]		**7**		14
Contributions		**(23)**		(48)
Re-measurement (gains) losses:				
Return on plan assets (excluding amounts included in net finance expense)[1]		**(27)**		(76)
Decrease in discount rate		**57**		100
Other		**(1)**		(2)
Accrued benefit liability, end of period	**$**	**375**	$	338
Less current portion		**(19)**		(20)
Non-current portion	**$**	**356**	$	318

[1] *Interest earned on plan assets included in net finance expense in the six months ended June 30, 2015 was $16 million (year ended December 31, 2014 - $34 million).*

The Corporation's obligation for Syncrude Canada Ltd.'s ("Syncrude Canada") accrued benefit liability increased to $375 million at June 30, 2015 from $338 million at December 31, 2014 due to a 25 basis point decrease in the interest rate used to discount the accrued benefit liability, partially offset by higher than expected returns on plan assets.

Summary of Quarterly Results

	2015		2014				2013	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales[1] ($ millions)	**$ 523**	$ 540	$ 809	$ 829	$ 786	$ 995	$ 945	$ 871
Net income (loss) ($ millions)	**$ (128)**	$ (186)	$ 25	$ 87	$ 176	$ 172	$ 192	$ 246
Per Share, Basic & Diluted ($/Share)	**$ (0.26)**	$ (0.38)	$ 0.05	$ 0.18	$ 0.36	$ 0.35	$ 0.40	$ 0.51
Cash flow from operations[2] ($ millions)	**$ 70**	$ 76	$ 207	$ 302	$ 240	$ 357	$ 392	$ 339
Per Share[2] ($/Share)	**$ 0.14**	$ 0.16	$ 0.43	$ 0.62	$ 0.50	$ 0.74	$ 0.81	$ 0.70
Dividends ($ millions)	**$ 24**	$ 24	$ 169	$ 170	$ 169	$ 170	$ 169	$ 170
Per Share ($/Share)	**$ 0.05**	$ 0.05	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.35
Daily average sales volumes[3] (bbls)	**77,088**	107,305	108,139	87,787	77,064	105,283	112,092	84,250
Realized SCO selling price ($/bbl)	**$ 74.47**	$ 55.95	$ 81.32	$ 102.58	$ 112.04	$ 105.73	$ 91.47	$ 112.55
WTI[4] (average $US/bbl)	**$ 57.95**	$ 48.57	$ 73.20	$ 97.25	$ 102.99	$ 98.61	$ 97.61	$ 105.81
SCO premium (discount) to WTI (weighted-average $/bbl)	**$ 2.49**	$ (4.36)	$ (3.23)	$ (3.14)	$ (0.37)	$ (2.93)	$ (10.84)	$ 2.63
Operating expenses[5] ($/bbl)	**$ 52.63**	$ 35.71	$ 44.04	$ 47.73	$ 59.64	$ 46.91	$ 37.60	$ 46.15
Capital expenditures ($ millions)	**$ 155**	$ 73	$ 170	$ 222	$ 321	$ 217	$ 292	$ 413
Purchased natural gas price ($/GJ)	**$ 2.57**	$ 2.72	$ 3.63	$ 3.94	$ 4.45	$ 5.43	$ 3.28	$ 2.59
Foreign exchange rates ($US/$Cdn)								
Average	**$ 0.81**	$ 0.81	$ 0.88	$ 0.92	$ 0.92	$ 0.91	$ 0.95	$ 0.96
Quarter-end	**$ 0.80**	$ 0.79	$ 0.86	$ 0.89	$ 0.94	$ 0.90	$ 0.94	$ 0.97

[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 an $11 per barrel discount to a $3 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. Upon substantial completion of these projects at the end of 2014, capital expenditures are expected to decline significantly, while depreciation and depletion expense will increase.
- Fluctuations in natural gas prices have impacted operating expenses.
- A corporate tax rate increase enacted by the Alberta government reduced net income by $120 million in the second quarter of 2015. The combined federal and provincial corporate tax rate will increase to 27 percent beginning in 2016, increasing tax expense in future years.

Capital Expenditures

($ millions)	Three Months Ended June 30 2015	2014	Six Months Ended June 30 2015	2014
Major Projects				
Centrifuge Tailings Management	**$ 11**	$ 83	**$ 23**	$ 156
Mildred Lake Mine Train Replacement	**5**	100	**8**	188
Capital expenditures on major projects	**$ 16**	$ 183	**$ 31**	$ 344
Regular maintenance				
Capitalized turnaround costs	**$ 79**	$ 66	**$ 88**	$ 69
Other	**47**	44	**84**	73
Capital expenditures on regular maintenance	**$ 126**	$ 110	**$ 172**	$ 142
Capitalized interest	**$ 13**	$ 28	**$ 25**	$ 52
Total capital expenditures	**$ 155**	$ 321	**$ 228**	$ 538

Capital expenditures decreased in the second quarter of 2015 and year-to-date from the comparative 2014 periods, 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 now mechanically complete and in commissioning.

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 July 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]	$ 3,636	$ 63	$ 251	$ 1,399	$ 1,923
Asset retirement obligations[2]	2,375	18	35	73	2,249
Pipeline and storage[3]	2,262	35	133	132	1,962
Other obligations[4]	349	120	136	31	62
	$ 8,622	$ 236	$ 555	$ 1,635	$ 6,196

[1] Reflects principal and interest payments on Senior Notes and includes $555 million drawn on our credit facility.
[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, natural gas, employee housing and capital expenditures.

The total contractual obligations and commitments have increased in the first half of 2015 due to borrowings on the Corporation's credit facility and the revaluation of U.S. dollar denominated long-term debt, partially offset by payments against existing obligations and commitments.

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.

For the six months ended June 30, 2015, the Corporation paid dividends to shareholders totaling $48 million, or $0.10 per Share. A quarterly dividend of $0.05 per Share was declared by the Corporation on July 30, 2015, for a total dividend of approximately $24 million. The dividend will be paid on August 31, 2015 to shareholders of record on August 24, 2015.

Liquidity and Capital Resources

As at *($ millions, except % amounts)*	**June 30 2015**	December 31 2014
Long-term debt[1]	**$ 2,437**	$ 1,889
Cash and cash equivalents[1]	**(86)**	(33)
Net debt[2,3]	**$ 2,351**	$ 1,856
Shareholders' equity[1]	**$ 4,114**	$ 4,497
Total net capitalization[2,4]	**$ 6,465**	$ 6,353
Total capitalization[2,5]	**$ 6,551**	$ 6,386
Net debt-to-total net capitalization[2,6] (%)	**36**	29
Long-term debt-to-total capitalization[2,7] (%)	**37**	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 $2,351 million at June 30, 2015. Capital expenditures, dividends and payments to settle working capital obligations exceeded cash flow from operations in the first half of 2015. In addition, a weakening Canadian dollar from December 31, 2014 to June 30, 2015 increased the Canadian dollar equivalent value of long-term debt. As a result, net debt-to-total net capitalization increased to 36 percent at June 30, 2015 from 29 percent at December 31, 2014.

Shareholders' equity decreased to $4,114 million at June 30, 2015 from $4,497 million at December 31, 2014, as the Corporation incurred a net loss and paid dividends in the first half of 2015.

In July 2015, Canadian Oil Sands extended the terms of its credit facilities by one year. The $1,500 million credit facility was extended to June 30, 2019 and the $40 million credit facility to June 30, 2017. As at June 30, 2015, $555 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 37 percent at June 30, 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 $950 million available under its credit facility that expires in 2019, providing COS with 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 June 30, 2015, the Corporation had a market capitalization of approximately $4.9 billion with 484.6 million shares outstanding and a closing price of $10.10 per Share. The following table summarizes the trading activity for the second quarter of 2015.

	Second Quarter 2015	April 2015	May 2015	June 2015
Share price				
High	$ 13.87	$ 13.38	$ 13.87	$ 11.36
Low	$ 9.28	$ 9.88	$ 10.36	$ 9.28
Close	$ 10.10	$ 13.11	$ 10.88	$ 10.10
Volume of Shares traded (millions)	179.3	72.3	53.7	53.3
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 July 30, 2015**		**As of April 30, 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	**$**	**2,488**	$	2,387
Realized SCO selling price ($/bbl)	**$**	**65.75**	$	63.08
Operating expenses	**$**	**1,497**	$	1,494
Operating expenses per barrel	**$**	**39.56**	$	39.48
Development expenses	**$**	**138**	$	144
Crown royalties	**$**	**176**	$	145
Current taxes	**$**	**30**	$	55
Cash flow from operations[1, 2]	**$**	**474**	$	407
Capital expenditure assumptions				
Major projects	**$**	**87**	$	89
Regular maintenance	**$**	**294**	$	299
Capitalized interest	**$**	**41**	$	41
Total capital expenditures	**$**	**422**	$	429
Business environment assumptions				
Sales weighted average WTI crude oil (USD/bbl)	**$**	**55.00**	$	55.00
Sales weighted average premium/discount to CAD WTI ($/bbl)	**$**	**(3.00)**	$	(4.00)
Sales weighted average foreign exchange rate (CAD:USD)	**$**	**0.80**	$	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 $37 million of Crown royalties which were expensed in prior years and will be paid in the first quarter of 2016.

Estimated 2015 cash flow from operations has increased to $474 million, mainly reflecting a higher SCO selling price. The estimated realized SCO selling price of $65.75 assumes a U.S. $55 WTI oil price, a $US/$Cdn foreign exchange rate of $0.80, and a $3 per barrel SCO discount to WTI.

We are narrowing our Syncrude production range to 96 to 107 million barrels while maintaining our single-point estimate of 103 million barrels with our major scheduled turnarounds for 2015 now complete.

With Syncrude's progress on cost initiatives, we continue to target the midpoint of our operating and capital cost reduction range of $260 million to $400 million (net to COS). We estimate operating expenses of $1.5 billion, or $39.56 per barrel, and capital expenditures of $422 million.

Under these assumptions, net debt is expected to decline slightly in the second half of the year.

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 (July 30, 2015)

Variable	Annual Sensitivity	Cash Flow from Operations Increase[3]	
		$ millions[1,2]	$ / Share[1,2]
WTI crude oil price increase	USD $1.00/bbl	$ 29	$ 0.06
Syncrude production increase	1 million bbls	$ 15	$ 0.03
Canadian dollar weakening	$0.01 CAD:USD	$ 20	$ 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 (Loss) and Comprehensive Income (Loss)
(unaudited)

(millions of Canadian dollars, except per Share and Share volume amounts)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Sales	**$ 609**	$ 941	**$ 1,266**	$ 2,055
Crown royalties	**(22)**	(41)	**(45)**	(99)
Revenues	**$ 587**	$ 900	**$ 1,221**	$ 1,956
Expenses				
Operating	**$ 369**	$ 418	**$ 714**	$ 863
Development	**22**	32	**54**	64
Crude oil purchases and transportation	**86**	155	**203**	274
Administration	**6**	6	**12**	16
Insurance	**3**	3	**6**	9
Depreciation and depletion	**124**	112	**251**	241
	$ 610	$ 726	**$ 1,240**	$ 1,467
Earnings (loss) from operating activities	**$ (23)**	$ 174	**$ (19)**	$ 489
Foreign exchange (gain) loss (Note 9)	**(29)**	(49)	**130**	5
Net finance expense (Note 10)	**32**	11	**65**	25
Earnings (loss) before taxes	**$ (26)**	$ 212	**$ (214)**	$ 459
Tax expense (Note 11)	**102**	36	**100**	111
Net income (loss)	**$ (128)**	$ 176	**$ (314)**	$ 348
Other comprehensive income (loss), net of taxes				
Items not reclassified to net income:				
Re-measurements of employee future benefit plans (Note 6)	**(67)**	18	**(21)**	42
Items reclassified to net income:				
Derivative gains	**—**	—	**(1)**	(1)
Comprehensive income (loss)	**$ (195)**	$ 194	**$ (336)**	$ 389
Weighted average Shares (millions)	**485**	485	**485**	485
Shares, end of period (millions)	**485**	485	**485**	485
Net income (loss) per Share				
Basic and diluted	**$ (0.26)**	$ 0.36	**$ (0.65)**	$ 0.72

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(unaudited)

(millions of Canadian dollars)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Retained earnings				
Balance, beginning of period	**$ 1,641**	$ 2,066	**$ 1,805**	$ 2,040
Net income (loss)	**(128)**	176	**(314)**	348
Re-measurements of employee future benefit plans	**(67)**	18	**(21)**	42
Dividends	**(24)**	(169)	**(48)**	(339)
Balance, end of period	**$ 1,422**	$ 2,091	**$ 1,422**	$ 2,091
Accumulated other comprehensive income				
Balance, beginning of period	**$ 2**	$ 5	**$ 3**	$ 6
Reclassification of derivative gains to net income	**—**	—	**(1)**	(1)
Balance, end of period	**$ 2**	$ 5	**$ 2**	$ 5
Shareholders' capital				
Balance, beginning of period	**$ 2,675**	$ 2,675	**$ 2,675**	$ 2,674
Issuance of shares	**—**	—	**—**	1
Balance, end of period	**$ 2,675**	$ 2,675	**$ 2,675**	$ 2,675
Contributed surplus				
Balance, beginning of period	**$ 15**	$ 13	**$ 14**	$ 12
Share-based compensation	**—**	—	**1**	1
Balance, end of period	**$ 15**	$ 13	**$ 15**	$ 13
Total Shareholders' equity	**$ 4,114**	$ 4,784	**$ 4,114**	$ 4,784

See Notes to Unaudited Consolidated Financial Statements

Consolidated Balance Sheets

(unaudited)

As at *(millions of Canadian dollars)*		June 30 2015		December 31 2014
Assets				
Current assets				
Cash and cash equivalents	**$**	**86**	$	33
Accounts receivable		**321**		185
Inventories		**162**		188
Current taxes		**27**		17
Prepaid expenses		**2**		9
	$	**598**	$	432
Property, plant and equipment, net (Note 4)		**9,420**		9,441
Exploration and evaluation		**54**		54
Reclamation trust		**92**		87
	$	**10,164**	$	10,014
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	**$**	**411**	$	487
Current portion of employee future benefits (Note 6)		**19**		20
	$	**430**	$	507
Long-term debt		**2,437**		1,889
Deferred taxes		**1,609**		1,527
Employee future benefits (Note 6)		**356**		318
Asset retirement obligation (Note 7)		**1,211**		1,201
Other liabilities (Note 8)		**7**		75
	$	**6,050**	$	5,517
Shareholders' equity		**4,114**		4,497
	$	**10,164**	$	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 June 30 **2015**	Three Months Ended June 30 **2014**	Six Months Ended June 30 **2015**	Six Months Ended June 30 **2014**
Cash from (used in) operating activities				
Net income (loss)	**$ (128)**	$ 176	**$ (314)**	$ 348
Adjustments to reconcile net income (loss) to cash flow from operations:				
Depreciation and depletion	**124**	112	**251**	241
Accretion of asset retirement obligation (Note 7)	**7**	7	**14**	14
Foreign exchange (gain) loss on long-term debt (Note 9)	**(31)**	(57)	**132**	6
Deferred taxes (Note 11)	**103**	5	**90**	20
Share-based compensation	**3**	(2)	**—**	2
Reclamation expenditures (Note 7)	**—**	—	**(6)**	(17)
Change in employee future benefits and other	**(8)**	(1)	**(21)**	(17)
Cash flow from operations	**$ 70**	$ 240	**$ 146**	$ 597
Change in non-cash working capital (Note 15)	**(101)**	30	**(220)**	(449)
Cash from (used in) operating activities	**$ (31)**	$ 270	**$ (74)**	$ 148
Cash from (used in) financing activities				
Drawdown of bank credit facilities	**$ 170**	$ —	**$ 415**	$ —
Issuance of shares	**—**	—	**—**	1
Dividends	**(24)**	(169)	**(48)**	(339)
Cash from (used in) financing activities	**$ 146**	$ (169)	**$ 367**	$ (338)
Cash from (used in) investing activities				
Capital expenditures (Note 4)	**$ (155)**	$ (321)	**$ (228)**	$ (538)
Reclamation trust funding	**(1)**	(1)	**(4)**	(4)
Change in non-cash working capital (Note 15)	**7**	11	**(8)**	8
Cash used in investing activities	**$ (149)**	$ (311)	**$ (240)**	$ (534)
Increase (decrease) in cash and cash equivalents	**$ (34)**	$ (210)	**$ 53**	$ (724)
Cash and cash equivalents, beginning of period	**120**	292	**33**	806
Cash and cash equivalents, end of period	**$ 86**	$ 82	**$ 86**	$ 82
Cash and cash equivalents consist of:				
Cash	**$ 81**	$ 79	**$ 81**	$ 79
Short-term investments	**5**	3	**5**	3
	$ 86	$ 82	**$ 86**	$ 82

Supplementary Information (Note 15)

See Notes to Unaudited Consolidated Financial Statements

Notes to Unaudited Consolidated Financial Statements
For the Three and Six Months Ended June 30, 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.

Changes in deferred tax balances resulting from newly enacted or substantively enacted tax rates for future periods in which temporary differences are expected to reverse are recognized in the interim period in which the tax rate changes are enacted or substantively enacted.

4) Property, Plant and Equipment, Net

	Six months ended June 30, 2015								
($ millions)	Upgrading and Extracting	Mining Equipment	Vehicles and Equipment	Buildings	Asset Retirement Costs	Major Turnaround Costs	Construction in Progress	Mine Development	Total
Cost									
Opening balance	$ 5,642	$ 3,365	$ 692	$ 365	$ 1,164	$ 202	$ 797	$ 629	$ 12,856
Additions	—	—	2	—	—	88	138	—	228
Change in asset retirement costs	—	—	—	—	2	—	—	—	2
Retirements	—	(34)	(20)	(4)	—	(77)	—	(1)	(136)
Reclassifications[1]	4	(1)	—	1	—	—	(4)	—	—
Ending balance	$ 5,646	$ 3,330	$ 674	$ 362	$ 1,166	$ 213	$ 931	$ 628	$ 12,950
Accumulated depreciation									
Opening balance	$ 1,796	$ 619	$ 374	$ 124	$ 262	$ 110	$ —	$ 130	$ 3,415
Depreciation	100	63	26	6	15	26	—	15	251
Retirements	—	(34)	(20)	(4)	—	(77)	—	(1)	(136)
Ending balance	$ 1,896	$ 648	$ 380	$ 126	$ 277	$ 59	$ —	$ 144	$ 3,530
Net book value at June 30, 2015	**$ 3,750**	**$ 2,682**	**$ 294**	**$ 236**	**$ 889**	**$ 154**	**$ 931**	**$ 484**	**$ 9,420**

[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 and six months ended June 30, 2015, interest costs of $13 million and $25 million, respectively, were capitalized and included in property, plant and equipment (three and six months ended June 30, 2014 – $28 million and $52 million, respectively) based on an interest capitalization rate of 6.6 percent for the three and six months ended June 30, 2015 (6.6 percent for the three and six months ended June 30, 2014).

5) Accounts Payable and Accrued Liabilities

As at ($ millions)	**June 30 2015**	**December 31 2014**
Trade payables	**$ 258**	$ 378
Crown royalties	**108**	132
Current portion of asset retirement obligation	**18**	18
Interest payable	**27**	25
	$ 411	$ 553
Less non-current portion of Crown royalties	**—**	(66)
Accounts payable and accrued liabilities	**$ 411**	$ 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)	Six Months Ended June 30 2015	Year Ended December 31 2014
Accrued benefit liability, beginning of period	**$ 338**	$ 308
Current service cost[1]	**24**	42
Interest expense[2]	**7**	14
Contributions	**(23)**	(48)
Re-measurement (gains) losses:[3]		
Return on plan assets (excluding amounts included in net finance expense)[2]	**(27)**	(76)
Decrease in discount rate	**57**	100
Other	**(1)**	(2)
Accrued benefit liability, end of period	**$ 375**	$ 338
Less current portion	**(19)**	(20)
Non-current portion	**$ 356**	$ 318

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

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 June 30, 2015 (December 31, 2014 – 2.25 percent) in deriving the asset retirement obligation.

($ millions)	Six Months Ended June 30 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	**14**	28
Asset retirement obligation, end of period	**$ 1,229**	$ 1,219
Less current portion	**(18)**	(18)
Non-current portion	**$ 1,211**	$ 1,201

8) Other Liabilities

As at ($ millions)	June 30 2015	December 31 2014
Non-current portion of Crown royalties[1]	**$ —**	$ 66
Other	**7**	9
Other liabilities	**$ 7**	$ 75

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

9) Foreign Exchange

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	2015	2014	2015	2014
Foreign exchange (gain) loss – long-term debt	**$ (31)**	$ (57)	**$ 132**	$ 6
Foreign exchange (gain) loss – other	**2**	8	**(2)**	(1)
Total foreign exchange (gain) loss	**$ (29)**	$ (49)	**$ 130**	$ 5

10) Net Finance Expense

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	2015	2014	2015	2014
Interest costs on long-term debt	**$ 36**	$ 29	**$ 70**	$ 59
Less capitalized interest on long-term debt	**(13)**	(28)	**(25)**	(52)
Interest expense on long-term debt	**$ 23**	$ 1	**$ 45**	$ 7
Interest expense on employee future benefits	**3**	4	**7**	7
Accretion of asset retirement obligation	**7**	7	**14**	14
Interest income	**(1)**	(1)	**(1)**	(3)
Net finance expense	**$ 32**	$ 11	**$ 65**	$ 25

11) Tax Expense

	Three Months Ended June 30		Six Months Ended June 30	
($ millions)	**2015**	2014	**2015**	2014
Current tax expense (recovery)	**$ (1)**	$ 31	**$ 10**	$ 91
Deferred tax expense	**103**	5	**90**	20
Total tax expense	**$ 102**	$ 36	**$ 100**	$ 111

In June 2015, the Alberta Government enacted an increase to the corporate tax rate from 10 percent to 12 percent effective July 1, 2015. This increase to the tax rate resulted in an additional deferred tax expense of $120 million which was recorded in the second quarter of 2015.

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 June 30, 2015 and December 31, 2014 was as follows:

As at *($ millions, except % amounts)*	**June 30 2015**	December 31 2014
Long-term debt[1]	**2,437**	$ 1,889
Cash and cash equivalents[1]	**(86)**	(33)
Net debt[2,3]	**2,351**	$ 1,856
Shareholders' equity[1]	**4,114**	$ 4,497
Total net capitalization[2,4]	**$ 6,465**	$ 6,353
Total capitalization[2,5]	**$ 6,551**	$ 6,386
Net debt-to-total net capitalization[2,6] (%)	**36**	29
Long-term debt-to-total capitalization[2,7] (%)	**37**	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 $2,351 million at June 30, 2015, as capital expenditures, dividends and payments to settle working capital obligations exceeded cash flow from operations in the first half of 2015. In addition, a weakening Canadian dollar from December 31, 2014 to June 30, 2015 increased the Canadian dollar equivalent value of long-term debt. As a result, net debt-to-total net capitalization increased to 36 percent at June 30, 2015 from 29 percent at December 31, 2014.

Shareholders' equity decreased to $4,114 million at June 30, 2015 from $4,497 million at December 31, 2014, as the Corporation incurred a net loss and paid dividends in the first half of 2015.

In July 2015, Canadian Oil Sands extended the terms of its credit facilities by one year. The $1,500 million operating credit facility was extended to June 30, 2019 and the $40 million term credit facility to June 30, 2017. As at June 30, 2015, $555 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 $950 million available under its credit facility that expires in 2019. With a long-term debt-to-total capitalization of 37 percent at June 30, 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 $15 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, and accounts payable and accrued liabilities 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)*	**June 30 2015**	**December 31 2014**
7.75% Senior Notes due May 15, 2019 (U.S. $500 million)	**$ 676**	$ 626
7.9% Senior Notes due September 1, 2021 (U.S. $250 million)	**340**	314
4.5% Senior Notes due April 1, 2022 (U.S. $400 million)	**467**	433
8.2% Senior Notes due April 1, 2027 (U.S. $73.95 million)	**101**	96
6.0% Senior Notes due April 1, 2042 (U.S. $300 million)	**338**	313
Credit facilities drawn, excluding letters of credit[1]	**555**	140
	$ 2,477	$ 1,922

[1] *The fair value of amounts drawn on the credit facility approximates the carrying value due to the short-term nature of the instrument.*

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]	$ 2,262	$ 35	$ 133	$ 132	$ 1,962
Other obligations[2]	289	113	106	25	45
	$ 2,551	$ 148	$ 239	$ 157	$ 2,007

[1] *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.*
[2] *Primarily reflects Canadian Oil Sands' 36.74 percent share of Syncrude's commitments for purchasing tires, natural gas, employee housing and capital expenditures.*

15) Supplementary Information

a) Change in Non-Cash Working Capital

($ millions)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Operating activities:				
Accounts receivable	**$ (94)**	$ 122	**$ (136)**	$ 86
Inventories	**1**	(14)	**26**	(24)
Prepaid expenses	**3**	4	**7**	7
Accounts payable and accrued liabilities (“AP”)	**(8)**	(56)	**(76)**	(198)
Current taxes	**(5)**	(25)	**(10)**	(302)
Other	**9**	10	**(39)**	(10)
AP changes reclassified to investing activities	**(7)**	(11)	**8**	(8)
Change in operating non-cash working capital	**$ (101)**	$ 30	**$ (220)**	$ (449)
Investing activities:				
Accounts payable and accrued liabilities	**$ 7**	$ 11	**$ (8)**	$ 8
Change in investing non-cash working capital	**$ 7**	$ 11	**$ (8)**	$ 8
Change in total non-cash working capital	**$ (94)**	$ 41	**$ (228)**	$ (441)

b) Income Taxes and Interest Paid

($ millions)	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Income taxes paid	**$ 4**	$ 55	**$ 20**	$ 393
Interest paid	**$ 51**	$ 23	**$ 64**	$ 58

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 June 30 2015	Three Months Ended June 30 2014	Six Months Ended June 30 2015	Six Months Ended June 30 2014
Cash flow from operations per Share, basic and diluted	**$ 0.14**	$ 0.50	**$ 0.30**	$ 1.23

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

Shares Listed - Symbol: COS
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