Consolidated Statements of Income and Comprehensive Income

(unaudited)

(millions of Canadian dollars, except per Share and Share volume amounts)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Sales	**$ 963**	$ 1,163	**$ 3,018**	$ 3,160
Crown royalties	**(62)**	(71)	**(161)**	(122)
Revenues	**$ 901**	$ 1,092	**$ 2,857**	$ 3,038
Expenses				
Operating	**$ 385**	$ 357	**$ 1,248**	$ 1,106
Development	**34**	41	**98**	104
Crude oil purchases and transportation	**134**	292	**408**	540
Administration	**7**	8	**23**	24
Insurance	**3**	2	**12**	10
Depreciation and depletion	**126**	101	**367**	326
	$ 689	$ 801	**$ 2,156**	$ 2,110
Earnings from operating activities	**$ 212**	$ 291	**$ 701**	$ 928
Foreign exchange (gain) loss (Note 9)	**73**	(31)	**78**	42
Net finance expense (Note 10)	**12**	12	**37**	38
Earnings before taxes	**$ 127**	$ 310	**$ 586**	$ 848
Tax expense (Note 11)	**40**	64	**151**	206
Net income	**$ 87**	$ 246	**$ 435**	$ 642
Other comprehensive income (loss), net of taxes				
Items not reclassified to net income:				
Re-measurements of employee future benefit plans (Note 6)	**(33)**	68	**9**	68
Items reclassified to net income:				
Derivative gains	**(1)**	(1)	**(2)**	(2)
Comprehensive income	**$ 53**	$ 313	**$ 442**	$ 708
Weighted average Shares (millions)	**485**	485	**485**	485
Shares, end of period (millions)	**485**	485	**485**	485
Net income per Share				
Basic and diluted	**$ 0.18**	$ 0.51	**$ 0.90**	$ 1.32

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(unaudited)

(millions of Canadian dollars)	Three Months Ended September 30		Nine Months Ended September 30	
	2014	**2013**	**2014**	**2013**
Retained earnings				
Balance, beginning of period	**$ 2,091**	$ 1,880	**$ 2,040**	$ 1,823
Net income	**87**	246	**435**	642
Re-measurements of employee future benefit plans	**(33)**	68	**9**	68
Dividends	**(170)**	(170)	**(509)**	(509)
Balance, end of period	**$ 1,975**	$ 2,024	**$ 1,975**	$ 2,024
Accumulated other comprehensive income				
Balance, beginning of period	**$ 5**	$ 8	**$ 6**	$ 9
Reclassification of derivative gains to net income	**(1)**	(1)	**(2)**	(2)
Balance, end of period	**$ 4**	$ 7	**$ 4**	$ 7
Shareholders' capital				
Balance, beginning of period	**$ 2,675**	$ 2,674	**$ 2,674**	$ 2,673
Issuance of shares	**–**	–	**1**	1
Balance, end of period	**$ 2,675**	$ 2,674	**$ 2,675**	$ 2,674
Contributed surplus				
Balance, beginning of period	**$ 13**	$ 11	**$ 12**	$ 10
Share-based compensation	**—**	—	**1**	1
Balance, end of period	**13**	11	**13**	11
Total Shareholders' equity	**$ 4,667**	$ 4,716	**$ 4,667**	$ 4,716

See Notes to Unaudited Consolidated Financial Statements

Consolidated Balance Sheets

(unaudited)

As at *(millions of Canadian dollars)*	September 30 2014	December 31 2013
Assets		
Current assets		
Cash and cash equivalents	**$ 150**	$ 806
Accounts receivable	**367**	369
Inventories	**174**	163
Prepaid expenses	**12**	8
	$ 703	$ 1,346
Property, plant and equipment, net (Note 4)	**9,194**	8,712
Exploration and evaluation	**54**	54
Reclamation trust	**85**	78
	$ 10,036	$ 10,190
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities (Note 5)	**$ 579**	$ 786
Current portion of employee future benefits (Note 6)	**20**	82
Current taxes	**—**	259
	$ 599	$ 1,127
Long-term debt	**1,890**	1,602
Deferred taxes	**1,562**	1,535
Employee future benefits (Note 6)	**277**	226
Asset retirement obligation (Note 7)	**961**	868
Other liabilities (Note 8)	**80**	100
	$ 5,369	$ 5,458
Shareholders' equity	**4,667**	4,732
	$ 10,036	$ 10,190

Commitments (Note 14)

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Cash Flows

(unaudited)

(millions of Canadian dollars)	Three Months Ended September 30 2014	2013	Nine Months Ended September 30 2014	2013
Cash from (used in) operating activities				
Net income	**$ 87**	$ 246	**$ 435**	$ 642
Adjustments to reconcile net income to cash flow from operations:				
Depreciation and depletion	**126**	101	**367**	326
Accretion of asset retirement obligation (Note 7)	**7**	7	**21**	19
Foreign exchange (gain) loss on long-term debt (Note 9)	**80**	(40)	**86**	62
Deferred taxes (Note 11)	**4**	32	**24**	(6)
Share-based compensation	**1**	2	**3**	3
Reclamation expenditures (Note 7)	**—**	(1)	**(17)**	(40)
Change in employee future benefits and other	**(3)**	(7)	**(20)**	(50)
Cash flow from operations	**$ 302**	$ 340	**$ 899**	$ 956
Change in non-cash working capital (Note 15)	**(19)**	(15)	**(468)**	160
Cash from operating activities	**$ 283**	$ 325	**$ 431**	$ 1,116
Cash from (used in) financing activities				
Drawdown of bank credit facilities	**$ 200**	$ —	**$ 200**	$ —
Repayment of senior notes	**—**	(310)	**—**	(310)
Issuance of shares	**—**	—	**1**	—
Dividends	**(170)**	(170)	**(509)**	(509)
Cash from (used in) financing activities	**$ 30**	$ (480)	**$ (308)**	$ (819)
Cash from (used in) investing activities				
Capital expenditures (Note 4)	**$ (222)**	$ (413)	**$ (760)**	$ (1,050)
Reclamation trust funding	**(3)**	(2)	**(7)**	(7)
Change in non-cash working capital (Note 15)	**(20)**	—	**(12)**	36
Cash used in investing activities	**$ (245)**	$ (415)	**$ (779)**	$ (1,021)
Foreign exchange gain (loss) on cash and cash equivalents held in foreign currency	**$ —**	$ (6)	**$ —**	$ 11
Increase (decrease) in cash and cash equivalents	**$ 68**	$ (576)	**$ (656)**	$ (713)
Cash and cash equivalents, beginning of period	**82**	1,416	**806**	1,553
Cash and cash equivalents, end of period	**$ 150**	$ 840	**$ 150**	$ 840
Cash and cash equivalents consist of:				
Cash	**$ 148**	$ 659	**$ 148**	$ 659
Short-term investments	**2**	181	**2**	181
	$ 150	$ 840	**$ 150**	$ 840

Supplementary Information (Note 15)

See Notes to Unaudited Consolidated Financial Statements

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 per cent interest ("Working Interest") in the Syncrude Joint Venture ("Syncrude"). Syncrude is involved in the mining and upgrading of bitumen from oil sands near Fort McMurray in northern Alberta. The Syncrude Project is comprised of open-pit oil sands mines, utilities plants, bitumen extraction plants and an upgrading complex that processes bitumen into Synthetic Crude Oil ("SCO"). Syncrude is 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 per cent of the issued and outstanding shares of Syncrude Canada Ltd. ("Syncrude Canada"). Syncrude Canada operates Syncrude on behalf of the owners and is responsible for selecting, compensating, directing and controlling Syncrude's employees, and for administering all related employment benefits and obligations. The Corporation's investment in Syncrude and Syncrude Canada represents its only producing asset.

The Corporation's office is located at the following address: 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 and in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and effective on October 30, 2014.

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, 2013.

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, 2013 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.

Impairment
In January 2013, the IASB issued amendments to IAS 36, *Impairment of Assets,* which removed fair value guidance from the standard to ensure consistency with the enhanced fair value measurement and disclosure requirements provided under IFRS

13, *Fair Value Measurements.* Canadian Oil Sands has applied these amendments effective January 1, 2014 in accordance with the applicable transitional provisions, with no impact on the financial statements or disclosures.

Levies

In May 2013, the IASB issued International Financial Reporting Interpretations Committee ("IFRIC") Interpretation 21, *Levies,* which provides guidance on when to recognize a liability for levies imposed by governments. Canadian Oil Sands has applied this interpretation effective January 1, 2014, in accordance with the applicable transitional provisions, with no impact on the financial statements or disclosures.

4) Property, Plant and Equipment, Net

	Nine months ended September 30, 2014								
($ 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	$ 5,508	$ 1,941	$ 695	$ 345	$ 851	$ 174	$ 1,647	$ 678	$ 11,839
Additions	—	—	15	—	—	71	674	—	760
Change in asset retirement costs	—	—	—	—	89	—	—	—	89
Retirements	(8)	(16)	(23)	—	—	(43)	—	(2)	(92)
Reclassifications[1]	28	117	—	1	—	—	(93)	(53)	—
Ending balance	$ 5,528	$ 2,042	$ 687	$ 346	$ 940	$ 202	$ 2,228	$ 623	$ 12,596
Accumulated depreciation									
Opening balance	$ 1,626	$ 601	$ 349	$ 115	$ 223	$ 86	$ —	$ 127	$ 3,127
Depreciation	143	92	39	7	28	49	—	9	367
Retirements	(8)	(16)	(23)	—	—	(43)	—	(2)	(92)
Ending balance	$ 1,761	$ 677	$ 365	$ 122	$ 251	$ 92	$ —	$ 134	$ 3,402
Net book value at September 30, 2014	**$ 3,767**	**$ 1,365**	**$ 322**	**$ 224**	**$ 689**	**$ 110**	**$ 2,228**	**$ 489**	**$ 9,194**

[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 nine months ended September 30, 2014, interest costs of $29 million and $81 million, respectively, were capitalized and included in property, plant and equipment (three and nine months ended September 30, 2013 – $29 million and $80 million, respectively) based on an interest capitalization rate of 6.6 per cent for the three and nine months ended September 30, 2014 (6.5 per cent for the three and nine months ended September 30, 2013).

5) Accounts Payable and Accrued Liabilities

($ millions)	September 30 2014	December 31 2013
Trade payables	**$ 446**	$ 491
Crown royalties	**130**	334
Current portion of asset retirement obligation	**28**	28
Interest payable	**42**	23
	$ 646	$ 876
Less non-current portion of Crown royalties	**(67)**	(90)
Accounts payable and accrued liabilities	**$ 579**	$ 786

6) Employee Future Benefits

The Corporation's 36.74 per cent 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)	Nine Months Ended September 30 2014	Year Ended December 31 2013
Accrued benefit liability, beginning of period	**$ 308**	$ 438
Current service cost[1]	**33**	45
Interest expense[2]	**11**	16
Contributions	**(43)**	(109)
Re-measurement (gains) losses[3]		
Actual return on plan assets in excess of estimated return[4]	**(56)**	(46)
(Increase) decrease in discount rate	**47**	(91)
Other[5]	**(3)**	55
Accrued benefit liability, end of period	**$ 297**	$ 308
Less current portion	**(20)**	(82)
Non-current portion	**$ 277**	$ 226

[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] Estimated return is based on prescribed 4.5 per cent annualized rate.

[5] The other re-measurement loss in 2013 reflects an increase in the estimated average lifespan of the plans' beneficiaries as a result of new actuarial standards.

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 2.75 per cent at September 30, 2014 (December 31, 2013 – 3.25 per cent) in deriving the asset retirement obligation.

($ millions)	Nine Months Ended September 30 2014	Year Ended December 31 2013
Asset retirement obligation, beginning of period	**$ 896**	$ 1,102
(Increase) decrease in risk-free interest rate	**103**	(217)
Reclamation expenditures	**(17)**	(42)
Increase (decrease) in estimated reclamation and closure expenditures	**(14)**	27
Accretion expense	**21**	26
Asset retirement obligation, end of period	**$ 989**	$ 896
Less current portion	**(28)**	(28)
Non-current portion	**$ 961**	$ 868

8) Other Liabilities

($ millions)	September 30 2014	December 31 2013
Non-current portion of Crown royalties[1]	**$ 67**	$ 90
Other	**13**	10
Other liabilities	**$ 80**	$ 100

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

9) Foreign Exchange

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	2014	2013	2014	2013
Foreign exchange (gain) loss – long-term debt	**$ 80**	$ (40)	**$ 86**	$ 62
Foreign exchange (gain) loss – other	**(7)**	9	**(8)**	(20)
Total foreign exchange (gain) loss	**$ 73**	$ (31)	**$ 78**	$ 42

10) Net Finance Expense

($ millions)	Three Months Ended September 30 2014	2013	Nine Months Ended September 30 2014	2013
Interest costs on long-term debt	**$ 30**	$ 33	**$ 89**	$ 98
Less capitalized interest on long-term debt	**(29)**	(29)	**(81)**	(80)
Interest expense on long-term debt	**$ 1**	$ 4	**$ 8**	$ 18
Interest expense on employee future benefits	**4**	4	**11**	12
Accretion of asset retirement obligation	**7**	7	**21**	19
Interest income	**—**	(3)	**(3)**	(11)
Net finance expense	**$ 12**	$ 12	**$ 37**	$ 38

11) Tax Expense

($ millions)	Three Months Ended September 30 2014	2013	Nine Months Ended September 30 2014	2013
Current tax expense	**$ 36**	$ 32	**$ 127**	$ 212
Deferred tax expense (recovery)	**4**	32	**24**	(6)
Total tax expense	**$ 40**	$ 64	**$ 151**	$ 206

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 September 30, 2014 and December 31, 2013 was as follows:

As at *($ millions, except % amounts)*	September 30 2014	December 31 2013
Long-term debt[1]	**$ 1,890**	$ 1,602
Cash and cash equivalents[1]	**(150)**	(806)
Net debt[2,3]	**$ 1,740**	$ 796
Shareholders' equity[1]	**$ 4,667**	$ 4,732
Total net capitalization[2,4]	**$ 6,407**	$ 5,528
Total capitalization[2,5]	**$ 6,557**	$ 6,334
Net debt-to-total net capitalization[2,6] (%)	**27**	14
Long-term debt-to-total capitalization[2,7] (%)	**29**	25

[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.

In the first nine months of 2014, net debt rose $944 million to $1,740 million at September 30, 2014 as payments for capital expenditures, dividends, and other liabilities were in excess of cash flow from operations. In addition, a weakening Canadian dollar from December 31, 2013 to September 30, 2014 increased the Canadian dollar equivalent value of long-term debt. As a result, net debt-to-total net capitalization increased to 27 per cent at September 30, 2014 from 14 per cent at December 31, 2013.

Shareholders' equity decreased to $4,667 million at September 30, 2014 from $4,732 million at December 31, 2013, as dividends exceeded comprehensive income in the first nine months of the year.

In July 2014, Canadian Oil Sands extended the terms of its credit facilities by approximately one year. The $1,500 million credit facility was extended to June 30, 2018 and the $40 million credit facility to June 30, 2016. As at September 30, 2014, $200 million was drawn against these facilities (December 31, 2013 - $nil).

The Senior Notes indentures and credit facility agreements contain certain covenants that restrict Canadian Oil Sands' ability to sell all or substantially all of its assets or change the nature of its business, and limit long-term debt-to-total capitalization to 55 per cent. Canadian Oil Sands is in compliance with its debt covenants, and with a long-term debt-to-total capitalization of 29 per cent at September 30, 2014, a significant increase in debt or decrease in equity would be required to negatively impact the Corporation's financial flexibility.

13) Financial Instruments

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, investments held in a reclamation trust, accounts payable and accrued liabilities, and current and non-current portions of long-term debt. The nature, the Corporation's use of, and the risks associated with these instruments are unchanged from December 31, 2013.

Offsetting Financial Assets and Financial Liabilities
The carrying values of accounts receivable and accounts payable and accrued liabilities have each been reduced by $56 million ($49 million at December 31, 2013) 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)*	September 30 2014	December 31 2013
8.2% Senior Notes due April 1, 2027 (U.S. $73.95 million)	**$ 109**	$ 95
7.9% Senior Notes due September 1, 2021 (U.S. $250 million)	**353**	321
6.0% Senior Notes due April 1, 2042 (U.S. $300 million)	**384**	323
4.5% Senior Notes due April 1, 2022 (U.S. $400 million)	**473**	425
7.75% Senior Notes due May 15, 2019 (U.S. $500 million)	**677**	636
	$ 1,996	$ 1,800

14) Commitments

Canadian Oil Sands' commitments are summarized in the 2013 annual consolidated financial statements and include future cash payments under contractual arrangements that it has entered into either directly or as a 36.74 per cent owner in Syncrude. In 2014, Canadian Oil Sands assumed $75 million in new funding commitments relating to capital projects while the Corporation's share of payments prescribed by regulations on Syncrude Canada's registered pension plans decreased by approximately $200 million as a result of an actuarial valuation completed in April, 2014.

15) Supplementary Information

a) Change in Non-Cash Working Capital

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2014**	**2013**	**2014**	**2013**
Operating activities:				
Accounts receivable	**$ (41)**	$ (131)	**$ 2**	$ (104)
Inventories	**13**	(12)	**(11)**	(23)
Prepaid expenses	**(11)**	(7)	**(4)**	—
Accounts payable and accrued liabilities ("AP")	**(9)**	116	**(207)**	178
Current taxes	**—**	21	**(259)**	145
Other	**9**	(2)	**(1)**	—
AP changes reclassified to investing activities	**20**	—	**12**	(36)
Change in operating non-cash working capital	**$ (19)**	$ (15)	**$ (468)**	$ 160
Investing activities:				
Accounts payable and accrued liabilities	**$ (20)**	$ —	**$ (12)**	$ 36
Change in investing non-cash working capital	**$ (20)**	$ —	**$ (12)**	$ 36
Change in total non-cash working capital	**$ (39)**	$ (15)	**$ (480)**	$ 196

b) Income Taxes and Interest Paid

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2014**	**2013**	**2014**	**2013**
Income taxes paid	**$ 36**	$ 10	**$ 429**	$ 66
Interest paid	**$ 13**	$ 20	**$ 70**	$ 83

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

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2014**	**2013**	**2014**	**2013**
Cash Flow From Operations Per Share, basic and diluted	**$ 0.62**	$ 0.70	**$ 1.86**	$ 1.97

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.