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

($ millions)	Upgrading and Extracting	Mining Equipment	Vehicles and Equipment	Buildings	Asset Retirement Costs	Major Turnaround Costs	Construction in Progress	Mine Development	Total
	Six months ended June 30, 2015								
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.