

No securities regulatory authority has expressed an opinion about the securities and it is an offence to claim otherwise.

This prospectus supplement, together with the short form base shelf prospectus dated September 28, 2015 to which it relates, as further amended or supplemented, and each document incorporated or deemed to be incorporated by reference into the short form base shelf prospectus, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

**Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference in this prospectus supplement and the short form base shelf prospectus may be obtained on request without charge from the Senior Vice President, General Counsel and Corporate Secretary of Canadian Oil Sands Limited, 2000 First Canadian Centre, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9, telephone (403) 218-6200, and are also available electronically at [www.sedar.com](http://www.sedar.com).

The securities offered hereunder have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws, and may not be offered, sold or delivered in the United States. This prospectus supplement does not constitute an offer to sell or the solicitation of an offer to buy any of the securities offered hereby within the United States or to, or for the account or benefit of, U.S. persons. See "Plan of Distribution".

## PROSPECTUS SUPPLEMENT To a Short Form Base Shelf Prospectus dated September 28, 2015

New Issue

September 29, 2015



Canadian Oil Sands

CANADIAN OIL SANDS LIMITED

\$2,500,000,000

Medium Term Notes  
(Unsecured)

Canadian Oil Sands Limited (the "**Corporation**") may from time to time offer to the public unsecured medium term notes (the "**Notes**") during the 25 month period that the short form base shelf prospectus to which this prospectus supplement relates remains valid. The Notes will be unsecured and will rank *pari passu*, with all other unsecured and unsubordinated indebtedness of the Corporation. The Corporation's payment obligations under the Notes will be unconditionally guaranteed by Canadian Oil Sands Partnership #1, a general partnership of the Corporation and a wholly-owned subsidiary thereof formed under the laws of Alberta. See "Description of Subsidiary Guarantee".

The specific variable terms of any offering of Notes will be established by the Corporation at the time of the offering and sale of the Notes and will be set forth in a pricing supplement or other prospectus supplement that will accompany this prospectus supplement, including any amendments thereto. Such terms will include, where applicable and without limitation: the aggregate principal amount offered; the issue price (and manner of determination thereof if offered on a non-fixed price basis); the interest rate (either fixed or floating, and if floating, the manner of calculation thereof); the interest payment date(s); the redemption, exchange or conversion provisions, if any, or repayment terms; the currency or currency units of denomination; the issue and delivery date; the maturity date; the method of distribution; and the net proceeds to the Corporation. The Corporation reserves the right to set forth in a pricing supplement or other prospectus supplement specific terms pertaining to the Notes which are not within the variables and parameters set forth in this prospectus supplement. Notes may be offered in amounts and on such terms and conditions as may be determined from time to time depending upon the Corporation's financing requirements, prevailing market conditions and other factors.

The Notes will either be interest bearing Notes or non-interest bearing Notes issued at par, a discount or a premium. The Notes may be issued in an aggregate principal amount of up to Cdn. \$2,500,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering) or, if offered at an original issue discount, such greater amount as shall result in an aggregate offering price of up to Cdn. \$2,500,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering). Such amount is subject to reduction as a result of the sale by the Corporation of other securities pursuant to other prospectus supplements to the base shelf prospectus. See "Description of Notes". In the opinion of counsel, the Notes, if issued on the date of this prospectus supplement, would be qualified investments under the *Income Tax Act* (Canada) for certain investors referred to under "Eligibility for Investment".

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## RATES ON APPLICATION

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The Notes may be offered severally on a best efforts basis on behalf of the Corporation by AltaCorp Capital Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. pursuant to the dealer agreement referred to under the heading "Plan of Distribution", or by such other dealers as may be selected from time to time by the Corporation (collectively, the "**Dealers**" and each individually, a "**Dealer**"). In addition, Notes may be sold to one or more of the Dealers, as principal, for resale to investors. The Corporation may also offer Notes directly to purchasers subject to any applicable dealer registration requirements. The Corporation will pay each Dealer through whom any Note is sold a commission as may be agreed upon from time to time between the Corporation and the Dealer. Where the Notes are purchased by the Dealers as principal, the Notes shall be purchased at such prices and with such commissions as may be agreed from time to time between the Corporation and any such Dealers for resale to other dealers or the public at prices to be negotiated by the Dealers with each such other dealer or purchaser. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will increase or decrease by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the price paid by the Dealer, acting as principal, to the Corporation. The commission payable, if any, will be set forth in the applicable pricing supplement or other prospectus supplement.

**BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. are subsidiaries of Canadian chartered banks and other lending institutions that are lenders to the Corporation. ATB Financial is a minority shareholder of AltaCorp Capital Inc. and also a member of the Corporation's lending syndicate.** Consequently, under certain circumstances, the Corporation may be considered to be a "connected issuer" of these Dealers for the purposes of applicable securities legislation in Canada. See "Relationship between Canadian Oil Sands and the Dealers".

The Corporation and, if applicable, the Dealers, reserve the right to reject any offer to purchase Notes, in whole or in part. The Corporation also reserves the right to withdraw, cancel or modify the offering of Notes under this prospectus supplement without notice.

**Unless otherwise specified in the applicable pricing supplement or other prospectus supplement, the Notes will not be listed on any securities exchange. There is no market through which the Notes may be sold and purchasers may not be able to resell the Notes purchased under this prospectus supplement. This may affect the pricing of the Notes in the secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation. See "Risk Factors".**

The Notes and the Subsidiary Guarantee (as defined herein under the heading "Description of Subsidiary Guarantee") have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "**U.S. Securities Act**") or any state securities laws, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), unless the Notes and the Subsidiary Guarantee are registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration requirements is available. The Dealers and any other dealers who participate in the distribution agree or will agree not to sell or offer to sell or to solicit any offer to buy any Note within the United States or to, or for the account or benefit of, a U.S. person, except pursuant to an exemption from the registration requirements of the U.S. Securities Act and any applicable state securities laws. See "Plan of Distribution".

This prospectus supplement does not qualify for issuance Notes in respect of which the payment of principal and/or interest may be determined, in whole or in part, by reference to one or more underlying interests, including, for example, an equity or debt security, a statistical measure of economic or financial performance including, but not limited to, any currency, consumer price or mortgage index, the price or value of one or more commodities, indices or other items, or any other item or formula, or any combination or basket of the foregoing items.

In connection with any offering of Notes, the Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Notes offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "Plan of Distribution".

**The interest coverage ratio relating to the Corporation's indebtedness for the 12-month period ended June 30, 2015 is less than one-to-one. See "Interest Coverage".**

Each offering of Notes is subject to the approval of certain legal matters on behalf of the Corporation by Bennett Jones LLP, Calgary, Alberta and on behalf of the Dealers by Norton Rose Fulbright Canada LLP, Calgary, Alberta.

The registered and head office of the Corporation is located at 2000 First Canadian Centre, 350 – 7th Avenue S.W., Calgary, Alberta, Canada T2P 3N9.

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## GLOSSARY

In this prospectus supplement and the accompanying base shelf prospectus, unless otherwise specified or the context otherwise requires, "**Corporation**" refers to Canadian Oil Sands Limited, and "**Canadian Oil Sands**" refers collectively to the Corporation and its subsidiary entities, including any partnership of which the Corporation and/or its subsidiaries are the partners.

In addition, where used in this prospectus supplement the following terms have the respective meanings set forth below:

"**COSP**" means Canadian Oil Sands Partnership #1, a general partnership of the Corporation and a wholly-owned subsidiary thereof formed under the laws of Alberta, which is one of the Syncrude Participants and directly holds Canadian Oil Sands' working interest in Syncrude;

"**SCL**" means Syncrude Canada Ltd., the operator of the Syncrude Project, which is owned by the Syncrude Participants;

"**SCO**" means synthetic crude oil produced by Syncrude;

"**Syncrude**" means, collectively, the Syncrude Joint Venture and the Syncrude Project;

"**Syncrude Joint Venture**" means the joint venture formed by the Syncrude Participants for the purpose of governing the Syncrude Project;

"**Syncrude Participants**" means COSP and the other corporations or partnerships that own the undivided interests in the Syncrude Project and their respective successors and assigns in interest from time to time;

"**Syncrude Plant**" means all of the plants and facilities owned by the Syncrude Participants and operated by SCL located at Mildred Lake, approximately 40 kilometres north of Fort McMurray, Alberta, where upgrading of bitumen occurs, along with the plants and facilities owned by the Syncrude Participants and operated by SCL located at the Aurora site, approximately 35 kilometres north of Mildred Lake; and

"**Syncrude Project**" means (a) the scheme for recovery of oil sands, crude bitumen or products derived therefrom originally approved in Approval No. 1920 and currently approved in Approval Nos. 8573 and 10781, all as issued by the Energy Resources Conservation Board of Alberta or the Alberta Energy and Utilities Board or their predecessors, as such scheme may be amended or superseded from time to time, (b) all property now owned or hereafter acquired or developed by the owners participating from time to time in such scheme or by SCL on their behalf in connection with such scheme, (c) the oil sands leases related to such scheme, and (d) any other scheme or schemes implemented for the purpose of recovering oil sands, crude bitumen or products derived from those oil sands leases related to such scheme or schemes and all property acquired or developed in connection with such scheme or schemes.

## DOCUMENTS INCORPORATED BY REFERENCE

**Information has been incorporated by reference in the accompanying short form base shelf prospectus of the Corporation dated September 28, 2015 (the "base shelf prospectus") from documents filed with securities commissions or similar authorities in Canada.** Copies of the documents incorporated by reference in this prospectus supplement and the base shelf prospectus may be obtained on request without charge from the Senior Vice President, General Counsel and Corporate Secretary of the Corporation, 2000 First Canadian Centre, 350 – 7th Avenue S.W., Calgary, Alberta T2P 3N9, telephone (403) 218-6200, and are also available electronically at [www.sedar.com](http://www.sedar.com).

This prospectus supplement is deemed to be incorporated by reference into the base shelf prospectus solely for the purpose of the offering of the Notes. The following documents, filed by the Corporation with the securities commissions or similar authorities in each of the provinces of Canada, are also specifically incorporated by reference in, and form an integral part of, the base shelf prospectus:

1. the annual information form ("AIF") of the Corporation dated February 24, 2015 for the year ended December 31, 2014;
2. the comparative annual consolidated financial statements of the Corporation as at and for the years ended December 31, 2014 and 2013, together with the notes thereto and the auditor's report thereon;
3. management's discussion and analysis ("MD&A") of the Corporation for the year ended December 31, 2014;
4. the comparative interim consolidated financial statements of the Corporation as at and for the three and six month periods ended June 30, 2015;
5. MD&A of the Corporation for the three and six month periods ended June 30, 2015; and
6. the management information circular of the Corporation dated March 16, 2015 relating to the annual meeting of shareholders of the Corporation held on April 30, 2015;

provided, however, that such documents are not incorporated by reference to the extent that their contents are modified or superseded by a statement contained in the base shelf prospectus or this prospectus supplement or in any other subsequently filed document that is also incorporated by reference in the base shelf prospectus or this prospectus supplement.

Any material change reports (except confidential material change reports, if any), AIFs, comparative interim financial statements, comparative annual financial statements and the auditor's report thereon, MD&A, information circulars and business acquisition reports filed by the Corporation with applicable securities regulatory authorities in Canada subsequent to the date of this prospectus supplement and prior to the termination of the distribution of the Notes hereunder shall be deemed to be incorporated by reference into the base shelf prospectus for the purposes of any offering of Notes. The documents are available through the internet under the Corporation's profile on the System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at [www.sedar.com](http://www.sedar.com).

**Any statement contained in the base shelf prospectus, in this prospectus supplement or in a document incorporated or deemed to be incorporated by reference in the base shelf prospectus will be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document which also is or is deemed to be incorporated by reference into the base shelf prospectus modifies or supersedes such prior statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement is not to be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary in order to make a statement in the light of the circumstances under which it was made, not misleading. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute part of this prospectus supplement or the base shelf prospectus.**

Upon a new AIF and related audited annual financial statements and MD&A being filed by the Corporation with applicable securities regulatory authorities in Canada subsequent to the date of this prospectus supplement and prior to the termination of the distribution of the Notes hereunder, (i) the previous AIF and the previous audited annual financial statements and related MD&A, and (ii) all interim financial statements and related MD&A, material change reports, business acquisition reports and information circulars (other than an information circular relating to an annual meeting of shareholders) filed prior to the commencement of the Corporation's financial year in respect of which the new AIF and related audited annual financial statements and MD&A are filed, shall be deemed no longer to be

incorporated by reference into the base shelf prospectus for purposes of future offers and sales of Notes under this prospectus supplement. Upon new interim financial statements and related MD&A being filed by the Corporation with applicable securities regulatory authorities in Canada subsequent to the date of this prospectus supplement and prior to the termination of the distribution of the Notes hereunder, all interim financial statements and related MD&A filed prior to the new interim consolidated financial statements and related MD&A shall be deemed no longer to be incorporated by reference into the base shelf prospectus for purposes of future offers and sales of Notes under this prospectus supplement. Upon a new information circular relating to an annual meeting of shareholders being filed by the Corporation with applicable securities regulatory authorities in Canada subsequent to the date of this prospectus supplement and prior to the date on which this prospectus supplement ceases to be effective, the information circular for the preceding annual meeting of shareholders shall be deemed no longer to be incorporated by reference into the base shelf prospectus for purposes of offers and sales of Notes under this prospectus supplement.

A pricing supplement or other prospectus supplement containing the specific variable terms for an issue of Notes will be delivered to purchasers of such Notes together with this prospectus supplement and the base shelf prospectus, and will be deemed to be incorporated by reference into this prospectus supplement and the base shelf prospectus, as of the date of such pricing supplement or other prospectus supplement, solely for the purposes of the offering of the Notes covered by that pricing supplement or other prospectus supplement.

In addition, certain marketing materials (as that term is defined in applicable securities legislation) may be used in connection with a distribution of Notes. Any template version of marketing materials (as those terms are defined in applicable securities legislation) pertaining to a distribution of Notes, and filed by the Corporation after the date of the pricing supplement or other prospectus supplement for the offering and before termination of the distribution of such Notes, will be deemed to be incorporated by reference in that pricing supplement or other prospectus supplement for the purposes of the distribution of Notes to which the supplement pertains.

Updated earnings coverage ratios will be filed quarterly with the applicable securities regulatory authorities, either as prospectus supplements or as exhibits to the Corporation's unaudited interim consolidated financial statements and audited annual consolidated financial statements, and will be deemed to be incorporated by reference into this prospectus supplement and the base shelf prospectus for the purposes of the offering of the Notes.

## **CREDIT RATINGS**

As at the date of this prospectus supplement, the Corporation was rated BBB- with a negative outlook by Standard & Poor's Rating Services ("**S&P**"), the debt securities of the Corporation were rated Baa3 by Moody's Canada Inc. ("**Moody's**"), which has assigned a negative outlook to the Corporation, and the Corporation and its debt securities were rated BBB(low) with a negative trend by DBRS Limited ("**DBRS**"). The Corporation requested ratings from S&P and Moody's, but has not asked for nor reviewed the basis for the rating from DBRS. The Corporation has not requested a provisional rating in respect of the Notes from any credit rating organization.

S&P's credit ratings are on a long term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB- is within the fourth highest of ten categories and, according to the S&P rating system, an obligor rated BBB has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments. Ratings from AA to CCC may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories. An S&P rating outlook assesses the potential direction of a long-term credit rating over the medium term (typically six months to two years). A negative outlook means that a rating may be lowered, but is not necessarily a precursor of a rating change.

Moody's credit ratings are on a long term debt rating scale that ranges from Aaa to C, which represents the range from highest to lowest quality of such securities rated. A rating of Baa3 is within the fourth highest of nine categories and, according to the Moody's rating system, obligations rated Baa are subject to moderate credit risk. They are considered medium-grade and as such may possess certain speculative characteristics. Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from Aa through Caa in its corporate bond rating system. The modifier 1 indicates that the issue ranks in the higher end of its generic rating category, the modifier 2 indicates mid-range ranking and the modifier 3 indicates a ranking in the lower end of its generic rating category. A negative or positive outlook indicates a higher likelihood of a rating change over the medium term. The time between the assignment of a

new rating outlook and a subsequent rating action has historically varied widely, depending upon the pace of new credit developments which materially affect the issuer's credit profile.

DBRS' credit ratings are on a long term debt rating scale that ranges from AAA to D, which represents the range from highest to lowest quality of such securities rated. A rating of BBB(low) is within the fourth highest of ten categories and, according to the DBRS rating system, an obligation rated BBB exhibits adequate credit qualities and the capacity for the payment of financial obligations is acceptable. However, the obligor may be vulnerable to future events. The ratings from AA to C may be modified by the addition of a "high" or "low" subcategory to show relative standing within the major rating categories. A DBRS rating trend indicates the direction in which DBRS considers the rating is headed should present circumstances continue, or in some cases, unless challenges are addressed by the issuer. A positive or negative trend is not an indication that a rating change is imminent. Generally, the conditions that lead to the assignment of a negative or positive trend are resolved within a twelve month period.

Credit ratings are intended to provide an independent measure of the credit quality of an issuer of securities. The credit ratings mentioned herein are not a recommendation to purchase, hold or sell the Notes and do not comment as to market price or suitability for a particular investor. The Corporation cannot assure investors that any rating will remain in effect for any given period of time or that any rating will not be revised or withdrawn entirely by a rating agency in the future if in its judgment circumstances so warrant and, if any such rating is so revised or withdrawn, the Corporation is not under any obligation to update this prospectus supplement.

The Corporation pays S&P and Moody's an annual fee for providing a credit rating. The Corporation also paid fees to S&P and Moody's in connection with the credit ratings they provided in respect of the medium term notes contemplated by its 2013 medium term note program, and will pay fees in connection with any rating of the Notes. No other payments have been made to S&P or Moody's for any other services provided to the Corporation during the past two years. The Corporation has not made any payments to DBRS as the Corporation has not asked for nor reviewed the basis for the rating from DBRS.

## INTEREST COVERAGE

The interest coverage ratios set forth in the following table are calculated on a consolidated basis for the twelve month periods ended December 31, 2014 and June 30, 2015 and are derived from the Corporation's audited annual consolidated financial statements for the period ended December 31, 2014, and the Corporation's unaudited interim consolidated financial statements for the period ended June 30, 2015.

The interest coverage ratios do not give effect to the issue of any Notes pursuant to this prospectus supplement since the aggregate initial offering amount of Notes that may be issued hereunder and the terms of any such issue are not currently known.

*(in millions of Canadian dollars, except interest coverage ratio)*

	12 months ended	
	December 31, 2014	June 30, 2015
Net income.....	\$460	\$(202)
Tax.....	171	160
Interest expense <sup>(1)</sup> .....	8	46
Net income before interest expense and taxes.....	639	4
Interest on debt <sup>(2)</sup> .....	121	132
Interest coverage ratio <sup>(3)</sup> .....	5.3	0.0

**Notes:**

- (1) Interest expense is net of amounts related to capitalized interest.
- (2) Interest on debt is calculated as interest costs before deducting capitalized interest.
- (3) Interest coverage ratio is calculated by dividing (i) the Corporation's net income before interest expense and taxes for the period, by (ii) the Corporation's interest on debt for the period.

The Corporation's interest on debt amounted to \$121 million for the 12 months ended December 31, 2014 and \$132 million for the 12 months ended June 30, 2015. The Corporation's net income before interest (net of capitalized interest) and income taxes for the 12 months ended December 31, 2014 was \$639 million, which is 5.3 times the Corporation's interest requirements for this period; and for the 12 months ended June 30, 2015 was \$4 million, which is 0.0 times the Corporation's interest requirements for this period, or \$128 million less than what would have been required to achieve an interest coverage ratio of 1.0. An unrealized foreign exchange loss of \$271 million contributed the ratio being less than 1.0 during the 12 months ended June 30, 2015.

The interest coverage ratios set out above do not purport to be indicative of the interest coverage ratios for any future periods.

## USE OF PROCEEDS

The net proceeds from the issuance of Notes, from time to time, will be the issue price less any fees or commissions and expenses of the issuance paid in connection therewith. Such net proceeds cannot be estimated as of the date of this prospectus supplement, as the amount will depend on the extent to which Notes are issued during the 25-month period that the base shelf prospectus to which this prospectus supplement relates remains valid and upon the terms, conditions and provisions attaching to such Notes. The maximum aggregate principal amount of the Notes will not exceed Cdn. \$2,500,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering of Notes) or, if offered at an original issue discount, such greater amount as shall result in an aggregate offering price of up to Cdn. \$2,500,000,000 (or the equivalent thereof in other currencies based on the applicable exchange rate at the time of the offering of Notes). Such amount is subject to reduction as a result of the sale by the Corporation of other securities pursuant to other prospectus supplements to the base shelf prospectus. The Corporation may, from time to time, issue securities (including debt securities) and incur additional indebtedness other than through the issue of Notes pursuant to the base shelf prospectus and this prospectus supplement.

Unless otherwise specified in a pricing supplement or other prospectus supplement, the net proceeds received by the Corporation from the sale of Notes offered hereby will be used by the Corporation to repay outstanding indebtedness and for general corporate purposes, which may include capital expenditures, property and corporate acquisitions and financing of future growth opportunities. All expenses relating to an offering of Notes and any compensation paid to Dealers or other underwriters or agents will be paid out of the Corporation's general funds. The Corporation may invest funds which it does not immediately use, including in short-term investment grade securities.

Any indebtedness repaid from the net proceeds resulting from the sale of Notes offered hereby may include amounts owed to affiliates of one or more of the Dealers. See "Relationship between Canadian Oil Sands and the Dealers".

## DESCRIPTION OF NOTES

### Trust Indenture

Notes will be issued under a trust indenture (the "**Indenture**") to be entered into between the Corporation and Computershare Trust Company of Canada, as trustee (the "**Trustee**"), as the same may be amended and supplemented from time to time.

The Indenture will not limit the aggregate principal amount of Notes or other debt securities which may be issued thereunder. The first issuance of Notes offered pursuant to this prospectus supplement will be the first series of debt securities issued under the Indenture and will be designated as "Medium Term Notes (Series 1)" in the Indenture. Each subsequent issuance of Notes offered pursuant to this prospectus supplement may be designated as "Medium Term Notes (Series 1)" or as a separate series under the Indenture that will be specified in the applicable pricing supplement or other prospectus supplement. Except as may be set forth in the applicable pricing supplement or other prospectus supplement relating to each issue of Notes, the terms applicable to Notes of the same series will be substantially identical.

The following is a summary of certain provisions of the Indenture and the Notes and other debt securities which may be issued thereunder and is subject to, and qualified in its entirety by reference to, the complete provisions of the



Indenture. Reference should be made to the Indenture for a full description of such provisions, including the definition of certain terms used herein, and for other terms of, and information regarding, the Notes.

### *Ranking*

Notes will be unsecured obligations of the Corporation and will rank *pari passu*, with each other and with each other series of debt securities and with all other unsecured and unsubordinated debt of the Corporation. The creation of secured obligations by the Corporation in the future is subject to certain restrictions under the Indenture. See "Limitation on Liens".

### *Depository Services*

Except as otherwise provided below, Notes will be issued in "book-entry only" form and beneficial interests therein must be purchased or transferred through participants ("**participants**") in the depository service of CDS Clearing and Depository Services Inc. or a successor (collectively, the "**Depository**") or such other person who is designated in writing by the Corporation to act as depository, which includes securities brokers and dealers, banks and trust companies. On the issue of Notes, the Corporation will cause a global certificate or certificates representing such Notes (a "**Global Note**") to be delivered to, and registered in the name of, the Depository or its nominee. No purchaser of a beneficial interest in such Notes will be entitled to a certificate or other instrument from the Corporation or the Depository evidencing that purchaser's ownership of Notes, and no holder of a beneficial interest in Notes will be shown on the records maintained by the Depository except through a book-entry account of a participant acting on behalf of such holder. The ability of a holder having a beneficial interest in Notes outstanding in "book-entry only" form to pledge such interest or otherwise take action with respect to such interest (other than through a participant) may be limited due to the lack of a physical certificate. Notes may be issued in fully registered form to holders or their nominees other than the Depository in certain circumstances as set forth in the Indenture.

Where Notes are issued in "book-entry only" form represented by a Global Note, none of the Corporation, the Trustee, any agent of the Trustee or the guarantor will be liable or responsible to any person for: (i) any aspect of the records relating to beneficial interests in Notes or the book-entry only accounts in respect thereof; (ii) payments made on account of beneficial interests in Notes; (iii) maintaining, reviewing, or supervising any records relating to beneficial interests in Notes; or (iv) any advice or representation made or given by the Depository or by any agent of the Depository with respect to the rules and regulations of the Depository or any action to be taken by the Depository or at the direction of its participants.

### *Transfers*

While Notes are outstanding in "book-entry only" form, transfers of ownership of beneficial interests in Notes represented by Global Notes will be effected only through records maintained by the Depository for such Global Notes or by its nominee (with respect to interests of participants in the Depository's book-entry system) and on the records of participants (with respect to interests of holders other than participants in the Depository's book-entry system). Holders of beneficial interests in Notes represented by Global Notes who are not participants in the Depository's book-entry system, but who desire to purchase, sell or otherwise transfer ownership of their beneficial interests in such Notes represented by Global Notes, may do so only through participants in the Depository's book-entry system. A purchaser's interest in a Note represented by a Global Note will only be exchangeable for Notes issued in definitive form in certain limited circumstances as provided in the Indenture and in accordance with the procedures established by the Depository or its nominee.

Notes sold under Rule 144A of the U.S. Securities Act, if any, will be subject to additional restrictions on transfer set out and described in a U.S. placement memorandum.

### *Payment of Interest and Principal*

Except in the case of payment on maturity or on redemption, in which case payment may be made on surrender of a Global Note, payments of interest, if any, and principal of and premium, if any, on each Global Note will be made to the Depository or its nominee, as the case may be, as the registered holder of such Global Note. So long as the

Depository or its nominee is the registered holder of the Global Note, the Depository or its nominee, as the case may be, will be considered the sole owner of the Global Note for the purpose of receiving payments of interest, if any, and principal of and premium, if any, on Notes represented by such Global Note and for all other purposes under the Indenture and the Global Note.

The Corporation understands that the Depository or its nominee, upon receipt of any payment of interest, if any, or principal and premium, if any, in respect of a Global Note, will credit participants' accounts, on the date the interest, if any, or principal and premium, if any, is payable, with payments in amounts proportionate to their respective interests in the principal amount of such Global Note as shown on the records of the Depository or its nominee. The Corporation also understands that payments of interest, if any, or principal and premium, if any, by participants to the owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants. The responsibility and liability of the Corporation in respect of payments on Notes represented by a Global Note is limited solely and exclusively, while the Notes are in Global Note form, to making payment of interest, if any, and principal and premium, if any, due on such Global Note to the Depository or its nominee. The Corporation will not have any responsibility or liability for any aspect of the records relating to beneficial ownership interests in the Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

If the date for payment of any amount of principal or interest on any Notes is not a business day at the place of payment, then payment will be made on the next business day and the holder of such Notes will not be entitled to any further interest or other payment in respect of the delay.

#### *Redemption*

If so specified in the applicable pricing supplement or other prospectus supplement, the Corporation will be entitled, at its option, to redeem any issuance of Notes, in whole at any time or in part from time to time, by giving prior notice of not less than 30 days and not more than 90 days to the holders thereof, at the redemption price, together in each case with accrued and unpaid interest to but not including the date fixed for redemption. Accidental error or omission in giving notice shall not invalidate any action based thereon.

The applicable pricing supplement or other prospectus supplement will specify the redemption price (or the manner of calculating the redemption price) for each issuance of Notes that are redeemable.

Notes will not be redeemable at the option of the holder prior to maturity unless otherwise specified in the applicable pricing supplement or other prospectus supplement.

#### *Open Market Purchases*

Subject to applicable securities laws, the Corporation will have the right at any time and from time to time when it is not in default under the Indenture to purchase Notes in the market, by tender or by private contract. Notes purchased by the Corporation will be cancelled and may not be reissued.

#### *Limitation on Liens*

The Indenture will provide that the Corporation will not, and will not permit any Restricted Subsidiary of the Corporation to, create, incur or assume any Lien to secure Indebtedness on or with respect to any Property of the Corporation or any such Restricted Subsidiary, whether owned on the Issue Date or acquired after the Issue Date, or any interest therein or any income or profits therefrom, unless the Notes are secured equally and rateably with (or prior to) any and all other obligations secured by such Lien until such time as such other Lien is discharged, except for:

- (a) any Lien existing on any Property of a Person at the time such Person is merged, amalgamated or consolidated with or into the Corporation or any such Restricted Subsidiary, provided that such Liens are not extended to other Property of the Corporation or any such Restricted Subsidiary;

- (b) any Lien existing on any Property at the time of the acquisition thereof, provided that such Liens are not extended to other Property of the Corporation or any such Restricted Subsidiary;
- (c) Liens existing as of the Issue Date;
- (d) Liens to secure any extension, renewal, refinancing, refunding, exchange or replacement (or successive extensions, renewals, refinancings, refundings, exchanges or replacements), in whole or in part, of any Indebtedness secured by Liens referred to in the foregoing clauses (a) through (c), this clause (d) and clauses (i), (k), (l), (m), (n), (o) and (p) below; provided, however, that (i) such new Lien shall be limited to all or part of the same Property that secured the original Lien, plus improvements on such Property and (ii) the Indebtedness secured by such Lien at such time is not increased to any amount greater than the sum of (A) the outstanding principal amount of the Indebtedness secured by such Lien and (B) an amount necessary to pay any fees and expenses, including premiums, related to such extension, renewal, refinancing, refunding, exchange or replacement;
- (e) any Lien incidental to the normal conduct of the business of the Corporation or any such Restricted Subsidiary, the ownership of its Property or the conduct in the ordinary course of its business (including, without limitation, (i) easements, rights of way and similar encumbrances, (ii) rights of lessees under leases, (iii) rights of collecting banks having rights of setoff, revocation, refund or chargeback with respect to money or instruments of the Corporation or any such Restricted Subsidiary or on deposit with or in the possession of such banks, (iv) Liens imposed by law, including without limitation Liens under workers' compensation or similar legislation and mechanics', carriers', warehousemen's, materialmen's, suppliers' and vendors' Liens and (v) Liens incurred to secure performance of obligations with respect to statutory or regulatory requirements, performance or return-of-money bonds, surety bonds or other obligations of a like nature and incurred in a manner consistent with industry practice) in each case which are not incurred in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of Property and which do not in the aggregate impair in any material respect the use of Property in the operation of the business of the Corporation and its Restricted Subsidiaries taken as a whole;
- (f) Liens for taxes not yet due or which are being contested in good faith by appropriate proceedings, so long as accruals have been established to the extent required by GAAP;
- (g) Liens incurred to secure appeal bonds and judgment and attachment Liens, in each case in connection with litigation or legal proceedings that are being contested in good faith by appropriate proceedings so long as accruals have been established to the extent required by GAAP and so long as such Liens do not encumber assets by an amount in excess of 10% of Consolidated Tangible Assets;
- (h) Liens resulting from the deposit of funds or evidences of Indebtedness in trust for the purpose of defeasing Indebtedness of the Corporation or any of its Restricted Subsidiaries;
- (i) Liens securing a Hedging Agreement;
- (j) Liens resulting from the pledge of Share Capital of a Person that is not a Restricted Subsidiary;
- (k) Liens securing a securitization program relating to the sale of accounts receivable;
- (l) Liens on personal property securing any monetary obligation created or assumed as part of the purchase price of tangible personal property, whether or not secured, any extensions, renewals or refundings of any such obligation, provided that the principal amount of such obligation outstanding on the date of such extension, renewal or refunding is not increased and further provided that any security given in respect of such obligation shall not extend to any property other than the property

acquired in connection with which such obligation was created or assumed and fixed improvements, if any, erected or constructed thereon and the proceeds thereof;

- (m) Oil and Gas Liens incurred in the ordinary course of the business of the Corporation or any Restricted Subsidiary;
- (n) Liens on pipelines, pumping stations or other pipeline facilities, drilling, mining and extraction equipment, production equipment, platforms, power plants and utilities, tank cars, tankers, barges, ships, trucks, automobiles, airplanes or other marine, automotive, aeronautical or other similar moveable facilities or equipment, computer systems and associated programs; office equipment; weather stations; townsites; housing facilities, recreation halls, stores and other related facilities; gasification or gas liquefying facilities and burning towers, flares or stacks; retail service stations, bulk plants, storage facilities, terminals or warehouses; or similar facilities and equipment of or associated with any of the foregoing; provided, in each case, that, such Lien is incurred to finance the acquisition by the Corporation or any such Restricted Subsidiary of such Property or assets within 90 days after such acquisition and such Lien shall be limited to the specified Property or assets being financed;
- (o) Liens on current assets (current assets as determined in accordance with GAAP) given in the ordinary course of business to any financial institution to secure any Indebtedness payable on demand or maturing (including any right of extension or renewal) 18 months or less after the date such Indebtedness is incurred or the date of any renewal or extension thereof;
- (p) Liens on any Property (including, for certainty, any mining reclamation trust or similar arrangement in connection with any reclamation or clean-up obligations to the extent any such trust or similar arrangement may constitute a Lien) incurred to secure all or any part of any Indebtedness or obligations relating to the reclamation and clean-up of any properties, facilities and interests and surrounding lands whether or not owned by the Corporation or a Restricted Subsidiary, the plugging or abandonment of wells and decommissioning or removal of structures or facilities located on such properties or facilities provided such Liens, Indebtedness or obligations are incurred prior to, during or within two years after the completion of reclamation and clean-up or such other activity;
- (q) Liens in respect of the joint development, operation or present or future reclamation, clean-up or abandonment of properties, facilities and surrounding lands or related production or processing as security in favour of any other owner or operator of such assets for the Corporation's or any Restricted Subsidiary's portion of the costs and expenses of such development, operation, reclamation, clean-up or abandonment;
- (r) Liens on any Property in favour of a government within Canada or the United States or any political subdivision, department, agency or instrumentality thereof to secure the performance of any covenant or obligation to or in favour of or entered into at the request of any such authorities where such Lien is required pursuant to any contract, statute, order or regulation;
- (s) the Lien created in favour of SCL for the benefit of the Syncrude Participants pursuant to Section 806 of the Ownership and Management Agreement dated as of February 4, 1975 governing the Syncrude Joint Venture, as amended to the date of the Indenture and as may be further amended, restated or replaced from time to time; and
- (t) Liens not otherwise permitted by clauses (a) through (s) provided that the aggregate principal amount of the Indebtedness outstanding and secured under such Liens does not at the date of incurrence of the most recent such Lien exceed 10% of Consolidated Tangible Assets.

### *Events of Default*

The Indenture will provide that an event of default ("**Event of Default**") will occur with respect to a series of debt securities if:

- (a) the Corporation fails to pay principal or premium, if any, on any debt securities of that series when due and such failure continues for a period of three days;
- (b) the Corporation fails to pay any interest on any debt securities of that series when due and such failure continues for a period of 30 days;
- (c) the Corporation defaults in the performance or observance of any other covenant or condition contained in the debt securities of that series or in the Indenture and such default continues for a period of 90 days (or such longer period as may be determined in accordance with the Indenture) after written notice has been given to the Corporation by the Trustee specifying the default and requiring the Corporation to remedy the same;
- (d) a resolution of the directors is passed for the dissolution, winding up or liquidation of the Corporation except in connection with a reorganization permitted by the Indenture;
- (e) certain events of bankruptcy, insolvency, assignment for the benefit of creditors or similar insolvency proceedings have occurred with respect to the Corporation or a Restricted Subsidiary and, in the event of the entry of a decree or order by a court having jurisdiction under applicable bankruptcy laws with respect to such events, such decree or order remains unstayed and in effect for a period of 90 consecutive days; or
- (f) if an event of default, as defined in any one or more indentures or instruments evidencing or under which the Corporation or a Restricted Subsidiary has at the time outstanding Indebtedness, has occurred and the obligation to pay an amount in the aggregate principal amount in excess of the greater of \$100 million and 2% of Consolidated Tangible Assets has been accelerated or there has been a failure by the Corporation or a Restricted Subsidiary to pay an amount in excess of such amount when due or at maturity; provided that:
  - (i) if the event of default is related to a failure to make any payment of principal when due, by acceleration or otherwise or at maturity, such failure continues for the applicable grace period plus seven days; or
  - (ii) if the event of default is related to any other matter, 30 days have elapsed after the Corporation or such Restricted Subsidiary has in good faith exhausted remedies available to it, including the contesting in good faith of such event of default;

provided that if such default or event or events of default shall be remedied or cured by the Corporation or the Restricted Subsidiary, or has been waived by the holders of such debt, or such acceleration has been rescinded or annulled, then the Event of Default under the Indenture by reason thereof shall be deemed likewise to have been thereupon remedied, cured, waived, rescinded or annulled without further action upon the part of the Trustee, the Corporation or the holders of the debt securities and any acceleration of maturity under the debt securities consequent thereon shall be deemed rescinded and annulled;

provided, however, that additional or modified Events of Default may be established for a particular series of debt securities issued under the Indenture, in which case the additional or modified Events of Default will be set forth in the applicable pricing supplement or other prospectus supplement relating to such series.

If an Event of Default shall occur and is continuing, then the Trustee shall, within 45 days after it receives notice of the occurrence of such Event of Default with respect to a series of debt securities, give notice of such Event of Default to

the holders of the debt securities of that series in the manner provided in the Indenture; provided, however, that, notwithstanding the foregoing, the Trustee shall not be required to give such notice if the Trustee in good faith shall have determined that the withholding of such notice is in the best interest of the holders of the debt securities of that series and shall have so advised the Corporation in writing.

The Indenture will provide that if an Event of Default has occurred, the Trustee may, in its discretion, and shall, upon receipt of a request in writing by the holders of not less than 25% in principal amount of outstanding debt securities (or not less than 25% in principal amount of the debt securities of the particular series, as the case may be), declare the principal and interest on all debt securities (or the debt securities of the particular series, as the case may be) outstanding under the Indenture to be due and payable immediately. Notwithstanding the foregoing, the holders of the debt securities (or the debt securities of the particular series, as the case may be), by extraordinary resolution, or the Trustee (if in the Trustee's opinion the default shall have been cured or adequately satisfied), may cancel the acceleration and waive the Event of Default other than a default in payment of principal at maturity.

### *Modification*

The rights of holders of debt securities, or any series thereof, including the Notes, may be subject to modification. For that purpose, among others, the Indenture contains provisions for the holding of meetings of holders of Notes and other series of debt securities and for rendering ordinary and extraordinary resolutions binding upon the holders of all outstanding Notes or other debt securities of the affected series.

Ordinary resolutions must be passed either at a meeting by the holders of more than 50% of the principal amount of the outstanding Notes or the other affected series of debt securities represented at a meeting at which holders of more than 25% of the principal amount of the outstanding Notes or other affected series of debt securities are present, or by instruments in writing signed by holders of more than 50% of the principal amount of the outstanding Notes or other affected series of debt securities. Extraordinary resolutions must be passed either at a meeting by the holders of at least 66⅔% of the principal amount of the Notes or the other affected series of debt securities represented at a meeting at which holders of more than 25% of the principal amount of the outstanding Notes or other affected series of debt securities are present, or by instruments in writing signed by holders of at least 66⅔% of the principal amount of the outstanding Notes or the other affected series of debt securities. If, in the opinion of the Trustee, the modification or alteration does not adversely affect the rights of the holders of the Notes, the assent of the holders of the Notes is not required.

In addition, the Corporation and the Trustee will be entitled, without the consent of the holders of Notes, to amend or supplement the Indenture or the Notes for certain limited purposes, including curing ambiguities, defects or inconsistencies and making modifications which, in the opinion of the Trustee, would not be prejudicial to the interests of the holders of Notes.

### *Consolidation, Amalgamation, Merger and Sale of Assets*

Nothing contained in the Indenture or in any of the Notes shall prevent any consolidation, amalgamation or merger of the Corporation with or into any other corporation, partnership or other Person (whether or not affiliated with the Corporation), or successive consolidations, amalgamations or mergers in which the Corporation or its successor or successors shall be a party or parties, or shall prevent any sale, conveyance or lease of all or substantially all of the property of the Corporation to any other corporation, partnership or other Person (whether or not affiliated with the Corporation); provided, however, that upon any such consolidation, amalgamation, merger, sale, conveyance or lease: (i) the Person (if other than the Corporation, including any continuing corporation resulting from an amalgamation of the Corporation with another Person governed by the laws of Canada or any province or territory thereof) formed by or continuing from such consolidation or amalgamation, or into which the Corporation shall have been merged, or which shall have acquired or leased all or substantially all of the property of the Corporation, shall expressly assume, by supplemental indenture (which shall not require any additional covenants to be given by such Person) satisfactory in form to the Trustee, acting reasonably, executed and delivered to the Trustee, the due and punctual payment of the principal of (and premium, if any) and interest on all of the Notes and other debt securities and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed by the Corporation, provided that no supplemental indenture shall be required if the successor Person is liable by operation of law for the due and punctual payment of the principal of (and premium, if any) and interest on all of the Notes and

other debt securities and the due and punctual performance and observance of all of the covenants and conditions of the Indenture to be performed by the Corporation; (ii) immediately after giving effect to such transaction, no Event of Default, and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing; and (iii) the successor Person is a corporation, partnership or other Person incorporated or formed under the laws of Canada or any province or territory thereof or the United States or any state, district or territory thereof.

In addition, notwithstanding the provisions described in the preceding paragraph or anything else contained in the Indenture or in any of the Notes, the Corporation may, in addition to its right to enter into transactions described in the preceding paragraph, consolidate, amalgamate or merge with or into, and may sell, convey or lease all or substantially all the property of the Corporation to, one or more direct or indirect wholly-owned Subsidiaries of the Corporation, whether in a single transaction or a series of transactions (a "**Downstream Reorganization**"), provided that the Corporation has provided the Trustee and all of the Corporation's then current ratings agencies with notice of its intention to enter into a Downstream Reorganization at least 45 days prior to the date on which the Downstream Reorganization is proposed to be completed, and provided further that, on or before the date on which the Downstream Reorganization is completed, the Corporation has delivered to the Trustee an Officer's Certificate confirming that either:

- (a) immediately after completion of the Downstream Reorganization, substantially all other unsecured and unsubordinated indebtedness for borrowed money of the Corporation that ranked *pari passu* with the Notes and other debt securities outstanding immediately prior to the proposed Downstream Reorganization will rank no better than *pari passu* with the Notes and other debt securities immediately after the Downstream Reorganization (it being acknowledged, for greater certainty, that there is no requirement for any such other indebtedness for borrowed money to obtain or maintain similar ranking to the Notes and other debt securities and such other indebtedness for borrowed money may, after completion of the Downstream Reorganization, be subordinated to the Notes and other debt securities); or
- (b) at least two of the Corporation's then current credit rating agencies (or if only one credit rating agency maintains ratings in respect of the Corporation's debt securities at such time, from that one rating agency) have affirmed that the ratings assigned by them to the Notes and other debt securities immediately prior to the Downstream Reorganization will not be downgraded as a result of the Downstream Reorganization, or notice thereof.

Upon any consolidation, amalgamation or merger by the Corporation with or into any other corporation, partnership or other Person or any sale, conveyance or lease of all or substantially all the property of the Corporation in accordance with the Indenture, other than a Downstream Reorganization in which the Corporation retains all of its obligations under the Indenture and the outstanding Notes, the successor Person formed by such consolidation or amalgamation or into which the Corporation is merged or to which such sale, conveyance or lease is made shall succeed to, and be substituted for, and may exercise every right and power of, the Corporation under the Indenture with the same effect as if such successor Person had been named as the Corporation, and thereafter, except in the case of such lease, the predecessor corporation (the Corporation) shall be relieved of all obligations and covenants under the Indenture and the Notes.

#### *Defeasance*

The Indenture will provide that if the Corporation deposits with the Trustee, in trust for the benefit of the holders of the Notes: (a) funds sufficient to pay, or (b) obligations of or guaranteed by (i) the Government of Canada or (ii) a province of Canada whose securities are rated by DBRS or S&P (or their successors or similar recognized rating services) at least A(low) or A-, respectively, (or equivalent), at the time of deposit thereof, or (iii) any other issuer whose securities are rated by DBRS or S&P (or their successors or similar recognized rating services) at least AA(low) or AA-, respectively, (or the equivalent) at the time of the deposit thereof, as will together with the income thereon be sufficient to pay, all sums due for the principal of and accrued and unpaid interest to maturity or any repayment date, as the case may be, on the Notes (or any issuance thereof being defeased) and certain other conditions are met, the Corporation shall be deemed to have fully paid, satisfied and discharged all such Notes.

### *Governing Law*

The Indenture, any supplemental indentures and the Notes will be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

### *Certain Definitions*

Certain terms will be defined substantially as follows in the Indenture:

**"Capital Lease Obligation"** of any Person means the obligation to pay rent or other payment amounts under a lease of (or other arrangement conveying the right to use) real or personal property of such Person which is required to be classified and accounted for as a finance lease or capital lease, or a liability on the face of a balance sheet of such Person in accordance with GAAP.

**"Consolidated Tangible Assets"** means the total assets, after deducting therefrom all goodwill, trade names, trademarks, patents, organization expenses and other like intangibles, of the Corporation and its Restricted Subsidiaries on a consolidated basis as of the date of the Corporation's most recent quarterly balance sheet determined in accordance with GAAP.

**"Exchange Rate Contract"** means, with respect to any Person, any currency swap agreements, forward exchange agreements, foreign currency futures or options, exchange rate collar agreements, exchange rate insurance and other agreements or arrangements, or any combination thereof, designed to provide protection against fluctuations in currency exchange rates.

**"GAAP"** means Canadian generally accepted accounting principles for publicly accountable enterprises, which, effective January 1, 2011, includes International Financial Reporting Standards as adopted by the Canadian Accounting Standards Board, as in effect from time to time or, if the Corporation shall adopt United States generally accepted accounting principles as its accounting basis for purposes of its continuous disclosure documents filed with Canadian securities regulatory authorities, such accounting standards as in effect from time to time.

**"Guarantee"** by any Person means any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Indebtedness of any other Person (the **"primary obligor"**) in any manner, whether directly or indirectly, and including, without limitation, any Lien on the assets of such Person securing obligations of the primary obligor and any obligation of such Person (a) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to purchase (or to advance or supply funds for the purchase or payment of) any security for the payment of such Indebtedness; (b) to purchase Property, securities or services for the purpose of assuring the holder of such Indebtedness of the payment of such Indebtedness; or (c) to maintain working capital, equity capital or other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness (and "Guaranteed", "Guaranteeing" and "Guarantor" shall have meanings correlative to the foregoing); *provided, however*, that a Guarantee by any Person shall not include (i) endorsements by such Person for collection or deposit, in either case, in the ordinary course of business or (ii) a contractual commitment by one Person to invest in another Person.

**"Hedging Agreements"** means Exchange Rate Contracts, Interest Rate Protection Agreements and Oil and Natural Gas Purchase and Sale Contracts, and any combination of the foregoing, in each case, that are entered into in the ordinary course of business.

**"Indebtedness"** means at any time (without duplication), with respect to any Person, whether recourse is to all or a portion of the assets of such Person, and whether or not contingent, (a) any obligation of such Person for borrowed money; (b) any obligation of such Person evidenced by bonds, debentures, notes, Guarantees or other similar instruments in respect of borrowed money, including, without limitation, any such obligations incurred in connection with the acquisition of Property, assets or businesses; (c) any reimbursement obligation of such Person with respect to letters of credit, bankers' acceptances or similar facilities issued for



the account of such Person; (d) any obligation of such Person issued or assumed as the deferred purchase price of Property or services; (e) any Capital Lease Obligation of such Person; (f) any obligation to pay rent or other payment amounts of such Person with respect to any Sale and Leaseback Transaction to which such Person is a party, other than rent pursuant to an operating lease for the Corporation's headquarters; and (g) any obligation of the type referred to in clauses (a) through (f) of this paragraph of another Person and all dividends of another Person the payment of which, in either case, such Person has Guaranteed or is responsible or liable, directly or indirectly, as obligor, Guarantor or otherwise, provided that Indebtedness shall not include Production Payments and Reserve Sales.

**"Interest Rate Protection Agreement"** means, with respect to any Person, any interest rate swap agreement, forward rate agreement, interest rate cap or collar agreement or other financial agreement or arrangement designed to protect such Person or its Subsidiaries against fluctuations in interest rates, as in effect from time to time.

**"Issue Date"** means the date upon which the Notes first were issued and authenticated under the Indenture.

**"Lien"** means, with respect to any Property, any mortgage or deed of trust, pledge, hypothecation, assignment, deposit arrangement, security interest, lien (statutory or other), charge, easement, encumbrance, preference, priority or other security or similar agreement or preferential arrangement of any kind or nature whatsoever on or with respect to such Property (including, without limitation, any conditional sale or other title retention agreement having substantially the same economic effect as any of the foregoing), but excluding any interest in accounts receivable that have been sold in a transaction accounted for as a sale in accordance with GAAP and excluding any security interest referred to in Section 1(1)(tt)(ii) of the *Personal Property Security Act* (Alberta) or any successor provision thereto.

**"Oil and Gas Business"** means the business of the exploration for, and development, acquisition, production, processing, marketing, refining, storage and transportation of, hydrocarbons, the mining, *in situ* recovery and extraction of crude bitumen from oil sands and upgrading of such crude bitumen to synthetic crude oil and other related energy and natural resource businesses.

**"Oil and Gas Liens"** means:

- (a) Liens on assets or properties (including oil sands properties) or any interest therein, construction thereon or improvement thereto, and on any receivables, inventory, equipment, chattel paper, contract rights, intangibles or other assets, rights or collateral related to such assets or properties, securing:
  - (i) all or any portion of the costs incurred for acquisition (directly or indirectly), surveying, exploration, drilling, development, extraction, mining, operation, production, construction, alteration, reclamation, repair or improvement of, in, under or on any part of such assets or properties and the plugging and abandonment of wells located thereon;
  - (ii) all or any portion of the cost of acquiring (directly or indirectly), developing, constructing, altering, improving, operating or repairing any assets or properties (or improvements on such assets or properties) used or to be used in connection with such assets or properties, whether or not located (or located from time to time) at or on such assets or properties;
  - (iii) Indebtedness incurred by the Corporation or any of its Subsidiaries to provide funds for the activities set forth in subclauses (i) and (ii) above, provided such Indebtedness is incurred prior to, during or within two years after the later of the acquisition or the completion of such construction or such other activities referred to in subclauses (i) and (ii) above; and
  - (iv) Indebtedness incurred by the Corporation or any of its Subsidiaries to refinance Indebtedness incurred for the purposes set forth in subclauses (i) and (ii) above;

and without limiting the generality of the foregoing, costs incurred with respect to subclauses (i) or (ii) above shall include costs incurred for all facilities relating to such assets or properties (including power plants and utilities), or to projects, ventures or other arrangements of which such assets or properties form a part or which relate to such assets or properties, whether or not such facilities are in whole or in part located (or from time to time located) at or on such assets or properties, or for acquiring ownership of any Person which owns any such assets or properties or interest therein;

- (b) Liens on an oil and/or gas producing property to secure obligations incurred or guarantees of obligations incurred in connection with or necessarily incidental to commitments for the purchase or sale of, or the transportation or distribution of, the products derived from such property;
- (c) Liens arising under partnership agreements, oil and gas leases, overriding royalty agreements, net profits agreements, production payment agreements, royalty trust agreements, master limited partnership agreements, joint venture agreements, farm-out agreements, division orders, contracts for the sale, purchase, exchange, transportation, gathering or processing of oil, gas or other hydrocarbons, unitizations and pooling designations, declarations, orders and agreements, development agreements, operating agreements, production sales contracts, area of mutual interest agreements, gas balancing or deferred production agreements, injection, repressuring and recycling agreements, salt water or other disposal agreements, seismic or geophysical permits or agreements, and other agreements which are customary in the Oil and Gas Business, provided in all instances that such Liens are limited to the assets that are the subject of the relevant agreement;
- (d) Liens arising in connection with Production Payments and Reserve Sales; and
- (e) Liens on pipelines or pipeline facilities that arise by operation of law.

**"Oil and Natural Gas Purchase and Sale Contract"** means, with respect to any Person, any oil and gas agreements, commodity swap or hedging agreements, commodity futures or options, cap or collar agreements, commodity purchase and sale agreements, and other agreements or arrangements, or any combination thereof, designed to provide protection against fluctuations in the price of oil and gas or other commodities.

**"Person"** means any individual, corporation, company, partnership, trust, unincorporated organization or government or any agency or political subdivision thereof or any other legal business entity.

**"Production Payments and Reserve Sales"** means the grant or transfer to any Person of a royalty, overriding royalty, net profits interest, production payment (whether volumetric or dollar denominated), master limited partnership interest or other interest in oil and gas properties, reserves or the right to receive all or a portion of the production or the proceeds from the sale of production attributable to such properties where the holder of such interest has recourse solely to such production or proceeds of production, subject to the obligation of the grantor or transferor to operate and maintain, or cause the subject interests to be operated and maintained, in a reasonably prudent manner or other customary standard or subject to the obligation of the grantor or transferor to indemnify for environmental matters.

**"Property"** means, with respect to any Person, any interest of such Person in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, including, without limitation, Share Capital in any other Person.

**"Restricted Subsidiary"** means, at any time, any Subsidiary of the Corporation, having, as of the end of the most recent fiscal quarter of the Corporation, total assets equal to or exceeding 10% of Consolidated Tangible Assets, as evidenced by the most recent consolidated audited annual financial statements or, if more recent, interim unaudited quarterly financial statements of the Corporation.

**"Sale and Leaseback Transaction"** means, with respect to any Person, any direct or indirect arrangement (excluding, however, any such arrangement between such Person and a Restricted Subsidiary of such Person

or between one or more Restricted Subsidiaries of such Person) pursuant to which Property is sold or transferred by such Person or a Restricted Subsidiary of such Person and is thereafter leased back from the purchaser or transferee thereof by such Person or one of its Restricted Subsidiaries, other than pursuant to a lease with an original term (including any period for which the lease may be renewed or extended, at the option of the lessor) of 36 months or less.

**"Share Capital"** in any Person means any and all shares, interests, participations or other equivalents in the equity interest (however designated) in such Person and any rights (other than debt securities convertible into an equity interest), warrants or options to subscribe for or to acquire an equity interest in such Person.

**"Subsidiary"** of a Person means (a) another Person a majority of whose Voting Shares is at the time, directly or indirectly, owned or controlled by (i) the first Person, (ii) the first Person and one or more of its Subsidiaries or (iii) one or more of the first Person's Subsidiaries or (b) another Person (x) at least 50% of the ownership interest of which and (y) the power to elect or direct the election of a majority of the directors or other governing body of which are controlled by Persons referred to in clauses (i), (ii) or (iii) above.

**"Voting Shares"** of any Person means Share Capital of such Person which ordinarily has voting power for the election of directors (or persons performing similar functions) of such Person whether at all times or only so long as no senior class of securities has such voting power by reason of any contingency.

### DESCRIPTION OF SUBSIDIARY GUARANTEE

COSP will unconditionally and irrevocably guarantee (the **"Subsidiary Guarantee"**) the payment when due of principal, premium (if any), interest and all other amounts payable by the Corporation under the Notes; provided, however, that payment of interest on overdue installments of interest will be guaranteed only to the extent permitted by applicable law (the **"Guaranteed Obligations"**). The Subsidiary Guarantee will be a direct and unsecured obligation of COSP and will rank *pari passu* with all other present and future unsecured and unsubordinated indebtedness of COSP. The Subsidiary Guarantee will be governed by and construed in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

All payments to be made by COSP pursuant to the Subsidiary Guarantee on account of the Guaranteed Obligations shall be made within five business days following receipt of demand therefor by the Trustee or, to the extent permitted by the Subsidiary Guarantee and the Indenture, by any holder of Notes. COSP's obligations under the Subsidiary Guarantee to pay the Guaranteed Obligations will be unconditional, irrespective of (among other things): (i) any invalidity, illegality, irregularity or unenforceability of the Indenture or any Note or the Indenture or any part thereof as regards the Corporation; (ii) the absence of any action to enforce the Indenture or the Notes; (iii) the recovery of any judgment against the Corporation or any action to enforce the same; (iv) any change in the corporate existence, structure or ownership of the Corporation; (v) any insolvency, bankruptcy, reorganization or similar proceeding affecting the Corporation or its assets; (vi) any extension of time for payment of the Guaranteed Obligations; (vii) any renewal, settlement, compromise, waiver or release in respect of any obligation of the Corporation under the Indenture or any Note; or (viii) any circumstance (other than payment in full of the Guaranteed Obligations) that might otherwise constitute a legal or equitable discharge or defence of COSP's obligations under the Subsidiary Guarantee.

COSP's obligations under the Subsidiary Guarantee will be continuing obligations and will remain in full force and effect until the indefeasible payment in full of the Guaranteed Obligations. The Trustee or, if applicable, any holder of Notes will not be required to first seek or exhaust its recourse against the Corporation before being entitled to payment from COSP under the Subsidiary Guarantee. The Trustee shall at the written request of the Guarantor release and discharge the Subsidiary Guarantee at any time after either: (i) the Trustee has released the Corporation from its covenants contained in the Indenture in accordance with the terms thereof; (ii) the Corporation has satisfied the requirements set forth in the Indenture with respect to satisfaction and defeasance of the Notes; (iii) the Trustee is otherwise satisfied that the Guaranteed Obligations have been paid in full; or (iv) COSP is terminated or wound-up in connection with or subsequent to any reorganization.

Nothing contained in the Subsidiary Guarantee shall prevent any combination, consolidation, amalgamation or merger of COSP, in whole or in part, with or into any other corporation, partnership, trust or other entity (whether or not affiliated with COSP), or successive combinations, consolidations, amalgamations or mergers in which COSP or its

successor or successors shall be a party or parties, or any sale, conveyance or lease of all or substantially all of the property of COSP to any other corporation, partnership, trust or other entity (whether or not affiliated with COSP); provided, however, that upon any such combination, consolidation, amalgamation, merger, sale, conveyance or lease: (i) the entity (if other than COSP) formed by or continuing from such combination, consolidation or amalgamation, or into which COSP shall have been merged, or which shall have acquired or leased all or substantially all of the property of the COSP, shall expressly assume, by written guarantee (which shall not require any additional covenants to be given by such entity) in substantially the form of the agreement providing for the Subsidiary Guarantee, executed and delivered to the Trustee, the payment when due of the Guaranteed Obligations, provided that no such guarantee shall be required if the successor entity is liable by operation of law under the Subsidiary Guarantee, (ii) immediately after giving effect to such transaction, no Event of Default (as that term is defined under the Indenture), and no event which, after notice or lapse of time, or both, would become an Event of Default, shall have happened and be continuing, and (iii) the successor entity (if other than the Corporation) is a corporation, partnership, trust or other entity incorporated or formed under the laws of Canada or any province or territory thereof or the United States or any state, district or territory thereof.

In addition, notwithstanding the provisions described in the preceding paragraph or anything else contained in the Subsidiary Guarantee, COSP may, in addition to its right to enter into transactions described in the preceding paragraph, combine, consolidate, amalgamate or merge with or into, in whole or in part, and may sell, convey or lease all or substantially all the property of COSP to, one or more direct or indirect wholly-owned Subsidiaries of the Corporation, whether in a single transaction or a series of transactions, in connection with a Downstream Reorganization that is permitted by the Indenture as described above under "Description of Notes – Trust Indenture – Consolidation, Amalgamation, Merger and Sale of Assets", subject to the provisos described therein.

The following table sets forth selected unaudited summary financial information for the dates and periods indicated, with a separate column for each of: (i) the Corporation (on a non-consolidated basis); (ii) COSP; (iii) all other subsidiaries of the Corporation (other than COSP) on a combined basis; (iv) consolidating adjustments; and (v) total consolidated amounts. This summary financial information should be read in conjunction with the Corporation's audited annual consolidated financial statements for the years ended December 31, 2014 and 2013 and unaudited interim consolidated financial statements for the three and six month periods ended June 30, 2015, which are incorporated by reference herein.

**Selected Summary Financial Information**  
**as at and for the year ended December 31, 2014** <sup>(1)</sup>

Unaudited

*(in millions of Canadian dollars)*

	<b>Corporation</b> <sup>(2)</sup> <b>(non-consolidated)</b>	<b>COSP</b>	<b>Other Subsidiaries</b> <b>(combined)</b>	<b>Consolidating Adjustments</b> <sup>(3)</sup>	<b>Total Consolidated Amounts</b>
<b>Statement of Income Data</b>					
Revenues	4	3,335	416	(64)	3,691
Net income <sup>(4)</sup>	405	820	2	(767)	460
<b>Balance Sheet Data</b>					
Current assets	23	438	23	(52)	432
Non-current assets	5,831	9,199	–	(5,448)	9,582
Current liabilities	69	458	30	(50)	507
Non-current liabilities	3,420	1,592	–	(2)	5,010

**Selected Summary Financial Information**  
**as at and for the six month period ended June 30, 2015** <sup>(1)</sup>

Unaudited

(in millions of Canadian dollars)

	<b>Corporation</b> <sup>(2)</sup> (non-consolidated)	<b>COSP</b>	<b>Other Subsidiaries</b> (combined)	<b>Consolidating Adjustments</b> <sup>(3)</sup>	<b>Total Consolidated Amounts</b>
<b>Statement of Income Data</b>					
Revenues	2	1,014	189	16	1,221
Net income <sup>(4)</sup>	(300)	(14)	–	–	(314)
<b>Balance Sheet Data</b>					
Current assets	260	563	15	(240)	598
Non-current assets	5,848	9,166	–	(5,448)	9,566
Current liabilities	33	614	24	(241)	430
Non-current liabilities	4,049	1,570	-	1	5,620

**Notes:**

- (1) The summary financial information presented above is unaudited.
- (2) The numbers in these columns account for investments in subsidiaries of the Corporation under the cost method.
- (3) These columns include adjusting amounts necessary to eliminate inter-company balances between the Corporation, COSP and other subsidiaries to arrive at information for the Corporation on a consolidated basis.
- (4) Net income is not adjusted for discontinued operations as there were no discontinued operations for the period indicated. Accordingly, net income is the same as net income from continuing operations.

**PLAN OF DISTRIBUTION**

Under the terms of a dealer agreement entered into by the Corporation and the Dealers, the Notes may be offered by the Corporation through the Dealers on a best efforts basis. The terms and conditions of any sale or sales of Notes will be determined by the applicable Dealer and the Corporation at the time of such sale or sales and disclosed in the applicable pricing supplement or other prospectus supplement. The commission applicable to the sale of any Note will be deducted from the Corporation's proceeds of sale and will be in an amount as set forth in the dealer agreement or as determined by the applicable Dealer and the Corporation at the time of such sale and will be disclosed in the applicable pricing supplement or other prospectus supplement. Notes may also be sold to a Dealer as principal in which case the obligations of such Dealer as principal may, if agreed to by the applicable Dealer and the Corporation at the time of such sale, be subject to certain conditions and may be subject to the Dealer's right to terminate such obligations at its discretion upon the occurrence of certain stated events. The Corporation reserves the right to sell Notes directly to investors on its own behalf in those jurisdictions where it is authorized to do so or through other dealers, as a result of a reverse inquiry, so long as such purchase is effected through a Dealer. No commission will be payable to any Dealer on Notes sold directly by the Corporation.

In addition, a Dealer may offer the Notes it has purchased as principal to other dealers. A Dealer may sell Notes to any dealer at a discount and, unless otherwise specified in the applicable pricing supplement or other prospectus supplement, such discount allowed to any dealer will not be in excess of the discount to be received by the Dealer from the Corporation. Any Note sold to a Dealer as principal may be resold by the Dealer to investors and other purchasers at prevailing market prices at the time or times of resale as determined by the Dealer or to certain dealers as described above. Such resale prices may vary during the distribution period and as between purchasers. Each Dealer's compensation will increase or decrease by the amount by which the aggregate price paid for Notes by purchasers exceeds or is less than the price paid by the Dealer, acting as principal, to the Corporation.

Additional details with respect to the distribution of a particular offering of Notes will be set forth in the applicable pricing supplement or other prospectus supplement.

The Notes and the Subsidiary Guarantee have not been and will not be registered under the U.S. Securities Act or any state securities laws. Accordingly, the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the U.S. Securities Act), unless the Notes and the Subsidiary Guarantee are registered under the U.S. Securities Act and applicable state securities laws or an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws is available, including, if contemplated in the applicable pricing supplement or other prospectus supplement, transactions under Rule 144A under the U.S. Securities Act.

In addition, until 40 days after the commencement of the offering of the Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to an available exemption from the registration requirements of the U.S. Securities Act.

In connection with any Offering of Notes, the Dealers may over-allot or effect transactions which stabilize or maintain the market price of the Notes offered at a level above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

The Dealers may from time to time purchase and sell Notes in the secondary market but are not obligated to do so. There can be no assurance that there will be a secondary market for the Notes. The offering price and other selling terms for such sales in the secondary market may, from time to time, be varied by such Dealers.

The Corporation has agreed to indemnify the Dealers, their directors, officers and employees and each person who controls a Dealer against liabilities arising out of, among other things, any misrepresentation in this prospectus supplement, the base shelf prospectus and the documents incorporated by reference therein, other than, among other things, liabilities arising out of any misrepresentations made by the Dealers.

The Corporation and, if applicable, the Dealers, reserve the right to reject any offer to purchase Notes in whole or in part. The Corporation also reserves the right to withdraw, cancel or modify the offering of Notes under this prospectus supplement without notice.

## **RELATIONSHIP BETWEEN CANADIAN OIL SANDS AND THE DEALERS**

BMO Nesbitt Burns Inc., CIBC World Markets Inc., Desjardins Securities Inc., HSBC Securities (Canada) Inc., Laurentian Bank Securities Inc., Merrill Lynch Canada Inc., RBC Dominion Securities Inc., Scotia Capital Inc. and TD Securities Inc. are direct or indirect wholly-owned subsidiaries of Canadian chartered banks and other lending institutions that are lenders to the Corporation. ATB Financial is a minority shareholder of AltaCorp Capital Inc. ATB Financial is a provincially regulated financial institution and also a member of the Corporation's lending syndicate. Consequently, under certain circumstances, the Corporation may be considered to be a "connected issuer" of these Dealers for the purposes of applicable securities legislation in Canada. Canadian Oil Sands is in compliance with all material terms of the agreements governing its credit facilities and is not in default. The credit facilities are unsecured.

All or a portion of the net proceeds received by the Corporation pursuant to an offering of Notes under this prospectus supplement may be used to reduce Canadian Oil Sands' indebtedness, if any, to its lenders, which may at the time include affiliates of the Dealers. See "Use of Proceeds".

The decision of each such Dealer to participate in this offering was made independently of its lending affiliate, and no Dealer will receive any benefit under this offering other than its portion of any commission payable by the Corporation.

## **RISK FACTORS**

Discussions of certain risks affecting Canadian Oil Sands in connection with its business are provided below and in the Corporation's disclosure documents filed with the various securities regulatory authorities in Canada that are incorporated by reference in this prospectus supplement and the accompanying base shelf prospectus.

Prospective purchasers of Notes should consider carefully all of the risk factors contained in and incorporated by reference in this prospectus supplement and the accompanying base shelf prospectus. If any of the events or circumstances contemplated by these risk factors occurs, the business, prospects, financial condition, results of operations or cash flows of Canadian Oil Sands could be materially adversely affected.

### **Risks relating to the Notes**

#### ***Credit ratings may not reflect all risks of an investment in the Notes and such ratings may change***

Credit ratings may not reflect all risks associated with an investment in the Notes. The credit ratings assigned to the Notes or to the unsecured indebtedness of the Corporation generally are an assessment of the ability of the Corporation to pay its obligations at the time such ratings were given. Consequently, real or anticipated changes in the credit ratings will generally affect the market value of the Notes. The credit ratings, however, may not reflect the potential impact of risks related to structure, market or other factors discussed herein on the value of the Notes. There is no assurance that any credit rating assigned to the Notes or to the unsecured indebtedness of the Corporation generally will remain in effect for any given period of time or that any rating will not be lowered or withdrawn entirely by the relevant rating agency.

#### ***Risks relating to unsecured nature of the Notes and the Subsidiary Guarantee***

The Notes will not be secured by any of the assets of the Corporation, and will rank *pari passu*, with all other unsecured and unsubordinated indebtedness of the Corporation. The Subsidiary Guarantee is not and will not be secured by any of the assets of COSP, and the obligations of COSP thereunder will rank *pari passu* with all other unsecured and unsubordinated indebtedness of COSP. From time to time, the Corporation may issue Notes and the Corporation and COSP may incur additional indebtedness otherwise than through the issue of Notes, which may or may not be used to repay or refinance other indebtedness of the Corporation.

Holders of secured indebtedness of the Corporation and COSP, as applicable, would have a claim on the assets securing such indebtedness that ranks prior to the claim of the holders of Notes on such assets.

#### ***Risks relating to reorganizations and structural subordination***

The Indenture permits the Corporation, at any time and from time to time, to complete reorganizations with any of its wholly-owned direct or indirect subsidiaries provided that certain conditions are met. In the event of any such reorganization, the Notes may continue to be obligations of the Corporation in circumstances where the Corporation's assets are comprised of (and potentially limited to) its ownership interests in the subsidiaries through which its operations are thereafter conducted. Such subsidiaries, which following completion of a reorganization may hold all of the assets formerly held by the Corporation, are not restricted under the Indenture with respect to subsequent asset dispositions or incurring indebtedness. See "Description of Notes – Trust Indenture – Consolidation, Amalgamation, Merger and Sale of Assets".

The Notes will not be guaranteed by any affiliates of the Corporation other than COSP pursuant to the Subsidiary Guarantee. Therefore, to the extent that business is conducted through subsidiaries other than COSP, the Notes will be effectively subordinated to the current and future liabilities of the Corporation's subsidiaries.

In the event of an insolvency, liquidation or other reorganization of any such subsidiaries, the Corporation's creditors (including the holders of the Notes) will have no right to proceed against the assets of such subsidiaries or to cause the liquidation or bankruptcy of such subsidiaries under applicable bankruptcy laws. Creditors of such subsidiaries would be entitled to payment in full from such assets and earnings of such subsidiaries over the claims of the Corporation,

except to the extent that the Corporation may be a creditor with recognized claims against any such subsidiary ranking at least *pari passu* with such other creditors, in which case the Corporation's claims would still be effectively subordinate to any mortgage or other liens on the assets of such subsidiary and would be subordinate to any indebtedness of such subsidiary senior to that held by the Corporation. In the event of bankruptcy, liquidation, dissolution or reorganization of any such subsidiaries, following payment by the subsidiary of its liabilities, the subsidiary may not have sufficient assets to make payment to the Corporation.

### ***Liquidity risk***

The Corporation does not intend to list the Notes on any stock exchange and there can be no assurance that there will be a secondary market for or liquidity in the Notes. Each of the Dealers may from time to time purchase and sell the Notes in the secondary market or make a market for the Notes, but no Dealer is obliged to do so and there can be no assurance that any Dealer will undertake any market making activities in respect of the Notes and any market making activities could cease at any time. This may affect the pricing of the Notes in the secondary market, the transparency and availability of trading prices, the liquidity of the Notes and the extent of issuer regulation.

Even if a trading market develops for the Notes, the Notes could trade at prices that may be higher or lower than their initial purchase price, depending on many factors, including prevailing interest rates, the results of operations and the financial position of the Corporation, the ratings assigned to the Notes and the Corporation's other debt securities, and the markets for similar debt securities.

### ***Interest rate risks***

Prevailing interest rates will affect the market price or value of the Notes. The market price or value of the Notes may decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

### ***Floating rate Notes***

In the event that Notes are offered with a floating rate of interest, investment in the floating rate Notes will entail significant risks not associated with investments in fixed rate instruments. The resetting of the applicable interest rate of such floating rate Notes may result in lower interest compared to fixed rate instruments issued at the same time. The applicable rate on a floating rate Note will fluctuate in accordance with fluctuations in the instrument or obligation on which the applicable rate is based, which in turn may fluctuate and be affected by a number of interrelated factors, including economic, financial and political events over which the Corporation has no control.

### ***Redemption of Notes***

If Notes are redeemable at the Corporation's option, as set forth in the applicable pricing supplement or other prospectus supplement, the Corporation may choose to redeem the Notes from time to time, in accordance with its rights under the Indenture, including when prevailing interest rates are lower than the rates borne by the Notes. If prevailing rates are lower at the time of redemption, a purchaser would not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as the interest rate on the Notes being redeemed. The Corporation's redemption right also may adversely impact a purchaser's ability to sell Notes as the optional redemption date or period approaches.

## **Risks relating to Canadian Oil Sands' business**

### ***The financial results of Canadian Oil Sands are highly dependent on the price of crude oil***

The financial results and financial condition of Canadian Oil Sands are significantly impacted by crude oil prices.

Prices for oil are subject to large fluctuations in response to changes in the global and regional supply and demand for oil as well as numerous other factors including: the condition of the Canadian, United States and global economies; the actions of the Organization of Petroleum Exporting Countries; access to markets and sufficient pipeline and rail



capacity; governmental regulation; political stability in the Middle East and elsewhere; war, or the threat of war, in oil producing regions; the domestic and foreign supply of oil and refined products; the price of foreign imports of crude oil and refined products and the availability and price of alternate fuel sources. All of these factors are beyond the control of Canadian Oil Sands and can result in a high degree of price volatility not only in crude oil prices, but also fluctuating price differentials between heavy and light grades of crude oil and between SCO and light crude oil benchmarks such as West Texas Intermediate ("WTI") and European Brent, all of which can impact prices for SCO.

During the past two years, WTI monthly average prices have fluctuated from highs of US\$106 per barrel to lows of US\$43 per barrel. This monthly average WTI benchmark has traded at discounts to monthly European Brent prices ranging from a Cdn. \$2.40 per barrel discount to a Cdn. \$14.00 per barrel discount over the same period. Canadian Oil Sands' realized SCO to WTI monthly average price differential has ranged from a Cdn. \$4 per barrel premium to a Cdn. \$15 per barrel discount over the last two years.

A prolonged period of low crude oil prices could affect the value of Canadian Oil Sands' interest in the Syncrude Project and the level of capital investment and could ultimately result in curtailment of production. Any substantial and extended decline in the realized SCO price would have an adverse effect on Canadian Oil Sands' cash flow from operations and would likely affect the Corporation's ability to pay dividends and to repay its debt obligations. A prolonged period of low crude oil prices could also result in the impairment of Canadian Oil Sands' assets, which would likely have a negative impact on Canadian Oil Sands' financial condition.

While the Syncrude Project has not been shut down for non-operational reasons since production commenced in 1978, a prolonged period of low oil prices could result in production being suspended. Any such suspension of production could expose Canadian Oil Sands to significant additional expense and would negatively impact its ability to pay dividends and repay its debt obligations. A prolonged period of low oil prices could ultimately render the Syncrude Project uneconomic.

#### ***Operating and capital costs may materially increase***

Material increases in operating and capital costs will have an adverse effect on the business and financial condition of Canadian Oil Sands and could ultimately render the Syncrude Project uneconomic. Operating and capital costs may increase as a result of competition from other oil sands producers for limited resources, environmental and emissions regulations, water and tailings management requirements and operational reliability issues.

In 2014, Syncrude formed a Cost Analysis and Strategy Taskforce to identify more efficient and effective ways to conduct its business. The aim is to optimize the cost structure at Syncrude and improve profitability. Efforts under the Taskforce intensified with the substantial decline in crude oil prices over the fourth quarter of 2014. As a result of this work, Canadian Oil Sands is estimating reductions in operating, development and capital expenditures in 2015. However, there is a risk that the expected cost reductions may not be realized.

#### ***There are a number of risks associated with the Syncrude operations that could have a material adverse impact on Canadian Oil Sands***

Canadian Oil Sands' investment in Syncrude is its only producing asset, and the Corporation's results depend on Syncrude's operations. The Syncrude Project is a 24-hour per day, 365-day per year operation with complex, interdependent facilities. The shutdown of any part of Syncrude's operation could significantly impact the production of SCO. Causes of production shortfalls and/or interruptions may include, but are not limited to: equipment failures; design errors; operator errors; extended weather-related shutdowns; or catastrophic events such as fires, storms, explosions or dam failures.

Syncrude is currently undertaking various operational optimization initiatives. The expected benefits and improvements in reliability and production resulting from these initiatives may not be realized.

Syncrude strives for a safe operation. However, personal injuries and deaths unfortunately have occurred in the past. Injuries or deaths may occur at Syncrude, which could result in financial, regulatory or criminal penalties.

The Syncrude operation has particular risks, such as settling basin dyke failures, fires, explosions, gaseous leaks, spills and migration of harmful substances, any of which can cause damage or harm to people, the environment or property.

Syncrude currently has a large inventory of water stored on site and such inventory is growing annually due to the importation and required capture of water. Syncrude is developing a water management plan that involves treatment and water return. However, Syncrude has not received approval to return any water from its operation. If Syncrude is unable to return water, this may have a negative impact on the cost of its operations or its ability to operate.

Syncrude needs to treat and store its fluid fine tailings in order to run its operations. If Syncrude cannot effectively treat and store its fluid fine tailings, then this could result in increased costs of operation and production constraints.

The geology of the oil sands and the limestone base under the oil sands could pose the risk of underground aquifers entering and flooding the mine area, thereby reducing the amount of ore available for mining and reducing tailings storage capacity.

Syncrude's operations use electrical power generated within the Syncrude Project as well as electrical power sourced from the Alberta power grid. An interruption in either the power supply generated within Syncrude or sourced from the Alberta power grid would have a negative impact on Syncrude's production.

The need for the orderly development of ore bodies or the processing of new or different grades of ore may impair the profitability of a mine and upgrading facility in any particular period.

Syncrude is subject to other operational risks such as terrorism, trespass, sabotage and theft.

The Syncrude Project is located in an area which is serviced by one all-weather provincial highway from Fort McMurray. In the event that the road is closed due to climatic conditions or other factors for a prolonged period of time, SCL may encounter difficulties in obtaining materials and labour required for it to continue production.

***Transportation infrastructure and marketing issues could have a material adverse impact on Canadian Oil Sands***

All of Canadian Oil Sands' Syncrude production is transported through the Alberta Oil Sands Pipeline Limited ("AOSPL") pipeline system, which delivers SCO from the Syncrude plant site to Edmonton, Alberta. The AOSPL pipeline system feeds into various other crude oil pipelines that are used to deliver SCO to refinery customers within Canada and the United States. Lack of sufficient pipeline capacity or interruptions in pipeline operations could result in apportionment of volumes and therefore adversely impact crude oil production, sales volumes and/or the prices received for SCO. These may be caused by the inability of a pipeline to operate, or they can be related to capacity constraints as the supply of crude oil into the system exceeds the infrastructure capacity. In addition, if the AOSPL pipeline system is unable to ship SCO for an extended period of time this would result in the curtailment or shut-down of production at Syncrude which would have a material adverse effect on the business and financial condition of Canadian Oil Sands.

Crude oil supply growth, downstream operational incidents and increased maintenance and integrity programs have led to apportionment of volumes on certain pipelines over the past number of years. Apportionment has restricted Canadian Oil Sands' ability to reach preferred markets and adversely impacted its price realizations. A number of projects to build new pipelines, or expand and extend existing pipelines, are currently planned with significant new capacity projected to be available over the coming years. There can be no certainty, however, that investments will be made or that regulatory approvals will be received to provide this capacity or that current capacity will not encounter operational incidents. In addition, planned or unplanned shutdowns, reduced processing rates or closures of Canadian Oil Sands' refinery customers may limit its ability to deliver SCO.

Pipeline and rail access and capacity, transportation costs and tariffs, market access and price differentials with competing products are all factors that can affect sales volumes and the realized selling price for SCO. As crude oil production rises and traditional light crude oil refineries finalize projects to refine heavy and sour crudes, Canadian Oil Sands anticipates some of its SCO will increasingly be consumed at more distant delivery points. Pipeline transportation costs will rise, and Canadian Oil Sands' price realization may be negatively impacted by these costs as

well as supply and demand factors in these markets. As a result, Canadian Oil Sands' realized selling price for SCO may be negatively impacted in the future.

The petroleum industry is highly competitive, including the distribution and marketing of petroleum products. Substantially all of Canadian Oil Sands' production is currently consumed by refineries in Canada and the United States for further processing into refined products. Canadian Oil Sands competes for these markets against other sources of crude oil and these refineries compete against other refineries and imported refined products. The petroleum industry also competes with other industries in supplying energy, fuel and related products to consumers. The price received for SCO or Canadian Oil Sands' ability to deliver SCO may be limited with negative implications on revenues and cash flow from operations if (i) supply of crude oil or refined products increases, (ii) North American and/or global demand for crude oil or products decreases, or (iii) planned or unplanned shutdowns of refineries generally or of refineries that process SCO occurs.

Environmental legislation and regulation in oil importing jurisdictions regulating the carbon content of fuels could result in increased costs and/or reduced cash flows to the Corporation. For example, certain jurisdictions in North America and Europe, have passed or considered legislation which, in some circumstances, considers the lifecycle greenhouse gas ("GHG") emissions of fuel and which may negatively affect marketing of SCO, or require the purchase of emissions credits in order to affect sales in such jurisdictions. The passing of such legislation may set a precedent for other countries wishing to adopt legislation or regulations that specifically target unconventional crude oils such as oil sands crude oil.

SCO is carried on pipelines and railways that cross environmentally sensitive areas. Any spill of SCO into such environmentally sensitive areas could have a negative impact on the environment, Canadian Oil Sands' reputation and its ability to transport SCO, and could potentially expose Canadian Oil Sands to clean up costs.

***The petroleum industry and energy sector are highly competitive***

Syncrude faces risks associated with competition amongst other oil sands producers for limited resources, in particular skilled labour, in the Wood Buffalo Region of Northern Alberta where Syncrude and other oil sands producers operate. The demand for these resources creates costs pressure on products and services to operate, maintain and grow Syncrude's facilities. In addition, the competition for skilled labour has put pressure on recruiting, training and retaining the necessary personnel to operate Syncrude's facilities effectively and efficiently. Limitations on the availability of an experienced workforce, including high attrition rates, increases the risk of design error or operator error.

Any increase in mining and manufacturing activity causes longer procurement lead times for many materials used in the Syncrude operation. Over the last several years, Syncrude has had to place an emphasis on maintenance planning and scheduling activities, with special attention to ensuring that adequate spare parts inventories are on hand at all times. Still, certain suppliers have been challenged to keep ahead of increasing demand for maintenance and operating materials. If Syncrude cannot obtain such materials for its operations, production will be impacted and consequently, the sales volumes and cash flow from operations for Canadian Oil Sands will be negatively impacted.

New technologies may make the cost of oil sands mining and/or the Syncrude Project less competitive and could ultimately render the Syncrude Project uneconomic.

***Syncrude is subject to environmental legislation in all jurisdictions in which it operates and any changes in such legislation could negatively affect its operations and Canadian Oil Sands' financial results***

Environmental and emissions regulation by governmental authorities could significantly increase the cost of operation and reclamation and closure.

Each of the Syncrude Participants is liable for its share of the obligations for the ultimate reclamation and closure of the Syncrude Project site upon abandonment. While the Ownership and Management Agreement that created the Syncrude Joint Venture is very clear that all obligations are several and not joint, legislation or the courts may specifically impose joint and several liability on every owner.

Syncrude produces and stores sulphur that it does not sell in sulphur blocks at its plant site. There can be no assurance that future environmental regulations pertaining to the use, storage, handling and/or disposal of sulphur will not adversely impact the unit costs of production of SCO.

As the Syncrude operations involve the use of water and create emissions such as sulphur dioxide, carbon dioxide, oxides of nitrogen and volatile organic compounds, legislation which significantly restricts or penalizes water use and/or emissions may have a material impact on Canadian Oil Sands' operations. No assurance can be given that existing or future environmental regulations will not adversely impact the ability of the Syncrude Project to operate at present levels or increase production, or that such regulations will not result in higher unit costs of production.

The Lower Athabasca Regional Plan, developed under the Alberta Land Stewardship Act, requires a cumulative effects management approach which involves managing air, water and biodiversity through management frameworks that set environmental limits and triggers. Syncrude will have to address these effects in their regulatory submissions for new and existing projects. Some of the key management frameworks are not complete so the full impact of the Lower Athabasca Regional Plan on resource development is not yet known. While the existing management frameworks should not affect Syncrude's existing approvals or its operations in the short-term, regional initiatives may be required in the future to ensure that cumulative effects remain below the thresholds contained in the management frameworks. This could adversely impact the ability of Syncrude to operate at present levels or increase production, or result in higher unit costs of production.

Syncrude produces a significant volume of fluid fine tailings, which are presently held in settling basins. Syncrude's tailings management plan, which is approved by the Alberta Energy Regulator (the "AER"), depends on the use of composite tails, centrifuge and end pit lakes technology to manage tailings fluids and solids associated with bitumen production. There is a risk that such technologies used by Syncrude may not be as effective as desired or perform as required and fall short of approved commitments. The AER has the authority to take enforcement action against companies that fail to meet their approved commitments. Enforcement actions range from increased surveillance, additional measures to return to approval conditions, compliance levies, posting of financial securities to production curtailment and / or new approvals being denied.

The Tailings Management Framework for the Mineable Athabasca Oil Sands ("TMF") is the overarching policy developed by Alberta Environment and Sustainable Resource Development to manage all aspects of tailings including: volume of fluid fine tails; size of tailings ponds; GHG impact; water use/re-use/return; progressive reclamation; and the use of research and development. The TMF was released in March 2015, and in response the AER suspended its Directive 074 (Tailings Performance Criteria and Requirements for Oil Sands Mining Schemes). A new directive which reflects the principles of the TMF is under development by the AER and is expected to be finalized sometime in late 2015. Operators are expected to comply with existing approved plans while the new AER directive is being developed, and will be required to submit updated tailings management plans after it is finalized.

While Syncrude continues to develop tailings and fluid fine tailings reclamation technologies, there is a risk of increased costs to develop and implement various measures, the potential for tailings specific regulatory approval conditions to be attached to future regulatory applications and/or renewals and a risk that Syncrude's approvals could be suspended or cancelled if it cannot comply with the current regulatory requirements or the new regulatory requirements being developed under the TMF, all of which could have a material adverse effect on Canadian Oil Sands' business and financial condition.

#### ***Canadian Oil Sands has exposure to liquidity risk***

Liquidity risk is the risk that Canadian Oil Sands will not be able to meet its financial obligations as they become due and is impacted by: the amount and timing of operating commitments, future capital expenditure requirements and debt repayments as well as the adequacy of financing available through bank credit facilities or debt and equity capital markets. In addition, a downgrade in the Corporation's credit rating may impact its cost of and ability to access financing and may require the Corporation to provide financial security under certain transportation and storage contracts.

The ability to make scheduled payments on or to refinance debt obligations depends on the financial condition and operating performance of the Corporation, which is subject to prevailing economic and competitive conditions and to

certain financial, business and other factors beyond its control. Volatility in the credit markets may increase costs associated with debt instruments due to increased spreads over relevant interest rate benchmarks, or affect the Corporation's, or third parties that the Corporation seeks to do business with, ability to access those markets. The Corporation may be unable to maintain a level of cash flow from operations sufficient to permit it to pay the principal, premium, if any, and interest on its indebtedness. In addition, there may be volatility in the capital markets and access to financing, although currently available, can be uncertain. These conditions could have an adverse effect on the industry in which the Corporation operates and its business, including future operating and financial results.

***The Syncrude Project's operations are subject to extensive government regulation; the costs of compliance with additional government regulation and the cancellation of government licenses and leases could have a material adverse effect on Canadian Oil Sands***

The Syncrude Project's mining, extraction, upgrading and utilities activities are subject to extensive Canadian federal, provincial and local laws and regulations governing exploration, development, transportation, production, exports, labour standards, occupational health, waste disposal, water usage, protection and reclamation of the environment, safety, hazardous materials, toxic substances and other matters. Canadian Oil Sands believes that SCL is in substantial compliance with all applicable laws and regulations. Amendments to current laws and regulations governing operations and activities of mining and refining companies and the more stringent implementation thereof are actively considered from time to time and the implementation thereof could have a material adverse impact on the Syncrude Project. There can be no assurance that the various government licenses granted to the Syncrude Project will not be cancelled or will be renewed upon expiry.

There is a risk that federal, provincial or municipal tax laws and government incentive programs relating to the Syncrude Project, and the mining and oil and gas industries generally, will be changed in a manner which may adversely affect the Syncrude Project and Canadian Oil Sands.

From 2009 through 2015, Syncrude's Crown royalties are determined pursuant to certain agreements with the Alberta government. After 2015, Syncrude will be subject to the generic Alberta Crown royalty framework and the Syncrude Bitumen Royalty Option Agreement. A description of the Crown royalty framework to which Syncrude is subject is included in the Corporation's AIF dated February 24, 2015, which is incorporated by reference herein. In June 2015, the Alberta government announced a review of Alberta's Crown royalty framework. A review panel has been appointed with a stated mandate to identify ways to optimize returns to Albertans as owners of the resource, industry investment, diversification opportunities and responsible development. The panel is expected to conclude its work by the end of 2015, and the government has indicated that the panel's advice will be considered prior to any decisions on changes to the current royalty structure. In the meantime, the government has committed that the current royalty framework will remain in place until the end of 2016. There can be no assurance that the Alberta government will not make changes to Syncrude's Crown royalty agreements or to the generic Crown royalty regime that would negatively affect Canadian Oil Sands' cash flow from operations.

The Syncrude Project facility approval expires on December 31, 2035 unless extended. There can be no assurance that Syncrude will continue to meet the conditions of its leases. If Syncrude cannot meet the conditions of its leases, such leases may be cancelled, which would have a material adverse impact on the Syncrude Project and Canadian Oil Sands.

***Canadian Oil Sands may be impacted by risks inherent in the execution of and/or integration of a major project into existing operations***

There are risks associated with the execution of Syncrude's major projects and future growth and development projects. These risks include: Canadian Oil Sands' ability to obtain the necessary regulatory, environmental and other approvals; Syncrude's ability to successfully consult with local stakeholders and Aboriginal groups; the impact of technology on operations and processes and how new complex technology may not perform as expected; risks relating to the commissioning and integration of new facilities into a complex operation; risks relating to schedule, resources and costs, including the availability and cost of materials, equipment and qualified personnel, especially skilled construction and engineering labour; the impact of general economic, business and market conditions; the impact of weather conditions; Canadian Oil Sands' ability to finance growth if commodity prices were to stay at low levels for an extended period; the impact of new entrants to the oil sands business which could take the form of competition for

skilled people, increased demands on the Wood Buffalo Region, Alberta infrastructure (for example, housing, roads and schools) and price competition for products sold into the marketplace; and the effect of changing government regulation and public expectations in relation to the impact of oil sands development on the environment.

There is a risk that maintenance at Syncrude will be required more often than currently planned or that significant capital projects could arise that were not previously anticipated.

***Public perception of Canada's oil sands may have a negative impact on Syncrude's operations and Canadian Oil Sands' business***

Development of Canada's oil sands has received significant attention in political, media and activist commentary on the subject of greenhouse gas emissions, water usage, land reclamation and impacts on local stakeholders and Aboriginal groups. Public concerns regarding such issues may directly or indirectly have a negative impact on the profitability of Canadian Oil Sands by: (i) motivating environmental and emissions regulation by governmental authorities, which could increase the cost of operation and reclamation and closure; (ii) compelling legislation or policy that limits the purchase of crude oil produced from Canada's oil sands by governments or other consumers, which, in turn, may limit the market for SCO and reduce its price; and (iii) resulting in proposed pipelines not being able to receive the necessary permits and approvals, which, in turn, may limit the transportation for SCO and reduce its price.

***Canadian Oil Sands has exposure to other financial market risks***

Canadian Oil Sands is subject to other financial market risk as a result of fluctuations in foreign currency rates, interest rates and credit risks.

***Foreign Currency Risk***

Canadian Oil Sands' results are affected by fluctuations in the U.S./Canadian currency exchange rates as sales generated are based on a WTI benchmark price in U.S. dollars, while operating expenses and capital expenditures are denominated primarily in Canadian dollars. Over the last two years, the U.S. to Canadian dollar exchange rate ranged from a low of \$0.75 U.S./Cdn to a high of \$0.97 U.S./Cdn. Canadian Oil Sands' sales exposure is partially offset by U.S. dollar crude oil purchases, Canadian Oil Sands' share of Syncrude's U.S. dollar operating and capital costs, interest costs on U.S. dollar denominated long-term debt and, in periods when the Corporation's U.S. dollar denominated long-term debt matures, the principal repayments.

***Interest Rate Risk***

Canadian Oil Sands is exposed to interest rate risk as changes in market interest rates may affect the Corporation's financial results and financial condition.

The principal exposure relates to the Corporation's long-term debt, in particular the refinancing of fixed rate long-term debt on maturity or, to the extent there are amounts drawn, the Corporation's variable-rate credit facilities. The next senior note maturity is in 2019 and, at June 30, 2015, \$555 million was drawn on the Corporation's credit facilities. The interest rate the Corporation pays on its long-term debt is also impacted by the Corporation's credit ratings.

Changes in interest rates also impact the Corporation's short-term investments, which are continually reinvested given their maturities of less than 90 days at purchase, its obligation for employee future benefits and its asset retirement obligation. Changes in interest rates impact the carrying value of the accrued benefit liability as well as the ongoing interest costs, current service costs and cash funding. Interest rates also impact the carrying value of the asset retirement obligation and the related accretion and depreciation and depletion expenses.

### *Credit Risk*

Canadian Oil Sands is exposed to credit risk primarily through customer accounts receivable balances, financial counterparties with whom the Corporation has invested its cash and cash equivalents and with its insurance providers in the event of an outstanding claim.

### ***Certain decisions regarding the operation of the Syncrude Project require unanimous agreement among the other Syncrude Participants***

The Syncrude Project is a joint venture currently owned by seven Syncrude Participants. Each Syncrude Participant is entitled to one vote. Operating decisions and those relating to debottlenecking matters require a 51 per cent majority with at least three Syncrude Participants' approving, while major growth decisions outside of the original scope of the operations as well as producing multiple products rather than a single product require unanimous approval. Canadian Oil Sands, through COSP, has a representative who chairs Syncrude's Management Committee, which is a committee of the Syncrude Participants that determines the oversight of the Syncrude Joint Venture. Future plans of the Syncrude Project will depend on such agreement and may depend on the financial strength and views of the other Syncrude Participants at the time such decisions are made. The other Syncrude Participants may have objectives and interests that do not coincide with and may conflict with Canadian Oil Sands' interests.

### ***The implementation of future GHG regulations could increase Syncrude's operating expenses, capital costs and future development plans***

Numerous uncertainties remain regarding the impact of the Canadian federal government's sector-by sector review of GHG emissions and the impact such review will have on the oil sands. Additionally, the lack of certainty regarding how any future federal GHG legislation will harmonize with the Alberta Specified Gas Emitters Regulation ("**SGER**") makes it difficult to ascertain the cost estimate of GHG regulation compliance, including when third party costs factor their way into Syncrude's supply chain of goods and services. There is no assurance that the cost impact to Syncrude and Canadian Oil Sands of federal GHG regulation will not be significant, which could result in a material adverse effect on Syncrude's operations and Canadian Oil Sands' financial condition.

In June 2015, the Alberta government announced changes to the SGER. By 2017, any large emitter will be required to reduce their GHG emissions of its facility by 20% from a baseline established under the SGER (with an interim increase in 2016 to 15% from the current 12% reduction requirement). The Alberta government also advised that the charge payable to the provincial climate change and emissions management fund (being one of the compliance alternatives under the SGER) will double from \$15 per tonne to \$30 per tonne by 2017 (with an interim increase to \$20 in 2016). These changes will increase Canadian Oil Sands' and Syncrude's operating costs going forward.

While it appears that the existing regulatory framework under the SGER will be extended until at least 2017, it is unclear what other changes to the existing framework may be implemented over time. The Alberta government has announced the commencement of a consultation process with public, industry, environmental groups and First Nations on climate change strategies in the province. The report resulting from such consultation, currently expected to be released by December 2015, will be considered by the government in its development of a new provincial climate change strategy, and may lead to further modifications to the existing framework. Further modifications to the regulatory framework could result in a material adverse effect on Syncrude's operations and Canadian Oil Sands' financial condition.

### ***Certain aspects relating to oil reserves and resources data and future net revenue estimates are uncertain***

The reserves, contingent resources and prospective resources figures incorporated by reference into this prospectus supplement and accompanying base shelf prospectus are estimates, and no assurance can be given that the indicated level of recovery of SCO will be realized. Reserves, contingent resources and prospective resources may require revision based on actual production experience, further drilling, changes to development plans, changes to regulations and several other factors. Such figures have been determined based upon estimates of yield and recovery factors as well as estimates of bitumen in place. All such estimates are to some degree uncertain, and classifications of reserves are only attempts to define the degree of uncertainty involved. For these reasons, estimates of the economically

recoverable reserves or resources, prepared by different engineers or by the same engineers at different times, may vary. Canadian Oil Sands' actual production, revenues and development and operating expenditures with respect to its reserves, contingent resources and prospective resources figures may vary from the estimates. As well, the estimates of future net revenues are dependent on estimates of future oil prices, capital and operating expenses. Variances to actual costs may be significant. As such, these estimates are subject to changes in the economic environment at the time and variances in future budgets and operating plans.

The estimates of reserves, contingent resources and prospective resources included in the reserves and resources data are calculated in accordance with Canadian practices and may not be directly comparable to practices in other jurisdictions. In addition, the procedures used to estimate reserves from the Syncrude Project are not directly comparable to the procedures used to estimate conventional reserves.

***An increase in natural gas prices or shortages in the supply of natural gas could have an adverse effect on Canadian Oil Sands***

Natural gas is used in material quantities as a feed stock in the Syncrude Project primarily for the production of hydrogen and to a lesser extent as a fuel for the generation of heat, steam and power. The financial condition and operating results of Canadian Oil Sands is affected by the price and availability of natural gas.

The price of natural gas is subject to variations based on supply and demand for natural gas in North America. Similar to crude oil prices, monthly average natural gas prices also have experienced volatility over the last two years, from a high of approximately AECO \$5.65 per Gigajoule to a low of approximately AECO \$2.35 per Gigajoule. A prolonged period of high natural gas prices or a material increase in natural gas prices could have an adverse effect on the profitability and cash flow from operations of Canadian Oil Sands.

Syncrude's operations use natural gas supplied by an external pipeline operated by a third party. An interruption in this supply of natural gas would have a negative impact on Syncrude's production.

***Capital projects may experience cost overruns***

There is a risk of increased cost estimates for major projects, which encompass the conceptual stage through to final scope design, including cost estimates based on detailed engineering. These projects typically evolve over time and updates for significant timing and cost estimate changes may be required during project construction. At each stage of these major projects, cost estimates involve uncertainties. Accordingly, actual costs can vary from these estimates and these differences can be significant.

***The MSA may be cancelled at any time on 24 months' notice***

The Management, Business and Technical Services Agreement dated November 1, 2006 and amended and restated as of May 1, 2007, between SCL and Imperial Oil Resources ("MSA") may be cancelled by either SCL or Imperial Oil Resources on 24 months' notice, and the transition may have a negative impact on Syncrude's operations.

***An interruption of the information systems of Syncrude or Canadian Oil Sands could have a material adverse effect on Canadian Oil Sands***

The efficient operation of the business of Syncrude and Canadian Oil Sands is dependent on computer hardware and software systems. Information systems are vulnerable to security breaches by computer hackers and cyberterrorists. Syncrude and Canadian Oil Sands rely on industry-accepted security measures and technology to protect their information systems. However, these measures and technology may not adequately prevent security breaches. Any significant interruption of the information systems of Syncrude or Canadian Oil Sands or any significant breach of security could adversely affect Canadian Oil Sands' business, financial condition, results of operations and cash flow from operations.



### *Canadian Oil Sands' insurance may not provide adequate coverage in all circumstances*

Syncrude may experience an event causing a loss or interruption of production, such as a fire or explosion at the operating facilities. Although Canadian Oil Sands maintains a risk management program, which includes an insurance component, consisting primarily of business interruption and property insurance, such insurance is unlikely to fully protect against catastrophic events or prolonged shutdowns. Losses beyond the scope of such insurance could have a material adverse effect on Canadian Oil Sands' business, financial condition, results of operations and cash flow from operations.

### *Canadian Oil Sands and Syncrude may face potential unknown liabilities*

There may be unknown liabilities assumed by the Corporation through its direct and indirect interests in Syncrude and through its other subsidiaries (including Canadian Arctic Gas Ltd.), including those associated with prior drilling in Northern Canada as well as environmental issues, Crown royalty issues or tax issues. The discovery of any material unknown liabilities could have an adverse effect on the financial condition of Canadian Oil Sands.

## **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Norton Rose Fulbright Canada LLP, counsel to the Dealers, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to a prospective purchaser (a "**Purchaser**") of Notes pursuant to this prospectus supplement who, for purposes of the *Income Tax Act* (Canada) (the "**Tax Act**"), and at all material times (i) is a resident of Canada; (ii) is not a financial institution as defined in the Tax Act; (iii) has not made a functional currency election for purposes of the Tax Act; (iv) is not a person an interest in which is a "tax shelter investment" within the meaning of the Tax Act; (v) has not entered and will not enter into a "derivative forward agreement" as that term is defined in the Tax Act with respect to the Notes; (vi) holds the Notes as capital property; and (vii) deals at arm's length, and is not affiliated, with the Corporation and the Dealers. The Notes will generally be treated as capital property of a Purchaser unless the Purchaser is considered to be a trader or dealer in securities or has acquired the Notes in a transaction or transactions considered to be an adventure or concern in the nature of trade or for a purpose other than to hold as an investment.

Subject to certain exceptions set out in the Tax Act, a Purchaser whose Notes might not otherwise be considered to be capital property may be entitled to elect irrevocably under subsection 39(4) of the Tax Act to deem all Notes and other "Canadian securities" (as defined in the Tax Act) owned by the Purchaser in the taxation year in which the Purchaser makes the election, and in all subsequent taxation years, to be capital property. Any Purchaser considering making such an election should consult its own tax advisors.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "**Regulations**") and counsel's understanding of the current administrative practices and policies of the Canada Revenue Agency published in writing and publicly available as of the date hereof. In addition, this summary takes into account all specific proposals to amend the Tax Act and Regulations publicly announced by the Minister of Finance of Canada prior to the date hereof (the "**Proposed Amendments**"). No assurances can be given that the Proposed Amendments will be enacted in the form proposed, or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by judicial, governmental or legislative decision or action, and does not take into account provincial, territorial or foreign income tax legislation or considerations, which may differ significantly from those discussed herein.

This summary is of a general nature only and is not intended to be exhaustive of all federal income tax considerations generally applicable in respect of the Notes. There may be different or additional federal income tax considerations in the event the Notes do not carry a fixed rate of interest, are issued at a discount or premium or issued in a currency other than the Canadian dollar. This summary is not intended to be, and should not be construed to be, legal or tax advice to any Purchaser, and no representation with respect to Canadian federal income tax consequences to any Purchaser is made herein. Accordingly, Purchasers should consult their own tax advisors with respect to their individual circumstances.

Additional Canadian federal income tax consequences applicable to a Purchaser of Notes may be set forth in the applicable pricing supplement or other prospectus supplement.

### **Interest on Notes**

A Purchaser that is a corporation, partnership, unit trust or trust of which a corporation or partnership is a beneficiary will be required to include in its income for a taxation year any interest or amount that is considered for the purposes of the Tax Act to be interest on a Note that accrues to the Purchaser to the end of the year or that becomes receivable or is received by it before the end of the year to the extent such interest was not otherwise included in computing the Purchaser's income for the year or a preceding taxation year.

Any other Purchaser will be required to include in its income for a taxation year any amount received or receivable by it as interest in the year on a Note (depending upon the method regularly followed by the Purchaser in computing the Purchaser's income) to the extent that such amount was not included in the Purchaser's income for a preceding taxation year. In addition, if at any time a Note should become an "investment contract" (as defined in the Tax Act) in relation to a Purchaser, such Purchaser will be required to include in computing its income for a taxation year any interest that accrued to the Purchaser to the end of any "anniversary day" (as defined in the Tax Act) of the Note to the extent such amount was not otherwise included in computing the Purchaser's income for such year or any preceding taxation year.

### **Redemption or Other Disposition**

On an assignment or other transfer, disposition or deemed disposition of a Note, a Purchaser will generally be required to include in computing its income for the taxation year of disposition the amount of any interest and amounts deemed to be interest that have accrued on the Note to the date of transfer and which were not, in accordance with the terms of the Note, payable until after that date, to the extent that such amounts have not otherwise been included in computing the Purchaser's income for such year or a preceding taxation year.

On a redemption of a Note before maturity, the amount, if any, by which the redemption proceeds exceed the principal amount of the Note may be deemed to be interest received by the Purchaser.

In addition, a disposition of a Note (including a redemption or purchase by the Corporation) will give rise to a capital gain (or a capital loss) equal to the amount by which the Purchaser's proceeds of disposition, net of accrued interest and amounts deemed to be interest, exceed (or are less than) the adjusted cost base of such Note to the Purchaser and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under "Taxation of Capital Gains and Capital Losses".

A Purchaser that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable for a refundable tax of 6⅓% on its aggregate investment income, which includes interest income and taxable capital gains.

### **Taxation of Capital Gains and Losses**

Generally, one-half of any capital gain realized or deemed to be realized by a Purchaser on a disposition of a Note in a taxation year will be included in the Purchaser's income as a taxable capital gain. Subject to certain specific rules in the Tax Act, one-half of any capital loss realized or deemed to be realized by such a Purchaser generally is deducted from any taxable capital gains realized by the Purchaser in the taxation year of disposition, and any excess may be deducted from taxable capital gains in any of the three preceding taxation years or in any subsequent taxation year, to the extent and under the circumstances allowed under the Tax Act.

## **ELIGIBILITY FOR INVESTMENT**

In the opinion of Bennett Jones LLP, counsel to the Corporation, and Norton Rose Fulbright Canada LLP, counsel to the Dealers, the Notes, if issued on the date of this prospectus supplement, would be, as at such date, qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("RRSPs"), registered education savings plans, registered retirement income funds ("RRIFs"), registered disability savings plans, tax-free savings accounts ("TFSA") and deferred profit sharing plans (other than a deferred profit sharing plan to which

contributions are made by the Corporation or a person or partnership with which the Corporation does not deal at arm's length within the meaning of the Tax Act), all within the meaning of the Tax Act.

Notwithstanding that the Notes may be qualified investments for TFSAs, RRSPs and RRIFs, holders of TFSAs and annuitants under RRSPs and RRIFs, will be subject to a penalty tax in respect of any Notes held in their TFSAs or in their RRSPs or RRIFs, as applicable if such Notes constitute "prohibited investments" to them under the Tax Act. The Notes, if issued on the date hereof, would not be a "prohibited investment" for trusts governed by TFSAs, RRSPs or RRIFs if the holder of the TFSA or the annuitant under the RRSP or RRIF, as applicable, (i) deals at arm's length with the Corporation for purposes of the Tax Act, and (ii) does not have a "significant interest" (within the meaning of the Tax Act) in the Corporation. Holders or annuitants should consult their own tax advisors with respect to whether Notes would be prohibited investments to them.

## **LEGAL MATTERS**

Certain legal matters in connection with the issuance of Notes will be passed upon by Bennett Jones LLP, on behalf of Canadian Oil Sands, and by Norton Rose Fulbright Canada LLP, on behalf of the Dealers. As of the date hereof, the partners and associates of Bennett Jones LLP and the partners and associates of Norton Rose Fulbright Canada LLP, in each case as a group, directly or indirectly own, through registered or beneficial interests, less than 1% of any class of outstanding securities of the Corporation or any of its associates or affiliates.

## **INTERESTS OF EXPERTS**

GLJ Petroleum Consultants Ltd. evaluated Canadian Oil Sands' reserves data, as at December 31, 2014, in its capacity as independent reserves evaluator, and provided the directors of the Corporation with an opinion and report thereon as more particularly described in the Corporation's AIF dated February 24, 2015, which is incorporated by reference herein. As at the date hereof, the designated professionals of GLJ Petroleum Consultants Ltd., as a group, directly or indirectly own, through registered or beneficial interests, less than 1% of any class of outstanding securities of the Corporation or any of its associates or affiliates.

PricewaterhouseCoopers LLP is the auditor of the Corporation and has provided an audit report in respect of the comparative annual consolidated financial statements of the Corporation as at and for the years ended December 31, 2014 and 2013, which are incorporated by reference herein. PricewaterhouseCoopers LLP has advised that they are independent with respect to the Corporation within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Alberta.

## **CERTIFICATE OF THE SUBSIDIARY GUARANTOR**

Dated: September 29, 2015

The short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada.

CANADIAN OIL SANDS PARTNERSHIP #1,  
by its Managing Partner, Canadian Oil Sands Limited

(signed) "*Ryan M. Kubik*"  
President and Chief Executive Officer

(signed) "*Robert P. Dawson*"  
Chief Financial Officer

On behalf of the Board of Directors of Canadian Oil Sands Limited

(signed) "*Donald J. Lowry*"  
Director

(signed) "*Arthur N. Korpach*"  
Director

## CERTIFICATE OF THE DEALERS

Dated: September 29, 2015

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in the prospectus by reference, as supplemented by the foregoing, will, as of the date of the last supplement to the prospectus relating to the securities offered by the prospectus and the supplement(s), constitute full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and the supplement(s) as required by the securities legislation of each of the provinces of Canada.

ALTACORP CAPITAL INC.

By: (signed) "*Jason Caldarelli*"

BMO NESBITT BURNS INC.

By: (signed) "*Richard Sibthorpe*"

CIBC WORLD MARKETS INC.

By: (signed) "*Sean Gilbert*"

DESJARDINS SECURITIES INC.

By: (signed) "*Ryan Godfrey*"

HSBC SECURITIES (CANADA) INC.

By: (signed) "*Sean Rosas*"

LAURENTIAN BANK SECURITIES INC.

By: (signed) "*Michel Richard*"

MERRILL LYNCH CANADA INC.

By: (signed) "*Gaylen R. Duncan*"

RBC DOMINION SECURITIES INC.

By: (signed) "*Jamie Wetmore*"

SCOTIA CAPITAL INC.

By: (signed) "*M.W. Neal*"

TD SECURITIES INC.

By: (signed) "*Andrew Becker*"