Canadian Oil Sands Limited
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October 19, 2015

REJECT THE SUBSTANTIALLY UNDERVALUED AND OPPORTUNISTIC SUNCOR BID

Dear Fellow Shareholder,

On October 5, 2015, Suncor Energy Inc. (***Suncor***) announced it was making an offer to acquire all the common shares of Canadian Oil Sands Limited (***COS***) on the basis of 0.25 of a Suncor share for each share of COS.

Your Board of Directors has now completed a full review of the offer with its external financial and legal advisors and has determined that:

The Suncor bid substantially undervalues COS
and is not in the best interests of COS and its shareholders

- The value offered for your shares is wholly *inadequate*; it substantially undervalues the COS ownership in Syncrude.
- Timing of the Suncor bid is entirely *opportunistic*; it is intended to take advantage of unprecedented conditions in the energy industry.
- The bid is *exploitive*: As an insider to the Syncrude joint venture, Suncor is aware of several cost reduction and value enhancing initiatives being discussed and implemented at Syncrude. Suncor's offer is attempting to increase its ownership before these initiatives take hold and are recognized and valued by the market.
- The bid *fails to recognize* that COS is strongly positioned to withstand low oil prices and emerge with even greater value when oil prices recover.

Your Board of Directors Unanimously Recommends you REJECT the Suncor Bid.

We have fifteen compelling reasons for recommending **REJECTION** that are described in the attached Directors' Circular which we encourage you to review. To summarize some of them:

The Suncor bid substantially undervalues COS' unique strategic assets.

- COS owns 36.74% of the Syncrude joint venture, one of the largest oil sands operations in the Athabasca region. Syncrude has among the highest quality mining leases and borders every existing and under-construction oil sands mining project in the area.
- Syncrude production and reserves are fully integrated with an upgrader that produces 100% synthetic crude oil (***SCO***), which has historically achieved prices very close to Canadian dollar West Texas Intermediate (***WTI***) oil.
- COS is the only "pure play" public investment vehicle in Syncrude.
- Through its bid, Suncor is attempting to add COS' proved and probable reserves and 46 year production life without paying a fair price.
- If the Suncor bid is successful, total reserves attributable to COS shareholders will decline by 55%, from 1.6 billion barrels of reserves to 0.7 billion barrels, and annual production benefiting COS shareholders will decline by 46%, from 35 million barrels to 19 million barrels.

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- The inherent value and synergies of Syncrude's assets and the potential to acquire operational control of Syncrude are not reflected in Suncor's bid.

The Suncor bid does not account for COS' superior leverage to oil prices.

- COS' share price moves in tandem with the price of WTI, the nearest equivalent to Syncrude's SCO. In fact, between January 2014 and September 2015, COS' share price had a 98% correlation with WTI spot prices, compared with just a 66% correlation for Suncor's shares. This means that COS shares are expected to gain significantly more from an expected recovery in oil prices than Suncor shares.
- From January 1, 2015 to October 2, 2015, COS shares have increased more than two and a half times as much as Suncor's on days when energy stocks rose.
- The Suncor bid does not reflect any possible increase in oil prices when, in fact, Suncor management itself has stated that its long-term expectation is for an average oil price in the $90 to $100 per barrel range. At that range, COS shares have historically traded around $20 to $30 a share – an approximate 117% to 225% premium to the current implied value of the Suncor bid.
- Even a modest improvement in WTI prices from current levels to US$65, would be expected to increase COS free cash flow to about $0.90 a share, significantly increasing COS' ability to pay dividends. COS has paid about $17 per share in dividends since 2001, when over the same period, WTI averaged approximately US$65 a barrel.
- Due to COS' declining cost base and high correlation to oil prices, any recovery in oil prices should benefit COS shareholders more than Suncor shareholders.

The Suncor bid represents less value than Suncor's recent "discounted" Fort Hills acquisition.

- Suncor has stated that its acquisition of an additional 10% interest in the Fort Hills Project (which neighbours Syncrude) for approximately $56,000 per barrel per day of production was at a "discounted price". However, two weeks later, it offered to buy COS for an implied price of just $54,000 per barrel per day – a discount on a discount.
- Fort Hills is at least two years away from starting operations and has no upgrader. Syncrude is fully operational and has an upgrader. The Suncor bid provides no value for either advantage.
- COS shareholders helped pay for the highly profitable Syncrude upgrader and are now being asked to give it away for free.

The Suncor bid is highly opportunistic.

- The Suncor bid is designed to take advantage of unprecedented political, economic and regulatory uncertainty in the industry and the dramatic deterioration in the price of COS common shares. It is no coincidence that the bid was made within six weeks of COS shares trading at their lowest price in 15 years.
- At 0.25 of a Suncor share for each COS share, the bid offers even less than the 0.32 of a share Suncor proposed in April. That proposal was below the market price of COS shares when it was rejected.

Through its interest in the Syncrude joint venture, Suncor has an informational advantage over the market and COS shareholders.

- Suncor has access to information about operating changes, cost reductions and capital spending plans at the Syncrude joint venture.

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- Suncor is aware of these and other value enhancing initiatives being discussed and implemented at Syncrude. Suncor's offer is attempting to increase its ownership before these initiatives take hold and are recognized and valued by the market.

COS is strongly positioned to withstand low oil prices and emerge with even greater value when oil prices recover.

- COS has positive free cash flow at current WTI prices and is just beginning to benefit from operating cost reductions and the recent completion of major projects capital investment.
- COS has financial flexibility with a 37% long-term debt to total capitalization ratio and most of a $1.5 billion credit facility still available.

The Suncor bid is a very weak and undervalued alternative for COS shareholders.

- It offers less value than the current market price. What's more, the value of the Suncor bid is uncertain since it depends on the price of Suncor shares. It is also conditional and allows Suncor to walk away at any time.
- The bid is opposed by major COS shareholders who have publicly stated they will not tender to the offer.

The Board of COS and its advisors continue to examine strategic alternatives.

- To ensure the best interests of COS and shareholders are served, the Board is looking at a full range of strategic alternatives, from continuing as an independent company, to a merger or partnership with a strategic or financial partner, to a sale reflecting full and fair value for COS.

Finally, our financial advisor, RBC Capital Markets, has provided the Board with a written opinion that the consideration offered by the Suncor bid is inadequate to shareholders from a financial point of view.

The Board and management of COS will not tender to the Suncor bid. Major shareholders have stated they will not tender. We strongly recommend you join us in rejecting this undervalued, opportunistic and exploitive bid.

Sincerely,

Donald J. Lowry

Chairman of the Board
Canadian Oil Sands Limited

Arthur N. Korpach

Director & Chair, Audit Committee
Canadian Oil Sands Limited

To REJECT the Suncor bid, simply TAKE NO ACTION.

Do not tender your shares of Canadian Oil Sands Limited.

For further information, please visit our website at www.rejectsuncor.ca or contact our information agent, Kingsdale Shareholder Services at 1-866-851-3215 or contactus@kingsdaleshareholder.com