Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

(unaudited)

(millions of Canadian dollars, except per Share and Share volume amounts)	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Sales	**$ 565**	$ 963	**$ 1,831**	$ 3,018
Crown royalties	**(23)**	(62)	**(68)**	(161)
Revenues	**$ 542**	$ 901	**$ 1,763**	$ 2,857
Expenses				
Operating	**$ 323**	$ 385	**$ 1,037**	$ 1,248
Development	**19**	34	**73**	98
Crude oil purchases and transportation	**84**	134	**287**	408
Administration	**6**	7	**18**	23
Insurance	**3**	3	**9**	12
Depreciation and depletion	**128**	126	**379**	367
	$ 563	$ 689	**$ 1,803**	$ 2,156
Earnings (loss) from operating activities	**$ (21)**	$ 212	**$ (40)**	$ 701
Foreign exchange loss (Note 9)	**132**	73	**262**	78
Net finance expense (Note 10)	**35**	12	**100**	37
Earnings (loss) before taxes	**$ (188)**	$ 127	**$ (402)**	$ 586
Tax expense (recovery) (Note 11)	**(14)**	40	**86**	151
Net income (loss)	**$ (174)**	$ 87	**$ (488)**	$ 435
Other comprehensive income (loss), net of taxes				
Items not reclassified to net income:				
Re-measurements of employee future benefit plans (Note 6)	**(29)**	(33)	**(50)**	9
Items reclassified to net income:				
Derivative gains	**(1)**	(1)	**(2)**	(2)
Comprehensive income (loss)	**$ (204)**	$ 53	**$ (540)**	$ 442
Weighted average Shares (millions)	**485**	485	**485**	485
Shares, end of period (millions)	**485**	485	**485**	485
Net income (loss) per Share				
Basic and diluted	**$ (0.36)**	$ 0.18	**$ (1.01)**	$ 0.90

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Shareholders' Equity

(unaudited)

(millions of Canadian dollars)	Three Months Ended September 30 2015	Three Months Ended September 30 2014	Nine Months Ended September 30 2015	Nine Months Ended September 30 2014
Retained earnings				
Balance, beginning of period	**$ 1,422**	$ 2,091	**$ 1,805**	$ 2,040
Net income (loss)	**(174)**	87	**(488)**	435
Re-measurements of employee future benefit plans	**(29)**	(33)	**(50)**	9
Dividends	**(25)**	(170)	**(73)**	(509)
Balance, end of period	**$ 1,194**	$ 1,975	**$ 1,194**	$ 1,975
Accumulated other comprehensive income				
Balance, beginning of period	**$ 2**	$ 5	**$ 3**	$ 6
Reclassification of derivative gains to net income	**(1)**	(1)	**(2)**	(2)
Balance, end of period	**$ 1**	$ 4	**$ 1**	$ 4
Shareholders' capital				
Balance, beginning of period	**$ 2,675**	$ 2,675	**$ 2,675**	$ 2,674
Issuance of shares	**—**	—	**—**	1
Balance, end of period	**$ 2,675**	$ 2,675	**$ 2,675**	$ 2,675
Contributed surplus				
Balance, beginning of period	**$ 15**	$ 13	**$ 14**	$ 12
Share-based compensation	**—**	—	**1**	1
Balance, end of period	**$ 15**	$ 13	**$ 15**	$ 13
Total Shareholders' equity	**$ 3,885**	$ 4,667	**$ 3,885**	$ 4,667

See Notes to Unaudited Consolidated Financial Statements

Consolidated Balance Sheets
(unaudited)

As at *(millions of Canadian dollars)*		September 30 2015		December 31 2014
Assets				
Current assets				
Cash and cash equivalents	**$**	**123**	$	33
Accounts receivable		**61**		185
Inventories		**160**		188
Current taxes		**26**		17
Prepaid expenses		**12**		9
	$	**382**	$	432
Property, plant and equipment, net (Note 4)		**9,376**		9,441
Exploration and evaluation		**54**		54
Reclamation trust		**94**		87
	$	**9,906**	$	10,014
Liabilities and Shareholders' Equity				
Current liabilities				
Accounts payable and accrued liabilities (Note 5)	**$**	**443**	$	487
Current portion of employee future benefits (Note 6)		**19**		20
	$	**462**	$	507
Long-term debt		**2,341**		1,889
Deferred taxes		**1,595**		1,527
Employee future benefits (Note 6)		**398**		318
Asset retirement obligation (Note 7)		**1,217**		1,201
Other liabilities (Note 8)		**8**		75
	$	**6,021**	$	5,517
Shareholders' equity		**3,885**		4,497
	$	**9,906**	$	10,014

Commitments (Note 14)

Subsequent events (Note 16)

See Notes to Unaudited Consolidated Financial Statements

Consolidated Statements of Cash Flows
(unaudited)

	Three Months Ended September 30		Nine Months Ended September 30	
(millions of Canadian dollars)	**2015**	2014	**2015**	2014
Cash from (used in) operating activities				
Net income (loss)	**$ (174)**	$ 87	**$ (488)**	$ 435
Adjustments to reconcile net income (loss) to cash flow from operations:				
Depreciation and depletion	**128**	126	**379**	367
Accretion of asset retirement obligation (Note 7)	**7**	7	**21**	21
Foreign exchange loss on long-term debt (Note 9)	**139**	80	**271**	86
Deferred taxes (Note 11)	**(4)**	4	**86**	24
Share-based compensation	**1**	1	**1**	3
Reclamation expenditures (Note 7)	**(1)**	—	**(7)**	(17)
Change in employee future benefits and other	**(14)**	(3)	**(35)**	(20)
Cash flow from operations	**$ 82**	$ 302	**$ 228**	$ 899
Change in non-cash working capital (Note 15)	**307**	(19)	**87**	(468)
Cash from operating activities	**$ 389**	$ 283	**$ 315**	$ 431
Cash from (used in) financing activities				
Drawdown (repayment) of bank credit facilities	**$ (235)**	$ 200	**$ 180**	$ 200
Issuance of shares	**—**	—	**—**	1
Dividends	**(25)**	(170)	**(73)**	(509)
Cash from (used in) financing activities	**$ (260)**	$ 30	**$ 107**	$ (308)
Cash from (used in) investing activities				
Capital expenditures (Note 4)	**$ (84)**	$ (222)	**$ (312)**	$ (760)
Reclamation trust funding	**(2)**	(3)	**(6)**	(7)
Change in non-cash working capital (Note 15)	**(6)**	(20)	**(14)**	(12)
Cash used in investing activities	**$ (92)**	$ (245)	**$ (332)**	$ (779)
Increase (decrease) in cash and cash equivalents	**$ 37**	$ 68	**$ 90**	$ (656)
Cash and cash equivalents, beginning of period	**86**	82	**33**	806
Cash and cash equivalents, end of period	**$ 123**	$ 150	**$ 123**	$ 150
Cash and cash equivalents consist of:				
Cash	**$ 107**	$ 148	**$ 107**	$ 148
Short-term investments	**16**	2	**16**	2
	$ 123	$ 150	**$ 123**	$ 150

Supplementary Information (Note 15)

See Notes to Unaudited Consolidated Financial Statements

1) Nature of Operations

Canadian Oil Sands Limited ("Canadian Oil Sands" or the "Corporation") is incorporated under the laws of the Province of Alberta, Canada. The Corporation indirectly owns a 36.74 percent interest ("Working Interest") in the Syncrude Joint Venture ("Syncrude"). Syncrude is involved in the mining and upgrading of bitumen from oil sands near Fort McMurray in northern Alberta. The Syncrude Project is comprised of open-pit oil sands mines, utilities plants, bitumen extraction plants and an upgrading complex that processes bitumen into Synthetic Crude Oil ("SCO"). Syncrude is jointly controlled by seven owners and each owner takes its proportionate share of production in kind, and funds its share of Syncrude's operating, development and capital costs on a daily basis. The Corporation also indirectly owns 36.74 percent of the issued and outstanding shares of Syncrude Canada Ltd. ("Syncrude Canada"). Syncrude Canada operates Syncrude on behalf of the owners and is responsible for selecting, compensating, directing and controlling Syncrude's employees, and for administering all related employment benefits and obligations. The Corporation's investment in Syncrude and Syncrude Canada represents its only producing asset.

The Corporation's office is located at the following address: 2000 First Canadian Centre, 350 – 7th Avenue S.W., Calgary, Alberta, Canada T2P 3N9.

2) Basis of Presentation

These unaudited interim consolidated financial statements are prepared and reported in Canadian dollars in accordance with Canadian generally accepted accounting principles as set out in Part 1 of the Chartered Professional Accountants of Canada Handbook.

Certain disclosures that are normally required to be included in the notes to the annual audited consolidated financial statements have been condensed or omitted as permitted by International Accounting Standard ("IAS") 34, *Interim Financial Reporting.* These unaudited interim consolidated financial statements should be read in conjunction with the Corporation's audited consolidated financial statements and notes thereto for the year ended December 31, 2014.

3) Accounting Policies

The same accounting policies and methods of computation are followed in these unaudited interim consolidated financial statements as compared with the most recent audited annual consolidated financial statements for the year ended December 31, 2014 except as follows:

Taxes
Current taxes in interim periods are accrued based on our best estimate of the annual effective tax rate applied to year-to-date earnings. Current taxes accrued in one interim period may be adjusted prospectively in a subsequent interim period if the estimate of the annual effective tax rate changes.

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

4) Property, Plant and Equipment, Net

($ millions)	Upgrading and Extracting	Mining Equipment	Vehicles and Equipment	Buildings	Asset Retirement Costs	Major Turnaround Costs	Construction in Progress	Mine Development	Total
	Nine months ended September 30, 2015								
Cost									
Opening balance	$ 5,642	$ 3,365	$ 692	$ 365	$ 1,164	$ 202	$ 797	$ 629	$ 12,856
Additions	—	—	3	—	—	102	207	—	312
Change in asset retirement costs	—	—	—	—	2	—	—	—	2
Retirements	—	(34)	(21)	(4)	—	(77)	—	(1)	(137)
Reclassifications[1]	4	—	—	1	—	—	(6)	1	—
Ending balance	$ 5,646	$ 3,331	$ 674	$ 362	$ 1,166	$ 227	$ 998	$ 629	$ 13,033
Accumulated depreciation									
Opening balance	$ 1,796	$ 619	$ 374	$ 124	$ 262	$ 110	$ —	$ 130	$ 3,415
Depreciation	149	99	37	8	22	44	—	20	379
Retirements	—	(34)	(21)	(4)	—	(77)	—	(1)	(137)
Ending balance	$ 1,945	$ 684	$ 390	$ 128	$ 284	$ 77	$ —	$ 149	$ 3,657
Net book value at September 30, 2015	**$ 3,701**	**$ 2,647**	**$ 284**	**$ 234**	**$ 882**	**$ 150**	**$ 998**	**$ 480**	**$ 9,376**

[1] *Reclassifications are primarily transfers from construction in progress to other categories of property, plant and equipment when construction is completed and assets are available for use.*

For the three and nine months ended September 30, 2015, interest costs of $13 million and $38 million, respectively, were capitalized and included in property, plant and equipment (three and nine months ended September 30, 2014 – $29 million and $81 million, respectively) based on an interest capitalization rate of 6.6 percent for the three and nine months ended September 30, 2015 (6.6 percent for the three and nine months ended September 30, 2014).

5) Accounts Payable and Accrued Liabilities

As at ($ millions)	**September 30 2015**	**December 31 2014**
Trade payables	**$ 259**	$ 378
Crown royalties	**116**	132
Current portion of asset retirement obligation	**18**	18
Interest payable	**50**	25
	$ 443	$ 553
Less non-current portion of Crown royalties	**—**	(66)
Accounts payable and accrued liabilities	**$ 443**	$ 487

6) Employee Future Benefits

The Corporation's 36.74 percent share of Syncrude Canada's obligation for pension and other post-employment benefits in excess of the fair value of the assets held in the benefit plans (the "accrued benefit liability") is as follows:

($ millions)	**Nine Months Ended September 30 2015**	**Year Ended December 31 2014**
Accrued benefit liability, beginning of period	**$ 338**	$ 308
Current service cost[1]	**37**	42
Interest expense[2]	**10**	14
Contributions	**(35)**	(48)
Re-measurement (gains) losses:[3]		
Return on plan assets below (in excess of) estimated return[2]	**11**	(76)
Decrease in discount rate	**57**	100
Other	**(1)**	(2)
Accrued benefit liability, end of period	**$ 417**	$ 338
Less current portion	**(19)**	(20)
Non-current portion	**$ 398**	$ 318

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

7) Asset Retirement Obligation

The Corporation and each of the other Syncrude owners are liable for their share of ongoing obligations related to the reclamation and closure of the Syncrude properties on abandonment. The Corporation estimates reclamation and closure expenditures on disturbed mines and existing facilities will be made progressively over the next 70 years and has applied a risk-free interest rate of 2.25 percent at September 30, 2015 (December 31, 2014 – 2.25 percent) in deriving the asset retirement obligation.

($ millions)	**Nine Months Ended September 30 2015**	**Year Ended December 31 2014**
Asset retirement obligation, beginning of period	**$ 1,219**	$ 896
Decrease in risk-free interest rate	**—**	224
Reclamation expenditures	**(7)**	(18)
Increase in estimated reclamation and closure expenditures	**2**	89
Accretion expense	**21**	28
Asset retirement obligation, end of period	**$ 1,235**	$ 1,219
Less current portion	**(18)**	(18)
Non-current portion	**$ 1,217**	$ 1,201

8) Other Liabilities

As at ($ millions)	September 30 2015	December 31 2014
Non-current portion of Crown royalties[1]	$ —	$ 66
Other	8	9
Other liabilities	$ 8	$ 75

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

9) Foreign Exchange

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2015**	**2014**	**2015**	**2014**
Foreign exchange loss – long-term debt	**$ 139**	$ 80	**$ 271**	$ 86
Foreign exchange gain – other	**(7)**	(7)	**(9)**	(8)
Total foreign exchange loss	**$ 132**	$ 73	**$ 262**	$ 78

10) Net Finance Expense

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2015**	**2014**	**2015**	**2014**
Interest costs on long-term debt	**$ 38**	$ 30	**$ 108**	$ 89
Less capitalized interest on long-term debt	**(13)**	(29)	**(38)**	(81)
Interest expense on long-term debt	**$ 25**	$ 1	**$ 70**	$ 8
Interest expense on employee future benefits	**3**	4	**10**	11
Accretion of asset retirement obligation	**7**	7	**21**	21
Interest income	**—**	—	**(1)**	(3)
Net finance expense	**$ 35**	$ 12	**$ 100**	$ 37

11) Tax Expense

($ millions)	Three Months Ended September 30 2015	2014	Nine Months Ended September 30 2015	2014
Current tax expense (recovery)	**$ (10)**	$ 36	**$ —**	$ 127
Deferred tax expense (recovery)	**(4)**	4	**86**	24
Total tax expense (recovery)	**$ (14)**	$ 40	**$ 86**	$ 151

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

12) Capital Management

The Corporation's capital consists of cash and cash equivalents, debt and Shareholders' equity. The balance of each of these items at September 30, 2015 and December 31, 2014 was as follows:

As at *($ millions, except % amounts)*	September 30 2015	December 31 2014
Long-term debt[1]	**$ 2,341**	$ 1,889
Cash and cash equivalents[1]	**(123)**	(33)
Net debt[2,3]	**$ 2,218**	$ 1,856
Shareholders' equity[1]	**$ 3,885**	$ 4,497
Total net capitalization[2,4]	**$ 6,103**	$ 6,353
Total capitalization[2,5]	**$ 6,226**	$ 6,386
Net debt-to-total net capitalization[2,6] (%)	**36**	29
Long-term debt-to-total capitalization[2,7] (%)	**38**	30

[1] As reported in the Consolidated Balance Sheets.
[2] Additional GAAP financial measure.
[3] Long-term debt less cash and cash equivalents.
[4] Net debt plus Shareholders' equity.
[5] Long-term debt plus Shareholders' equity.
[6] Net debt divided by total net capitalization.
[7] Long-term debt divided by total capitalization.

Net debt rose to $2,218 million at September 30, 2015. A weakening Canadian dollar from December 31, 2014 to September 30, 2015 increased the Canadian dollar equivalent value of long-term debt by $271 million. In addition, capital expenditures, dividends and payments to settle working capital obligations exceeded cash flow from operations in the first nine months of 2015. As a result, net debt-to-total net capitalization increased to 36 percent at September 30, 2015 from 29 percent at December 31, 2014.

Shareholders' equity decreased to $3,885 million at September 30, 2015 from $4,497 million at December 31, 2014, as the Corporation incurred a net loss and paid dividends in the first nine months of 2015.

In July 2015, Canadian Oil Sands extended the terms of its credit facilities by one year. The $1,500 million committed credit facility, which is not based on the value of the Corporation's reserves or oil prices, was extended to June 30, 2019 and the $40 million credit facility to June 30, 2017. As at September 30, 2015, $320 million was drawn against these facilities (December 31, 2014 - $140 million).

The Senior Notes indentures and credit facility agreements contain certain covenants that restrict Canadian Oil Sands' ability to sell all or substantially all of its assets or change the nature of its business, and limit long-term debt-to-total capitalization to 55 percent. Our earliest Senior Note maturity is in 2019 and the Corporation has about $1.2 billion available under its credit facility that expires in 2019. With a long-term debt-to-total capitalization of 38 percent at September 30, 2015, a significant increase in debt or decrease in equity would be required to negatively impact the Corporation's financial flexibility.

13) Financial Instruments

The Corporation's financial instruments include cash and cash equivalents, accounts receivable, investments held in a reclamation trust, accounts payable and accrued liabilities, and long-term debt. The nature, the Corporation's use of, and the risks associated with these instruments are unchanged from December 31, 2014.

Offsetting Financial Assets and Financial Liabilities
The carrying values of accounts receivable and accounts payable and accrued liabilities have each been reduced by $22 million ($52 million at December 31, 2014) as a result of netting agreements with counterparties.

Fair Values
The fair values of cash and cash equivalents, accounts receivable, reclamation trust investments, and accounts payable and accrued liabilities approximate their carrying values due to the short-term nature of those instruments. The following fair values of long-term debt are based on Level 2 inputs to fair value measurement, which represent indicative bids or spreads for a round lot transaction within the relevant market:

As at *($ millions)*	**September 30 2015**	December 31 2014
7.75% Senior Notes due May 15, 2019 (U.S. $500 million)	**$ 711**	$ 626
7.9% Senior Notes due September 1, 2021 (U.S. $250 million)	**339**	314
4.5% Senior Notes due April 1, 2022 (U.S. $400 million)	**440**	433
8.2% Senior Notes due April 1, 2027 (U.S. $73.95 million)	**94**	96
6.0% Senior Notes due April 1, 2042 (U.S. $300 million)	**311**	313
Credit facilities drawn, excluding letters of credit[1]	**320**	140
	$ 2,215	$ 1,922

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

14) Commitments

Canadian Oil Sands is obligated to make future cash payments under contractual agreements that it has entered into either directly, or as a 36.74 percent owner in Syncrude. Cash from operating activities, existing cash balances and credit facilities, if required, are expected to be sufficient to fund the contractual obligations and commitments as they become due. The following table outlines the significant commitments that the Corporation will be required to fund which are not recorded as liabilities.

	Cash Outflow By Period				
($ millions)	Total	2015	2016 to 2017	2018 to 2019	After 2019
Pipeline and storage[1]	$ 2,421	$ 19	$ 139	$ 132	$ 2,131
Other obligations[2]	247	60	113	28	46
	$ 2,668	$ 79	$ 252	$ 160	$ 2,177

[1] *Reflects Canadian Oil Sands' take-or-pay commitments for the transportation and storage of crude oil, primarily on proposed pipelines that are still subject to regulatory approval.*
[2] *Primarily reflects Canadian Oil Sands' 36.74 percent share of Syncrude's commitments for purchasing tires, natural gas, employee housing and capital expenditures.*

15) Supplementary Information

a) Change in Non-Cash Working Capital

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2015**	**2014**	**2015**	**2014**
Operating activities:				
Accounts receivable	**$ 260**	$ (41)	**$ 124**	$ 45
Inventories	**2**	13	**28**	(11)
Prepaid expenses	**(10)**	(11)	**(3)**	(4)
Accounts payable and accrued liabilities (“AP”)	**32**	(9)	**(44)**	(207)
Current taxes	**1**	—	**(9)**	(302)
Other	**16**	9	**(23)**	(1)
AP changes reclassified to investing activities	**6**	20	**14**	12
Change in operating non-cash working capital	**$ 307**	$ (19)	**$ 87**	$ (468)
Investing activities:				
Accounts payable and accrued liabilities	**$ (6)**	$ (20)	**$ (14)**	$ (12)
Change in investing non-cash working capital	**$ (6)**	$ (20)	**$ (14)**	$ (12)
Change in total non-cash working capital	**$ 301**	$ (39)	**$ 73**	$ (480)

b) Income Taxes and Interest Paid

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2015**	**2014**	**2015**	**2014**
Income taxes paid	**$ —**	$ 36	**$ 20**	$ 429
Interest paid	**$ 15**	$ 13	**$ 79**	$ 70

Income taxes paid and the portion of interest costs that is expensed are included within cash from operating activities on the Consolidated Statements of Cash Flows. The portion of interest costs that is capitalized as property, plant and equipment is included within cash used in investing activities on the Consolidated Statements of Cash Flows.

c) Cash Flow from Operations per Share

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2015**	**2014**	**2015**	**2014**
Cash flow from operations per Share, basic and diluted	**$ 0.17**	$ 0.62	**$ 0.47**	$ 1.86

Cash flow from operations per Share is calculated as cash flow from operations, which is cash from operating activities before changes in non-cash working capital, divided by the weighted-average number of outstanding Shares in the period.

16) Subsequent events

On October 5, 2015 Suncor Energy Limited announced an unsolicited offer to acquire all of the outstanding shares of Canadian Oil Sands. On October 19, 2015, Canadian Oil Sands' Board unanimously recommended that Shareholders reject the Suncor offer.

On October 6, 2015, Canadian Oil Sands' Board of Directors adopted a new Shareholder Rights Plan ("the New Rights Plan"), subject to the approval of the Toronto Stock Exchange. The New Rights Plan is in addition to, and does not replace, COS' existing Shareholder Rights Plan. In connection with the adoption of the New Rights Plan, the Board authorized the issuance of one Share Purchase Right (a "Right") in respect of each Share outstanding as of October 6, 2015 (and each Share issued thereafter, subject to the limitations set out in the New Rights Plan). Under the terms of the New Rights Plan, the Rights will become exercisable (the "Separation Time") if a person acquires, announces or has announced an intention to acquire beneficial ownership of Shares which, when aggregated with such person's existing holdings, total 20 percent or more of the outstanding Shares, subject to the ability of the Board to defer the time at which the Rights become exercisable and to waive the application of the New Rights Plan. The Board has deferred the Separation Time triggered by the Suncor offer to a later date.

Following the acquisition of 20 percent or more of the outstanding Shares by any person, each Right held by a person other than the acquiring person would, upon exercise, entitle the holder to purchase Shares at a substantial discount to their then prevailing market price.