Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") was prepared as of October 29, 2015 and should be read in conjunction with the unaudited consolidated financial statements and notes thereto of Canadian Oil Sands Limited (the "Corporation") for the three and nine months ended September 30, 2015 and September 30, 2014, the audited consolidated financial statements and MD&A of the Corporation for the year ended December 31, 2014 and the Corporation's Annual Information Form ("AIF") dated February 24, 2015. Additional information on the Corporation, including its AIF, is available on SEDAR at **www.sedar.com** or on the Corporation's website at **www.cdnoilsands.com.** References to "Canadian Oil Sands", "COS" or "we" include the Corporation, its subsidiaries and partnerships. The financial results of Canadian Oil Sands have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and are reported in Canadian dollars, unless otherwise noted.

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Advisories

Forward-Looking Information

In the interest of providing the Corporation's shareholders and potential investors with information regarding the Corporation, including management's assessment of the Corporation's future production and cost estimates, plans and operations, this MD&A contains forward-looking information and statements (collectively, "forward-looking statements") under applicable securities law. Forward-looking statements are often, but not always, identified by words such as "anticipate", "expect", "believe", "plan", "intend" or similar words suggesting future outcomes.

Forward-looking statements in this MD&A include, but are not limited to, statements with respect to: the 2015 annual Syncrude production range of 92 million barrels to 97 million barrels and the Corporation's 2015 assumption of 95 million barrels (34.9 million barrels net to the Corporation); the estimated potential 2015 Syncrude cost reductions; all expectations regarding dividends; the estimated sales, operating expenses, development expenses, Crown royalties, current taxes, capital expenditures and cash flow from operations for 2015; the estimated price for crude oil and natural gas in 2015; the estimated foreign exchange rates in 2015; the estimated realized selling price, which includes the anticipated differential to West Texas Intermediate ("WTI") to be received in 2015 for the Corporation's product; the expectations regarding net debt; the anticipated impact of increases or decreases in oil prices, production, operating expenses, foreign exchange rates and natural gas prices on the Corporation's cash flow from operations; the belief that fluctuations in the Corporation's realized selling prices, U.S. to Canadian dollar exchange rate fluctuations, planned maintenance activities and unplanned outages, changes in bitumen values, fluctuations in natural gas prices and tax expense may impact the Corporation's financial results in the future; the belief that Syncrude cost reduction efforts are indicating a trend towards lower operating and capital costs in 2015 and future years; the belief that capital expenditures will decline and future depreciation and depletion expense will increase upon completion of the Syncrude major projects; all expectations regarding the Corporation's credit facilities; the expectation that the centrifuge plant at the Mildred Lake mine will commence operations in the fourth quarter of 2015; the estimated 2015 regular maintenance, capitalized interest and major project spending; the belief that the Corporation has sufficient liquidity and balance sheet strength *in the current environment; the belief that based on assumptions in the 2015 Guidance there will be sufficient cash flow from operations in the last quarter of 2015 to fund the working capital deficiency; and the Board's strategic alternatives evaluation process.*

You are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although the Corporation believes that the expectations represented by such forward-looking statements are reasonable and reflect the current views of the Corporation with respect to future events, there can be no assurance that such assumptions and expectations will prove to be correct.

The factors or assumptions on which the forward-looking statements are based include, but are not limited to: the assumptions outlined in the Corporation's guidance document as posted on the Corporation's website at ***www.cdnoilsands.com*** *as of October 19, 2015 and as subsequently amended or replaced from time to time, including without limitation, the assumptions as to production, operating expenses and oil prices; the successful and timely implementation of capital projects; Syncrude's business spending plans; the ability to obtain regulatory and Syncrude joint venture owner approval; our ability to either generate sufficient cash flow from operations to meet our current and future obligations or obtain external sources of debt and equity capital; the continuation of assumed tax, royalty and other legislative and regulatory regimes and the accuracy of the estimates of our reserves and resources volumes.*

Some of the risks and other factors which could cause actual results or events to differ materially from current expectations expressed in the forward-looking statements contained in this MD&A include, but are not limited to: volatility of crude oil prices; volatility of the synthetic crude oil ("SCO") to WTI differential; the impact of the anticipated Syncrude cost reductions not materializing; the impact that pipeline capacity and apportionment and refinery demand have on prices for SCO and the ability to deliver SCO; the impacts of legislative and regulatory changes especially those which relate to royalties, taxation, tailings, water and the environment; the impact of new technologies on the cost of oil sands mining; the impacts of rising costs associated with tailings and water management; the inability of Syncrude to obtain required consents, permits or approvals, including without limitation, the inability of Syncrude to obtain approval to return water from its operations; various events which could disrupt operations including fires, equipment failures and severe weather; unsuccessful or untimely implementation of capital or maintenance projects; the impact of technology on operations and processes and how new technology may not perform as expected; the obtaining of required owner approvals from the Syncrude owners for expansions, operational issues and contractual issues; labour turnover and shortages and the productivity achieved from labour in the Fort McMurray area; uncertainty of estimates with respect to reserves and resources; the supply and demand metrics for oil and natural gas; currency and interest rate fluctuations; volatility of natural gas prices; the Corporation's ability to either generate sufficient cash flow from operations to meet its current and future obligations or obtain external sources of debt and equity capital; the inability of the Corporation to continue to meet the listing requirements of the Toronto Stock Exchange; general economic, business and market conditions and such other risks and uncertainties described in the Corporation's AIF dated February 24, 2015 and in the reports and filings made with securities regulatory authorities from time to time by the Corporation which are available on the Corporation's profile on SEDAR at ***www.sedar.com*** *and on the Corporation's website at* ***www.cdnoilsands.com****.*

You are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this MD&A are made as of October 29, 2015, and unless required by law, the Corporation does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Additional GAAP Financial Measures

In this MD&A, we refer to additional GAAP financial measures that do not have any standardized meaning as prescribed by Canadian GAAP. Additional GAAP financial measures are line items, headings or subtotals in addition to those required under Canadian GAAP, and financial measures disclosed in the notes to the financial statements which are relevant to an understanding of the financial statements and are not presented elsewhere in the financial statements. These measures have been described and presented in order to provide shareholders and potential investors with additional measures for analyzing our ability to generate funds to finance our operations and information regarding our liquidity. Users are cautioned that additional GAAP financial measures presented by the Corporation may not be comparable with measures provided by other entities.

Additional GAAP financial measures include: cash flow from operations, cash flow from operations per Share, net debt, total net capitalization, total capitalization, net debt-to-total net capitalization and long-term debt-to-total capitalization.

Cash flow from operations is calculated as cash from (used in) operating activities before changes in non-cash working capital. Cash flow from operations per Share is calculated as cash flow from operations divided by the weighted-average number of Shares outstanding in the period. Because cash flow from operations and cash flow from operations per Share are not impacted by fluctuations in non-cash working capital balances, we believe these measures are more indicative of operational performance than cash from (used in) operating activities. With the exception of current taxes, liabilities for Crown royalties and the current portion of our asset retirement obligation, our non-cash working capital is liquid and typically settles within 30 days.

Cash flow from operations is reconciled to cash from (used in) operating activities as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
($ millions)	**2015**	2014	**2015**	2014
Cash flow from operations[1]	**$ 82**	$ 302	**$ 228**	$ 899
Change in non-cash working capital[1]	**307**	(19)	**87**	(468)
Cash from operating activities[1]	**$ 389**	$ 283	**$ 315**	$ 431

[1] As reported in the Consolidated Statements of Cash Flows.

Net debt, total net capitalization, total capitalization, net debt-to-total net capitalization and long-term debt-to-total capitalization are used by the Corporation to analyze liquidity and manage capital, as discussed in the "Liquidity and Capital Resources" section of this MD&A and in Note 12 to the unaudited consolidated financial statements for the three and nine months ended September 30, 2015.

Overview

As a result of major cost-cutting efforts, Syncrude has reduced its operating and capital costs by more than $1 billion ($367 million net to COS) in the first nine months of 2015 compared with its original budget. This achievement reflects Syncrude's significant efforts to reduce the scope of its activities and increase efficiency. In addition, capital expenditures have decreased substantially in 2015 with the completion of the major projects.

Results in the third quarter reflect two months of strong operations, with production averaging about 320,000 barrels per day (117,600 barrels per day net to COS) and operating expenses of approximately $30 per barrel in July and August. In late August, a process fire occurred in the interconnecting piping between the hydrotreating and environmental units at Syncrude's upgrader. The fire was safely and quickly extinguished with no injuries or environmental impacts and Syncrude made repairs to affected facilities by the end of the quarter. The fire reduced Syncrude's production volumes by approximately seven million barrels (2.6 million barrels net to COS), negatively affecting revenues and per-barrel figures in the quarter.

Canadian Oil Sands generated $82 million of cash flow from operations, or $0.17 per Share, during the third quarter of 2015, despite low oil prices and the production impact of the fire. Cash flows were bolstered by the continued cost reductions which meant that cash flow from operations in the quarter was almost sufficient to fully fund $84 million of capital expenditures.

The realized SCO selling price of $60.20 per barrel in the third quarter of 2015 reflects a U.S. $46.50 per barrel WTI oil price, a $0.76 $US/$Cdn foreign exchange rate, and a $0.75 per barrel SCO discount to WTI. The third quarter realized SCO selling price was 41 percent lower than the $102.58 per barrel realized in the same quarter of 2014.

Operating expenses in the third quarter of 2015 were $323 million, or $40.49 per barrel, a $7.24 per barrel decrease from the same quarter of 2014. Third quarter capital expenditures also declined to $84 million from $222 million with the completion of the major capital projects and progress on cost reductions.

COS recorded a net loss of $174 million in the quarter, mainly reflecting unrealized foreign exchange losses of $139 million on the revaluation of U.S. dollar denominated long-term debt.

Updated Guidance

On October 19, 2015 COS updated its annual guidance and is estimating 2015 cash flow from operations of $340 million. The Syncrude production range was narrowed to 92 to 97 million barrels with a new single-point estimate of 95 million barrels, reflecting lost production associated with the process fire. The estimated 2015 realized SCO selling price was decreased to approximately $62.03 per barrel, reflecting a U.S.$50 per barrel WTI oil price, a $0.79 $US/$Cdn foreign exchange rate, and a $1.25 per barrel SCO discount to WTI. Estimated 2015 operating expenses decreased to $1,416 million, or $40.56 per barrel, and estimated 2015 capital expenditures decreased to $368 million.

Highlights

	Three Months Ended September 30				Nine Months Ended September 30			
		2015		2014		**2015**		2014
Cash flow from operations[1] ($ millions)	**$**	**82**	$	302	**$**	**228**	$	899
Per Share[1] ($/Share)	**$**	**0.17**	$	0.62	**$**	**0.47**	$	1.86
Net income (loss) ($ millions)	**$**	**(174)**	$	87	**$**	**(488)**	$	435
Per Share, Basic and Diluted ($/Share)	**$**	**(0.36)**	$	0.18	**$**	**(1.01)**	$	0.90
Sales volumes[2]								
Total (mmbbls)		**8.0**		8.1		**24.6**		24.6
Daily average (bbls)		**86,687**		87,787		**90,285**		89,980
Realized SCO selling price ($/bbl)	**$**	**60.20**	$	102.58	**$**	**62.58**	$	106.49
West Texas Intermediate ("WTI") (average $US/bbl)	**$**	**46.50**	$	97.25	**$**	**51.01**	$	99.62
SCO premium (discount) to WTI (weighted-average $/bbl)	**$**	**(0.75)**	$	(3.14)	**$**	**(1.23)**	$	(2.28)
Average foreign exchange rate ($US/$Cdn)	**$**	**0.76**	$	0.92	**$**	**0.79**	$	0.91
Operating expenses ($ millions)	**$**	**323**	$	385	**$**	**1,037**	$	1,248
Per barrel ($/bbl)	**$**	**40.49**	$	47.73	**$**	**42.07**	$	50.81
Capital expenditures ($ millions)	**$**	**84**	$	222	**$**	**312**	$	760
Dividends ($ millions)	**$**	**25**	$	170	**$**	**73**	$	509
Per Share ($/Share)	**$**	**0.05**	$	0.35	**$**	**0.15**	$	1.05

[1] *Cash flow from operations and cash flow from operations per Share are additional GAAP financial measures and are defined in the "Additional GAAP Financial Measures" section of this MD&A.*

[2] *The Corporation's sales volumes differ from its production volumes due to changes in inventory, which are primarily in-transit pipeline volumes. Sales volumes are net of crude oil purchases.*

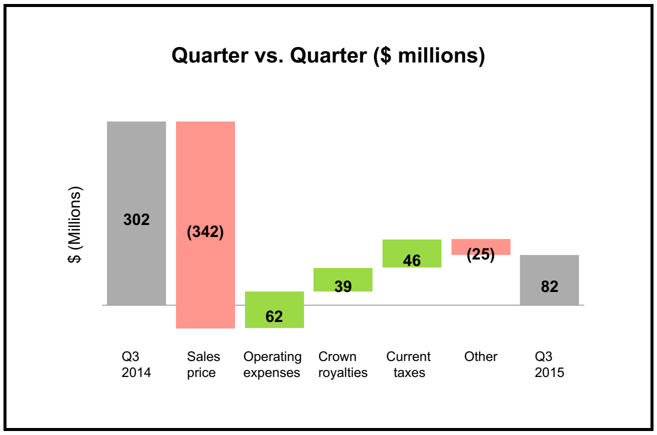
Review of Operations

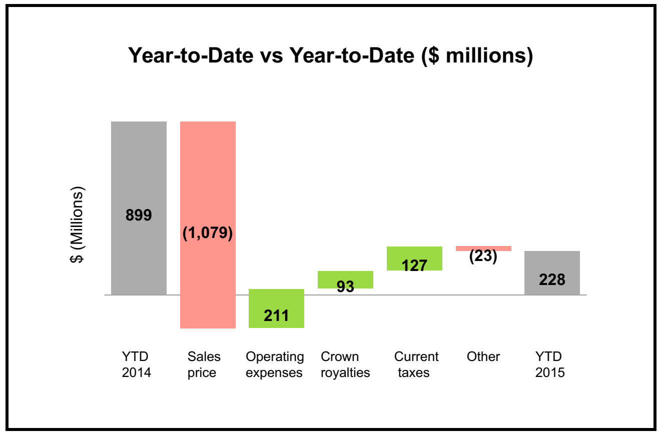
During the third quarter of 2015, Syncrude produced 21.6 million barrels, or 234,500 barrels per day, compared with 22.5 million barrels, or 244,800 barrels per day, in the third quarter of 2014. Production during the third quarter of 2015 was impacted by a process fire in the interconnecting piping between the hydrotreating and environmental units at Syncrude's upgrader which limited SCO shipments to minimal levels while damage was being assessed and the facilities were being repaired. In the third quarter of 2014, production volumes reflect unplanned outages on sulphur processing units.

On a year-to-date basis, Syncrude produced 66.9 million barrels, or 245,100 barrels per day, in 2015 compared with 67.3 million barrels, or 246,400 barrels per day in 2014.

Review of Financial Results

Cash Flow from Operations

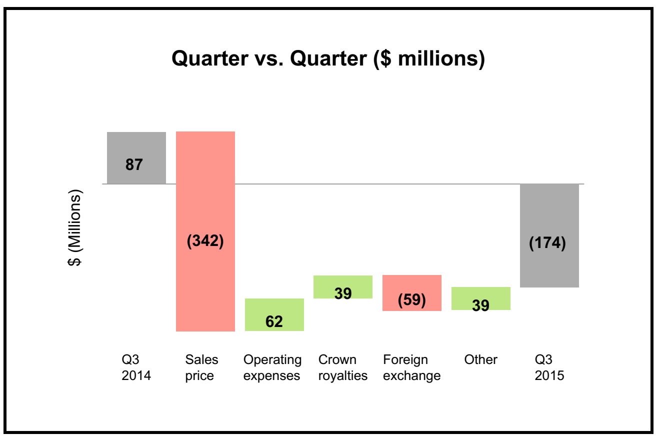


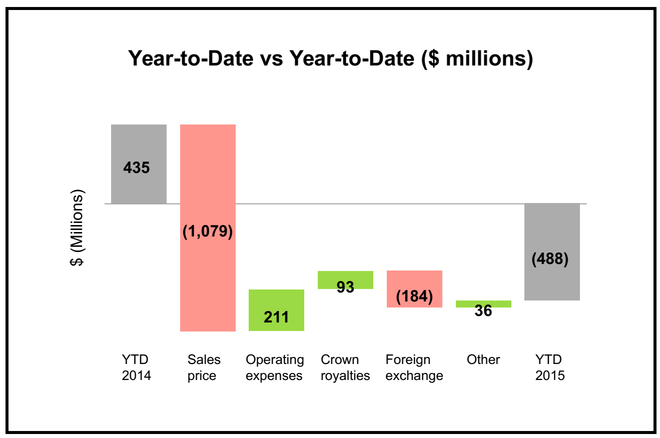


Cash flow from operations was $82 million in the third quarter and $228 million in the first nine months of 2015 compared with $302 million and $899 million, respectively, in the 2014 periods mainly as a result of lower realized SCO selling prices partially offset by lower operating expenses, Crown royalties and current taxes.

The changes in the components of cash flow from operations are discussed in greater detail later in this MD&A.

Net Income (Loss)





COS reported a net loss of $174 million in the third quarter and $488 million in the first nine months of 2015 compared with net income of $87 million and $435 million, respectively in the 2014 periods, mainly as a result of the decline in the realized SCO selling price, partially offset by lower operating expenses and Crown royalties. Unrealized foreign exchange losses on long-term debt also contributed to the net losses in 2015.

The changes in the components of net income are discussed in greater detail later in this MD&A.

The following table shows net income components per barrel of SCO:

($ per barrel)[1]	Three Months Ended September 30 2015	2014	Change	Nine Months Ended September 30 2015	2014	Change
Sales net of crude oil purchases and transportation expense	**$ 60.26**	$ 102.57	$ (42.31)	**$ 62.62**	$ 106.23	$ (43.61)
Operating expense	**(40.49)**	(47.73)	7.24	**(42.07)**	(50.81)	8.74
Crown royalties	**(3.01)**	(7.68)	4.67	**(2.78)**	(6.54)	3.76
	$ 16.76	$ 47.16	$ (30.40)	**$ 17.77**	$ 48.88	$ (31.11)
Development expense	**$ 2.41**	$ 4.23	$ (1.82)	**$ 2.96**	$ 3.98	$ (1.02)
Administration and insurance expenses	**1.05**	1.11	(0.06)	**1.07**	1.43	(0.36)
Depreciation and depletion expense	**16.09**	15.71	0.38	**15.41**	14.96	0.45
Net finance expense	**4.37**	1.47	2.90	**4.05**	1.51	2.54
Foreign exchange loss	**16.47**	9.08	7.39	**10.61**	3.18	7.43
Tax expense (recovery)	**(1.63)**	5.03	(6.66)	**3.51**	6.16	(2.65)
	38.76	36.63	2.13	**37.61**	31.22	6.39
Net income (loss) per barrel	**$ (22.00)**	$ 10.53	$ (32.53)	**$ (19.84)**	$ 17.66	$ (37.50)
Sales volumes (mmbbls)[2]	**8.0**	8.1	(0.1)	**24.6**	24.6	—

[1] Per barrel measures derived by dividing the relevant item by sales volumes in the period.
[2] Sales volumes, net of purchased crude oil volumes.

Sales Net of Crude Oil Purchases and Transportation Expense

($ millions, except where otherwise noted)	Three Months Ended September 30 2015	2014	Change	Nine Months Ended September 30 2015	2014	Change
Sales[1]	**$ 565**	$ 963	$ (398)	**$ 1,831**	$ 3,018	$ (1,187)
Crude oil purchases	**(65)**	(127)	62	**(237)**	(373)	136
Transportation expense	**(19)**	(7)	(12)	**(50)**	(35)	(15)
	$ 481	$ 829	$ (348)	**$ 1,544**	$ 2,610	$ (1,066)
Sales volumes[2]						
Total (mmbbls)	**8.0**	8.1	(0.1)	**24.6**	24.6	—
Daily average (bbls)	**86,687**	87,787	(1,100)	**90,285**	89,980	305
Realized SCO selling price[3] (average $/bbl)	**$ 60.20**	$ 102.58	$ (42.38)	**$ 62.58**	$ 106.49	$ (43.91)
West Texas Intermediate (“WTI”) (average $US/bbl)	**$ 46.50**	$ 97.25	$ (50.75)	**$ 51.01**	$ 99.62	$ (48.61)
SCO premium (discount) to WTI (weighted-average $/bbl)	**$ (0.75)**	$ (3.14)	$ 2.39	**$ (1.23)**	$ (2.28)	$ 1.05
Average foreign exchange rate ($US/$Cdn)	**$ 0.76**	$ 0.92	$ (0.16)	**$ 0.79**	$ 0.91	$ (0.12)

[1] Sales include sales of purchased crude oil.
[2] Sales volumes, net of purchased crude oil volumes.
[3] SCO sales net of crude oil purchases and transportation expense divided by sales volumes, net of purchased crude oil volumes.

The $348 million decrease in third quarter sales, net of crude oil purchases and transportation expense, reflects a $42 per barrel decline in the realized selling price relative to the third quarter of 2014. Similarly, the $1,066 million decrease in 2015 year-to-date sales, net of crude oil purchases and transportation expense, reflects a $44 per barrel decline in the realized selling price relative to 2014. The decline in the realized selling price in both periods was due to a drop in the WTI oil price by approximately $50 per barrel compared to the 2014 periods, which was partially offset by a weaker Canadian dollar and smaller discounts to WTI.

Operating Expenses

The following table shows the major components of operating expenses in total dollars and per barrel of SCO:

	Three Months Ended September 30				Nine Months Ended September 30			
	2015		2014		2015		2014	
	$ millions	$ per bbl	$ millions	$ per bbl	$ millions	$ per bbl	$ millions	$ per bbl
Production and maintenance[1]	**$ 264**	**$ 33.06**	$ 313	$ 38.80	**$ 859**	**$ 34.84**	$ 980	$ 39.92
Natural gas and diesel purchases[2]	**33**	**4.10**	40	5.01	**92**	**3.73**	156	6.35
Syncrude pension and incentive compensation	**16**	**2.08**	22	2.66	**57**	**2.33**	79	3.20
Other[3]	**10**	**1.25**	10	1.26	**29**	**1.17**	33	1.34
Total operating expenses	**$ 323**	**$ 40.49**	$ 385	$ 47.73	**$ 1,037**	**$ 42.07**	$ 1,248	$ 50.81

[1] Includes non-major turnaround costs. Major turnaround costs are capitalized as property, plant and equipment.
[2] Includes costs to purchase natural gas used to produce energy and hydrogen and diesel consumed as fuel.
[3] Includes fees for management services provided by Imperial Oil Resources, insurance premiums, and greenhouse gas emissions levies.

Syncrude has made progress on cost reduction initiatives, surpassing COS' annual goal of $900 million, or $330 million net to COS, of operating and capital cost reductions in the first nine months of 2015. The production and maintenance cost reductions, together with lower natural gas and diesel prices, have resulted in a $62 million and $211 million decrease in operating expenses in the three and nine months ended September 30, 2015, respectively, compared with the same periods in 2014. The cost reduction efforts target savings in production and maintenance costs and have resulted in changes to Syncrude's workforce costs.

The following table shows operating expenses per barrel of bitumen and SCO. Costs are allocated to bitumen production and upgrading on the basis used to determine Crown royalties.

	Three Months Ended September 30				Nine Months Ended September 30			
	2015		2014		2015		2014	
($ per barrel)	Bitumen	SCO	Bitumen	SCO	Bitumen	SCO	Bitumen	SCO
Bitumen production	**$ 23.17**	**$ 28.76**	$ 28.38	$ 33.80	**$ 24.58**	**$ 29.78**	$ 30.08	$ 36.28
Internal fuel allocation[1]	**1.71**	**2.12**	3.07	3.65	**1.95**	**2.36**	3.17	3.82
Total bitumen production expenses	**$ 24.88**	**$ 30.88**	$ 31.45	$ 37.45	**$ 26.53**	**$ 32.14**	$ 33.25	$ 40.10
Upgrading[2]		**$ 11.73**		$ 13.93		**$ 12.29**		$ 14.53
Less: internal fuel allocation[1]		**(2.12)**		(3.65)		**(2.36)**		(3.82)
Total upgrading expenses		**$ 9.61**		$ 10.28		**$ 9.93**		$ 10.71
Total operating expenses		**$ 40.49**		$ 47.73		**$ 42.07**		$ 50.81
(thousands of barrels per day)								
Syncrude production volumes	**291**	**235**	291	245	**297**	**245**	297	246
Canadian Oil Sands sales volumes		**87**		88		**90**		90

[1] Reflects energy generated by the upgrader that is used in the bitumen production process and is valued by reference to natural gas and diesel prices. Natural gas prices averaged $2.71 per GJ and $2.68 per GJ in the three and nine months ended September 30, 2015, respectively, and $3.94 per GJ and $4.63 per GJ in the three and nine months ended September 30, 2014, respectively. Diesel prices averaged $0.66 per litre and $0.69 per litre in the three and nine months ended September 30, 2015, respectively, and $0.94 per litre and $1.04 per litre in the three and nine months ended September 30, 2014, respectively.
[2] Upgrading expenses include the production and maintenance expenses associated with processing and upgrading bitumen to SCO.

Crown Royalties

Crown royalties decreased to $23 million in the third quarter of 2015 from $62 million in the third quarter of 2014. On a year-to-date basis, Crown royalties decreased to $68 million in 2015 from $161 million in 2014. The decreases in both the quarterly and year-to-date Crown royalties reflect lower deemed bitumen prices partially offset by lower bitumen-related operating and capital expenditures.

Net Finance Expense

($ millions)	Three Months Ended September 30 2015	2014	Nine Months Ended September 30 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

Higher interest costs on the Corporation's long-term debt in 2015 reflect a weaker Canadian dollar and higher average outstanding debt levels due to drawings on credit facilities. Also, capitalized interest on long-term debt decreased in 2015 with the completion of the Mildred Lake Mine Train Replacement project at the end of 2014, resulting in higher net finance expense.

Foreign Exchange

($ millions)	Three Months Ended September 30 2015	2014	Nine Months Ended September 30 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

Foreign exchange gains and losses are the result of revaluations of the Corporation's U.S. dollar-denominated long-term debt, accounts receivable and cash into Canadian dollars.

The $US/$Cdn exchange rate was $0.75 at September 30, 2015 versus $0.80 at June 30, 2015 and $0.86 at December 31, 2014. The change in exchange rates in 2015 generated unrealized foreign exchange losses of $139 million in the third quarter and $271 million on a year-to-date basis.

The $US/$Cdn exchange rate was $0.89 at September 30, 2014, $0.94 at June 30, 2014 and December 31, 2013. As a result, COS recorded unrealized foreign exchange losses of $80 million in the third quarter of 2014 and $86 million in the first nine months of 2014.

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. As a result, COS recorded an additional deferred tax expense of $120 million in the second quarter of 2015. The Corporation's combined federal and provincial tax rate will increase to 27 percent beginning in 2016.

Current tax expense decreased in 2015 due to lower taxable income generated by the Corporation's partnership.

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

Pension and Other Post-Employment Benefit Plans

($ millions)		Nine Months Ended September 30 2015		Year Ended December 31 2014
Accrued benefit liability, beginning of period	**$**	**338**	$	308
Current service cost		**37**		42
Interest expense[1]		**10**		14
Contributions		**(35)**		(48)
Re-measurement (gains) losses:				
Return on plan assets below (in excess of) estimated return[1]		**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] Estimated return on plan assets is included in net finance expense and in the nine months ended September 30, 2015 was $26 million (year ended December 31, 2014 - $34 million).

The Corporation's obligation for Syncrude Canada Ltd.'s ("Syncrude Canada") accrued benefit liability increased to $417 million at September 30, 2015 from $338 million at December 31, 2014 due to a 25 basis point decrease in the interest rate used to discount the accrued benefit liability, and lower than expected returns on plan assets.

Summary of Quarterly Results

	2015			2014				2013
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Sales[1] ($ millions)	**$ 481**	$ 523	$ 540	$ 809	$ 829	$ 786	$ 995	$ 945
Net income (loss) ($ millions)	**$ (174)**	$ (128)	$ (186)	$ 25	$ 87	$ 176	$ 172	$ 192
Per Share, Basic & Diluted ($/Share)	**$ (0.36)**	$ (0.26)	$ (0.38)	$ 0.05	$ 0.18	$ 0.36	$ 0.35	$ 0.40
Cash flow from operations[2] ($ millions)	**$ 82**	$ 70	$ 76	$ 207	$ 302	$ 240	$ 357	$ 392
Per Share[2] ($/Share)	**$ 0.17**	$ 0.14	$ 0.16	$ 0.43	$ 0.62	$ 0.50	$ 0.74	$ 0.81
Dividends ($ millions)	**$ 25**	$ 24	$ 24	$ 169	$ 170	$ 169	$ 170	$ 169
Per Share ($/Share)	**$ 0.05**	$ 0.05	$ 0.05	$ 0.35	$ 0.35	$ 0.35	$ 0.35	$ 0.35
Daily average sales volumes[3] (bbls)	**86,687**	77,088	107,305	108,139	87,787	77,064	105,283	112,092
Realized SCO selling price ($/bbl)	**$ 60.20**	$ 74.47	$ 55.95	$ 81.32	$ 102.58	$ 112.04	$ 105.73	$ 91.47
WTI[4] (average $US/bbl)	**$ 46.50**	$ 57.95	$ 48.57	$ 73.20	$ 97.25	$ 102.99	$ 98.61	$ 97.61
SCO premium (discount) to WTI (weighted-average $/bbl)	**$ (0.75)**	$ 2.49	$ (4.36)	$ (3.23)	$ (3.14)	$ (0.37)	$ (2.93)	$ (10.84)
Operating expenses[5] ($/bbl)	**$ 40.49**	$ 52.63	$ 35.71	$ 44.04	$ 47.73	$ 59.64	$ 46.91	$ 37.60
Capital expenditures ($ millions)	**$ 84**	$ 155	$ 73	$ 170	$ 222	$ 321	$ 217	$ 292
Purchased natural gas price ($/GJ)	**$ 2.71**	$ 2.57	$ 2.72	$ 3.63	$ 3.94	$ 4.45	$ 5.43	$ 3.28
Foreign exchange rates ($US/$Cdn)								
Average	**$ 0.76**	$ 0.81	$ 0.81	$ 0.88	$ 0.92	$ 0.92	$ 0.91	$ 0.95
Quarter-end	**$ 0.75**	$ 0.80	$ 0.79	$ 0.86	$ 0.89	$ 0.94	$ 0.90	$ 0.94

[1] Sales after crude oil purchases and transportation expense.
[2] Cash flow from operations and cash flow from operations per Share are additional GAAP financial measures and are defined in the "Additional GAAP Financial Measures" section of this MD&A.
[3] Daily average sales volumes net of crude oil purchases.
[4] Pricing obtained from Bloomberg.
[5] Derived from operating expenses, as reported on the Consolidated Statements of Income and Comprehensive Income, divided by sales volumes during the period.

During the last eight quarters, the following items have had a significant impact on the Corporation's financial results and may impact the financial results in the future:

- Fluctuations in realized selling prices have affected the Corporation's sales. During the last eight quarters, quarterly average WTI prices have ranged from U.S. $47 per barrel to U.S. $103 per barrel, and the quarterly average SCO differentials to WTI have ranged from an $11 per barrel discount to a $2 per barrel premium.
- U.S. to Canadian dollar exchange rate fluctuations have resulted in foreign exchange gains and losses on the revaluation of U.S. dollar-denominated debt and have impacted realized selling prices.
- Planned maintenance activities and unplanned outages have impacted quarterly sales volumes, revenues, operating expenses and per barrel results.
- Changes in bitumen values have impacted Crown royalties.
- Major capital projects to replace or relocate Syncrude mine trains and to support tailings management plans have increased capital expenditures, reduced Crown royalties and lowered net finance expense. Upon substantial completion of these projects at the end of 2014, capital expenditures declined significantly, while depreciation and depletion expense increased.
- Fluctuations in natural gas prices have impacted operating expenses.
- A corporate tax rate increase enacted by the Alberta government reduced net income by $120 million in the second quarter of 2015. The combined federal and provincial corporate tax rate will increase to 27 percent beginning in 2016, increasing tax expense in future years.
- Cost reduction efforts are indicating a trend towards lower operating and capital costs in 2015 and in future years.

Capital Expenditures

($ millions)	Three Months Ended September 30 2015	2014	Nine Months Ended September 30 2015	2014
Major Projects				
Centrifuge Tailings Management	**$ 10**	$ 69	**$ 33**	$ 225
Mildred Lake Mine Train Replacement	**10**	68	**18**	256
Capital expenditures on major projects	**$ 20**	$ 137	**$ 51**	$ 481
Regular maintenance				
Capitalized turnaround costs	**$ 14**	$ 2	**$ 102**	$ 71
Other	**37**	54	**121**	127
Capital expenditures on regular maintenance	**$ 51**	$ 56	**$ 223**	$ 198
Capitalized interest	**$ 13**	$ 29	**$ 38**	$ 81
Total capital expenditures	**$ 84**	$ 222	**$ 312**	$ 760

Capital expenditures decreased in the third quarter of 2015 and year-to-date from the comparative 2014 periods, mainly reflecting the completion of the Mildred Lake Mine Train Replacement project at the end of 2014 and reduced spending on the Centrifuge Tailings Management project, which was completed approximately $100 million ($37 million net to COS) under budget. The project is in commissioning and is expected to commence operations in the fourth quarter.

Contractual Obligations and Commitments

The following table outlines the significant contractual obligations and commitments that were assumed as part of the normal course of operations and were known as of October 29, 2015. These obligations and commitments represent future cash payments that the Corporation is required to make under existing contractual agreements that it has entered into either directly, or as a 36.74 percent owner in Syncrude. The principal payments and accrued interest due on long-term debt, the asset retirement obligation and the pension plan solvency deficiency payments are recognized as liabilities in the Corporation's consolidated financial statements. The other contractual obligations and commitments are not recognized as liabilities.

	Cash Outflow By Period				
($ millions)	Total	2015	2016 to 2017	2018 to 2019	After 2019
Long-term debt[1]	$ 3,595	$ 34	$ 269	$ 1,226	$ 2,066
Asset retirement obligations[2]	2,375	1	52	73	2,249
Pipeline and storage[3]	2,421	19	139	132	2,131
Other obligations[4]	304	64	143	34	63
	$ 8,695	$ 118	$ 603	$ 1,465	$ 6,509

[1] Reflects principal and interest payments on Senior Notes and includes $320 million drawn on our credit facility.
[2] Reflects Canadian Oil Sands' 36.74 percent share of the undiscounted estimated future expenditures required to settle Syncrude's obligation to reclaim and close each of its mine sites and decommission its utilities plants, bitumen extraction plants, and upgrading complex.
[3] 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.
[4] Primarily reflects Canadian Oil Sands' 36.74 percent share of payments required to fund Syncrude Canada's registered pension plan solvency deficiency, Syncrude's commitments for purchasing tires, natural gas, employee housing and capital expenditures.

The total contractual obligations and commitments have increased in 2015 due to borrowings on the Corporation's credit facility and the revaluation of U.S. dollar denominated long-term debt, partially offset by payments against existing obligations and commitments.

Dividends

Dividend payments are set quarterly by the Board of Directors in the context of current and expected crude oil prices, economic conditions, Syncrude's operating performance and the Corporation's capacity to finance operating and investing obligations. Dividend amounts are established with the intent of absorbing short-term market volatility over several quarters, while maintaining a strong balance sheet to reduce exposure to potential oil price declines, cost increases or major operational upsets.

For the nine months ended September 30, 2015, the Corporation paid dividends to shareholders totaling $73 million, or $0.15 per Share. A quarterly dividend of $0.05 per Share was declared by the Corporation on October 29, 2015, for a total dividend of approximately $24 million. The dividend will be paid on November 30, 2015 to shareholders of record on November 23, 2015.

Liquidity and Capital Resources

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 was $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).

At September 30, 2015, Canadian Oil Sands had a working capital deficiency of $80 million. Based on the assumptions in our 2015 guidance, there will be sufficient cash flow from operations in the last quarter of 2015 to fund the working capital deficiency.

Canadian Oil Sands' 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. 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. Our earliest

Senior Note maturity is in 2019 and COS has about $1.2 billion available under its credit facility that expires in 2019, providing COS with sufficient liquidity and balance sheet strength in the current environment.

Shareholders' Capital and Trading Activity

The Corporation's shares trade on the Toronto Stock Exchange under the symbol COS. On September 30, 2015, the Corporation had a market capitalization of approximately $3.1 billion with 484.6 million shares outstanding and a closing price of $6.31 per Share. The following table summarizes the trading activity for the third quarter of 2015.

	Third Quarter 2015	July 2015	August 2015	September 2015
Share price				
High	$ 10.20	$ 10.20	$ 7.90	$ 7.33
Low	$ 5.61	$ 6.72	$ 5.61	$ 5.94
Close	$ 6.31	$ 7.46	$ 7.70	$ 6.31
Volume of Shares traded (millions)	174.9	56.7	61.0	57.2
Weighted average Shares outstanding (millions)	484.6	484.6	484.6	484.6

2015 Outlook

(millions of Canadian dollars, except volume and per barrel amounts)		**As of October 19, 2015**		As of July 30, 2015
Operating assumptions				
Syncrude production (mmbbls)		**95**		103
Canadian Oil Sands sales (mmbbls)		**34.9**		37.8
Sales, net of crude oil purchases and transportation	**$**	**2,165**	$	2,488
Realized SCO selling price ($/bbl)	**$**	**62.03**	$	65.75
Operating expenses	**$**	**1,416**	$	1,497
Operating expenses per barrel	**$**	**40.56**	$	39.56
Development expenses	**$**	**98**	$	138
Crown royalties	**$**	**129**	$	176
Current taxes	**$**	**—**	$	30
Cash flow from operations[1, 2]	**$**	**340**	$	474
Capital expenditure assumptions				
Major projects	**$**	**66**	$	87
Regular maintenance	**$**	**258**	$	294
Capitalized interest	**$**	**44**	$	41
Total capital expenditures	**$**	**368**	$	422
Business environment assumptions				
Sales weighted average WTI crude oil (USD/bbl)	**$**	**50.00**	$	55.00
Sales weighted average premium/discount to CAD WTI ($/bbl)	**$**	**(1.25)**	$	(3.00)
Sales weighted average foreign exchange rate (CAD:USD)	**$**	**0.79**	$	0.80
Sales weighted average AECO natural gas (CAD/GJ)	**$**	**2.75**	$	3.00

[1] Cash flow from operations is an additional GAAP financial measure and is defined in the "Additional GAAP Financial Measures" section of this MD&A.
[2] Estimated 2015 cash flow from operations in this Outlook excludes $20 million of Crown royalties which were expensed in prior years and will be paid in the first quarter of 2016.

COS revised its Syncrude production range to between 92 and 97 million barrels with a single-point estimate of 95 million barrels.

COS revised its realized SCO selling price to $62 per barrel, reflecting a U.S. $50 per barrel WTI oil price, a $US/$Cdn foreign exchange rate of $0.79, and a $1.25 per barrel SCO discount to WTI.

Based on Syncrude's significant progress on cost reduction initiatives, estimated 2015 operating and capital cost savings increased to $1.3 billion ($488 million net to COS), beyond the upper end of the $700 million to $1.1 billion range first established in January 2015. As a result, estimated 2015 operating expenses are $1.4 billion, or $40.56 per barrel, and estimated 2015 capital expenditures are $368 million.

All of these changes, as well as new assumptions regarding Crown royalties and taxes, have resulted in estimated 2015 cash flow from operations of $340 million.

Changes in certain factors and market conditions could potentially impact Canadian Oil Sands' Outlook. The following table provides a sensitivity analysis of the key factors affecting the Corporation's performance.

Outlook Sensitivity Analysis (October 19, 2015)

Variable	Annual Sensitivity	Cash Flow from Operations Increase[3] $ millions[1,2]	$ / Share[1,2]
WTI crude oil price increase	USD $1.00/bbl	$ 27	$ 0.06
Syncrude production increase	1 million bbls	$ 14	$ 0.03
Canadian dollar weakening	$0.01 CAD:USD	$ 17	$ 0.04
Syncrude operating expense decrease	$1.00/bbl	$ 21	$ 0.04
Syncrude operating expense decrease	$100 million	$ 22	$ 0.05
AECO natural gas price decrease	$0.50/GJ	$ 13	$ 0.03

[1] These sensitivities are after the impact of taxes.
[2] These sensitivities assume Canadian Oil Sands pays Crown royalties based on 25 percent of net deemed bitumen revenues.
[3] An opposite change in each of these variables will result in the opposite cash flow from operations impact.

The 2015 Outlook contains forward-looking information and users are cautioned that the actual amounts may vary from the estimates disclosed. Please refer to the "Forward-Looking Information Advisory" section of this MD&A for the risks and assumptions underlying this forward-looking information.

The Suncor Bid

On October 5, 2015, Suncor Energy Inc. ("Suncor") announced a bid to acquire all the common shares of Canadian Oil Sands on the basis of 0.25 of a Suncor share for each share of COS. The Board of Directors of COS 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 the 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.

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

To ensure the best interests of COS and shareholders are served, the Board of Directors 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 Canadian Oil Sands' shareholders.

The Board of Directors and management of COS will not tender to the Suncor bid, and we strongly recommend that all shareholders join us in rejecting this undervalued, opportunistic and exploitive bid.

Additional information can be found on the company's website at **www.rejectsuncor.ca.** The website includes Canadian Oil Sands' Director's Circular dated October 19, 2015, which has also been sent to all COS shareholders.

Further questions or requests for information related to the Suncor hostile bid should be directed to Kingsdale Shareholder Services, North America toll free at 1-866-851-3215; or via email at **contactus@kingsdaleshareholder.com.**