

Canadian Oil Sands Announces 2015 Budget

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Conference call scheduled for December 4 at 7:00 a.m. MT; details provided at end of release

Unless otherwise noted: All figures are based on Canadian Oil Sands' 36.74 per cent working interest in the Syncrude joint venture; all financial figures are in Canadian dollars and have been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP").

CALGARY, ALBERTA--(Marketwired - Dec 3, 2014) - [Canadian Oil Sands Ltd.](#) (TSX:COS)(OTCQX:COSWF) (COS) today announced its budget for 2015, which is marked by significantly lower capital expenditures, as Syncrude's major capital projects come to a close. This reinvestment included new or refurbished bitumen mining equipment to support decades of non-declining production and new technology to accelerate tailings reclamation.

"With this budget, we are delivering a lower capital expenditure profile following significant reinvestment at Syncrude. The completion of Syncrude's major capital projects greatly reduces the financing and execution risk in our business, positioning COS as a lower-risk, long-life crude oil investment," said Ryan Kubik, President and Chief Executive Officer.

Syncrude has realized more than \$650 million in savings to-date on the major projects and has delivered them on schedule. The remaining Centrifuge Tailings Management project is on budget and on schedule to be in service the first half of 2015.

Mr. Kubik adds: "This budget also reflects our confidence in Syncrude's ability to gradually grow production levels through improved reliability."

Based on the 2015 budget, COS will continue to generate positive free cash flow; however, at the current dividend level, net debt would grow at a pace that would quickly exceed \$2 billion. To moderate the growth in net debt and based on the budget assumptions, COS intends to reduce the quarterly dividend to \$0.20 per share concurrent with the release of its fourth quarter results in late January. COS views this as a prudent step to preserve balance sheet strength and provide flexibility in this lower oil price environment.

Highlights of the 2015 Budget:

- A production outlook range for Syncrude of 95 million to 110 million barrels (35 million to 40 million barrels net to COS). COS' budget assumes Syncrude production of 103 million barrels (37.8 million barrels net to COS), approximately six per cent higher than 2014 estimated production.

- Capital expenditures are estimated at \$564 million comprised of \$104 million on major projects, \$425 million on regular maintenance and \$35 million of capitalized interest.
- Operating expenses are estimated to total \$1.7 billion, or \$45.69 per barrel including purchased energy costs of \$4.76 per barrel.
- Crown royalties are estimated to total \$176 million, or \$4.65 per barrel. The 2015 year will be the last year under Syncrude's current royalty regime. Beginning in 2016, Syncrude will transition to the New Royalty Framework that applies to the rest of the oil sands industry.
- Cash flow from operations is estimated to total \$730 million, or \$1.51 per share, based on a WTI crude oil price assumption of USD \$75 per barrel, a foreign exchange rate of \$0.88 (CAD:USD), and a discount for Synthetic Crude Oil (SCO) to Canadian dollar WTI of \$4 per barrel. Under the 2015 Budget assumptions, cash flow from operations in 2015 is more than sufficient to fund estimated capital expenditures.

2015 Budget Summary

Net to COS, millions of Canadian dollars, except per barrel and per share amounts

Sales, net of crude oil purchases and transportation	3,074
Operating expenses	1,729
Development expenses	169
Crown royalties	176
Current taxes	120
Other*	150
Cash flow from operations	730
<i>Cash flow from operations per share</i>	<i>1.51</i>
Capital Expenditures	
Major projects	104
Regular maintenance	425
Capitalized interest	35
Total Capital Expenditures	564
Budget Assumptions	
Syncrude production (mmbbls)	103
Canadian Oil Sands sales (mmbbls)	37.8
West Texas Intermediate (USD/bbl)	75.00
Premium (Discount) to average CAD WTI prices (CAD/bbl)	(4.00)
Foreign exchange rate (CAD:USD)	0.88
AECO natural gas (CAD/GJ)	4.00

**Other includes Interest Expense, Administration, Insurance, Reclamation and Other*

The 2015 budget may be impacted by a variety of factors. For more information on the outlook and cash flow from operations sensitivities, please see our 2015 Guidance Document, which is available on COS' website at the following link:

<http://www.cdnoilsands.com/investor-centre/Financial-Reports-and-Filings/GuidanceDocument/default.aspx>

2015 Budget Conference Call

A conference call and webcast will be held tomorrow, December 4, 2014 at 7:00 a.m. MT (9:00 a.m. ET).

To participate please dial the following number approximately 10 minutes prior to the conference call:

Toll-free in North America: 1-888-231-8191

International calls: 1-647-427-7450

An audio webcast of the conference call will be available on Canadian Oil Sands' website at the following link: <http://www.cdnoilsands.com/investor-centre/presentations-and-events/default.aspx>

To listen to a recording of the call, available from 10:00 a.m. MT on December 4 to end of day December 11,

2014, please dial and enter the following passcode:

Toll-free in North America: 1-855-859-2056

Calgary and International calls: 1-403-451-9481

Passcode: 34509107

[Canadian Oil Sands Ltd.](#)

Through our 36.74 per cent interest in the Syncrude project, COS has an established cash-generating asset providing a production stream of 100% light, sweet, synthetic crude oil and long-life, non-declining crude oil reserves. COS pays a quarterly dividend and over the past 13 years has returned more than \$7 billion in dividends to shareholders.

For more information please visit our web site at:

www.cdnoilsands.com

Find Canadian Oil Sands on Facebook, Twitter, and LinkedIn and see our blog at
<http://blog.cdnoilsands.com/>

Forward-looking Information Advisory: In the interest of providing [Canadian Oil Sands Ltd.](#) ("Canadian Oil Sands" or the "Corporation") 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, certain statements throughout this press release contain forward-looking information and forward-looking statements (collectively referred to as "forward-looking statements") under applicable securities law. Forward-looking statements are typically identified by words such as "anticipate", "expect", "believe", "plan", "intend" or similar words suggesting future outcomes. Forward-looking statements in this press release include, but are not limited to, statements with respect to: all expectations regarding dividends, including without limitation, the intention, based on the budget assumptions, to reduce the quarterly dividend to \$0.20 per share concurrent with the release of the Corporation's fourth quarter results in late January; all expectations regarding net debt; the estimated amount of spending on the Syncrude major projects in 2015; the estimated amount of regular maintenance capital and capitalized interest in 2015; the estimated amount of total capital expenditures in 2015; the 2015 Syncrude production range of 95 to 110 million barrels (35 to 40 million barrels net to the Corporation); the Corporation's 2015 budget assumption of 103 million barrels (37.8 million barrels net to the Corporation); the estimated sales in 2015; the estimated West Texas Intermediate ("WTI") price in 2015; the estimated average discount for synthetic crude oil ("SCO") to Canadian dollar WTI in 2015; the estimated foreign exchange rate in 2015; the estimated natural gas price in 2015; the estimated operating expenses in 2015; the estimated purchased energy costs in 2015; the estimated cash flow from operations and cash flow from operations per share in 2015; the estimated amount of Crown royalties in 2015; the estimated amount of current taxes in 2015; the estimated development expenses in 2015; all plans regarding crude oil hedges; the belief that under the 2015 budget assumptions, cash flow from operations in 2015 will be more than sufficient to fund estimated capital expenditures; all expectations regarding free cash flow and the Corporation's confidence in Syncrude's ability to gradually grow production levels through improved reliability.

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, there can be no assurance that such 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 2014 and 2015 guidance documents as posted on the Corporation's website at www.cdnoilsands.com as of the date hereof 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 major project spending plans; the ability to obtain regulatory and Syncrude joint venture owner approval; 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 continuation of assumed tax, royalty and regulatory regimes and the accuracy of the estimates of the Corporation's reserves and resources volumes.

Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this press release include, but are not limited to: volatility of crude oil prices; volatility of the SCO to WTI differential; the impact that pipeline capacity and apportionment and refinery demand have on prices for SCO and the ability to deliver SCO; the impacts of 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 release water from its operations; the impact of Syncrude being unable to meet the conditions of its approval for its tailings management plan under Directive 074; 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 complex 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 20, 2014 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. The 2015 Budget reflects various assumptions, which are outlined in the guidance document dated December 3, 2014. Furthermore, the forward-looking statements contained in this press release are made as of the date of this press release, 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 press release are expressly qualified by this cautionary statement. The information was approved by management on December 3, 2014 and circumstances after this date may change the outcomes or results achieved.

Additional GAAP and Non-GAAP Financial Measures:

In this press release, we refer to additional GAAP and non-GAAP financial measures that do not have any standardized meaning as prescribed by Canadian GAAP. We refer to additional GAAP financial measures such as cash flow from operations, cash flow from operations per share and net debt. Please refer to the Corporation's Third Quarter 2014 Report, which is available on the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.cdnoilsands.com for more information regarding additional GAAP financial measures. We also refer to free cash flow, which is a non-GAAP financial measure. For more information on free cash flow please refer to our 2013 Annual Report, which is available on the Corporation's profile on SEDAR at www.sedar.com and on the Corporation's website at www.cdnoilsands.com.

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