

ENBRIDGE INC
Form SC 13G/A
February 04, 2011

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No: 1)

ENBRIDGE INC

(Name of Issuer)

Common Stock

(Title of Class of Securities)

29250N105

(CUSIP Number)

December 31, 2010

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 29250N105

(1) Names of reporting persons. BlackRock, Inc.

(2) Check the appropriate box if a member of a group
(a)

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(b) [X]

(3) SEC use only

(4) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with:

(5) Sole voting power

21034021

(6) Shared voting power

None

(7) Sole dispositive power

21034021

(8) Shared dispositive power

None

(9) Aggregate amount beneficially owned by each reporting person

21034021

(10) Check if the aggregate amount in Row (9) excludes certain shares

(11) Percent of class represented by amount in Row 9

5.50%

(12) Type of reporting person

HC

Item 1.

Item 1(a) Name of issuer:

ENBRIDGE INC

Item 1(b) Address of issuer's principal executive offices:

3000 Fifth Avenue Place
425 1st Street Southwest Calgary, AB T2P 3L8 Canada

Item 2.

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2(a) Name of person filing:

BlackRock, Inc.

2(b) Address or principal business office or, if none, residence:

BlackRock Inc.
40 East 52nd Street
New York, NY 10022

2(c) Citizenship:

See Item 4 of Cover Page

2(d) Title of class of securities:

Common Stock

2(e) CUSIP No.:

See Cover Page

Item 3.

If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:

- Broker or dealer registered under Section 15 of the Act;
- Bank as defined in Section 3(a)(6) of the Act;
- Insurance company as defined in Section 3(a)(19) of the Act;
- Investment company registered under Section 8 of the Investment Company Act of 1940;
- An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940;
- A non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J);
- Group, in accordance with Rule 240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

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Amount beneficially owned:

21034021

Percent of class

5.50%

Number of shares as to which such person has:

Sole power to vote or to direct the vote

21034021

Shared power to vote or to direct the vote

None

Sole power to dispose or to direct the disposition of

21034021

Shared power to dispose or to direct the disposition of

None

Item 5.

Ownership of 5 Percent or Less of a Class. If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following [].

Item 6. Ownership of More than 5 Percent on Behalf of Another Person

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the common stock of ENBRIDGE INC.

No one person's interest in the common stock of ENBRIDGE INC is more than five percent of the total outstanding common shares.

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Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

See Exhibit A

Item 8. Identification and Classification of Members of the Group

If a group has filed this schedule pursuant to Rule 13d-1(b) (ii) (J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

Item 9. Notice of Dissolution of Group

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity.

See Item 5.

Item 10. Certifications

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 21, 2011

BlackRock, Inc.

Signature: Matthew J. Fitzgerald

Name/Title Attorney-In-Fact

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative other than an executive officer or general partner of the filing person, evidence of the representative's authority to

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sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

Exhibit A

Subsidiary

BlackRock Japan Co. Ltd.
BlackRock Advisors (UK) Limited
BlackRock Institutional Trust Company, N.A.
BlackRock Fund Advisors
BlackRock Asset Management Canada Limited
BlackRock Asset Management Australia Limited
BlackRock Advisors, LLC
BlackRock Financial Management, Inc.
BlackRock Investment Management, LLC
BlackRock Investment Management (Australia) Limited
BlackRock Investment Management (Korea) Ltd
BlackRock (Luxembourg) S.A.
BlackRock (Netherlands) B.V.
BlackRock Fund Managers Limited
BlackRock Asset Management Ireland Limited
BlackRock International Limited
BlackRock Investment Management (UK) Limited

*Entity beneficially owns 5% or greater of the outstanding shares of the security class being reported on this Schedule 13G.
Exhibit B

POWER OF ATTORNEY

The undersigned, BLACKROCK, INC., a corporation duly organized under the laws of the State of Delaware, United States (the "Company"), does hereby make, constitute and appoint each of Robert Connolly, Howard Surloff, Edward Baer, Bartholomew Battista, Daniel Waltcher, Karen Clark, John Stelley, Denis Molleur, Daniel Ronnen, Brian Kindelan, Nicholas Hall, Con Tzatzakis, John Blevins, Rick F. Froio and Matthew Fitzgerald acting severally, as its true and lawful attorneys-in-fact, for the purpose of, from time to time, executing in its name and on its behalf, whether the Company is acting individually or as representative of others, any and all documents, certificates, instruments, statements, other filings and amendments to the foregoing (collectively, "documents") determined by such person to be necessary or appropriate to comply with ownership or control-person reporting requirements imposed by any United States or non-United States governmental or regulatory authority, including without limitation Forms 3, 4, 5, 13D, 13F and 13G and any

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amendments to any of the foregoing as may be required to be filed with the Securities and Exchange Commission, and delivering, furnishing or filing any such documents with the appropriate governmental, regulatory authority or other person, and giving and granting to each such attorney-in-fact power and authority to act in the premises as fully and to all intents and purposes as the Company might or could do if personally present by one of its authorized signatories, hereby ratifying and confirming all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Any such determination by an attorney-in-fact named herein shall be conclusively evidenced by such person's execution, delivery, furnishing or filing of the applicable document.

This power of attorney shall expressly revoke the power of attorney dated January 11, 2008 in respect of the subject matter hereof, shall be valid from the date hereof and shall remain in full force and effect until either revoked in writing by the Company, or, in respect of any attorney-in-fact named herein, until such person ceases to be an employee of the Company or one of its affiliates.

IN WITNESS WHEREOF, the undersigned has caused this power of attorney to be executed as of this 14th day of December, 2009.

BLACKROCK, INC.

By: /s/ Robert W. Doll, Jr.
Name: Robert W. Doll, Jr.
Title: Vice Chairman

font-size: 7.5pt;">Final Observation Date²

October 12, 2020

Maturity Date²

October 16, 2020

¹ Expected. In the event we make any change to the expected Trade Date and Settlement Date, the Observation Dates, including the final Observation Date, and/or the Maturity Date will be changed so that the stated term of the Notes remains approximately the same.

² Subject to postponement if a market disruption event occurs, as described under "General Terms of the Securities – Market Disruption Events" in the accompanying product prospectus supplement no. UBS-TAS-2.

NOTICE TO INVESTORS: THE NOTES ARE SIGNIFICANTLY RISKIER THAN CONVENTIONAL DEBT INSTRUMENTS. THE ISSUER IS NOT NECESSARILY OBLIGATED TO REPAY THE FULL PRINCIPAL AMOUNT OF THE NOTES AT MATURITY, AND THE NOTES CAN HAVE DOWNSIDE MARKET RISK SIMILAR TO THE UNDERLYING EQUITY. THIS MARKET RISK IS IN ADDITION TO THE CREDIT RISK INHERENT IN PURCHASING OUR DEBT OBLIGATION. YOU SHOULD NOT PURCHASE THE NOTES IF YOU DO NOT UNDERSTAND OR ARE NOT COMFORTABLE WITH THE SIGNIFICANT RISKS INVOLVED IN INVESTING IN THE NOTES.

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED UNDER “KEY RISKS” BEGINNING ON PAGE 6 AND UNDER “RISK FACTORS” BEGINNING ON PAGE PS-4 OF THE PRODUCT PROSPECTUS SUPPLEMENT NO. UBS TAS-2 BEFORE PURCHASING ANY NOTES. EVENTS RELATING TO ANY OF THOSE RISKS, OR OTHER RISKS AND UNCERTAINTIES, COULD ADVERSELY AFFECT THE MARKET VALUE OF, AND THE RETURN ON, YOUR NOTES. YOU MAY LOSE SOME OR ALL OF THE PRINCIPAL AMOUNT OF THE NOTES.

Notes Offering

This free writing prospectus relates to Trigger Absolute Return Autocallable Optimization Notes linked to the performance of the common stock of Intel Corporation. The Call Return Rate, Initial Underlying Price and Downside Threshold will be determined on the Trade Date. The range of potential Call Prices for each Observation Date is set forth under “Indicative Terms of the Notes – Call Return/Call Return Rate” on page 4 of this free writing prospectus. The Notes are offered at a minimum investment of 100 Notes at \$10.00 per Note (representing a \$1,000 investment), and integral multiples of \$10.00 in excess thereof.

Underlying Equity	Call Return Rate	Initial Underlying Price	Downside Threshold	CUSIP	ISIN
Intel Corporation (INTC)	[14.25%-14.75%] per annum (to be determined on the Trade Date)		75% of the Initial Underlying Price	78014G641	US78014G6411

See “Additional Information About Royal Bank of Canada and the Notes” in this free writing prospectus. The Notes will have the terms specified in the prospectus dated September 7, 2018, the prospectus supplement dated September 7, 2018, product prospectus supplement no. UBS-TAS-2 dated September 7, 2018 and this free writing prospectus. Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Notes or passed upon the accuracy or the adequacy of this free writing prospectus or the accompanying prospectus, prospectus supplement and product prospectus supplement no. UBS-TAS-2. Any representation to the contrary is a criminal offense.

Offering of the Notes	Price to Public ⁽¹⁾	Fees and Commissions ⁽¹⁾ to Us	Proceeds to Us
	Total	Per Note	Total
Trigger Absolute Return Autocallable Notes Linked to the Common Stock of Intel Corporation	\$10.00	\$0.15	\$9.85

⁽¹⁾ UBS Financial Services Inc., which we refer to as UBS, will receive a commission that will depend on market conditions on the Trade Date. In no event will the commission received by UBS exceed \$0.15 per \$10 principal amount. See “Supplemental Plan of Distribution (Conflicts of Interest)” below.

The initial estimated value of the Notes as of the date of this document is \$9.8053 per \$10 in principal amount for the Notes, which is less than the price to public. The pricing supplement relating to the Notes will set forth our estimate of the initial value of the Notes as of the Trade Date, which will not be more than \$0.20 less than this amount. The actual value of the Notes at any time will reflect many factors, cannot be predicted with accuracy, and may be less than this amount. We describe our determination of the initial estimated value under “Key Risks,” “Supplemental Plan of Distribution (Conflicts of Interest)” and “Structuring the Notes” below.

The Notes will not constitute deposits insured under the Canada Deposit Insurance Corporation Act or by the United States Federal Deposit Insurance Corporation or any other Canadian or United States government agency or instrumentality.

UBS Financial Services Inc. RBC Capital Markets, LLC

Additional Information About Royal Bank of Canada and the Notes

Royal Bank of Canada has filed a registration statement (including a prospectus) with the Securities and Exchange Commission, or SEC, for the offering to which this free writing prospectus relates. Before you invest, you should read the prospectus in that registration statement and the other documents relating to this offering that Royal Bank of Canada has filed with the SEC for more complete information about Royal Bank of Canada and this offering. You may obtain these documents without cost by visiting EDGAR on the SEC website at www.sec.gov. Alternatively, Royal Bank of Canada, any agent or any dealer participating in this offering will arrange to send you the prospectus, the prospectus supplement, product prospectus supplement no. UBS-TAS-2 and this free writing prospectus if you so request by calling toll-free 1-877-688-2301.

You may revoke your offer to purchase the Notes at any time prior to the time at which we accept such offer by notifying the applicable agent. We reserve the right to change the terms of, or reject any offer to purchase, the Notes prior to their issuance. In the event of any changes to the terms of the Notes, we will notify you and you will be asked to accept such changes in connection with your purchase. You may also choose to reject such changes, in which case we may reject your offer to purchase.

You should read this free writing prospectus together with the prospectus dated September 7, 2018, as supplemented by the prospectus supplement dated September 7, 2018, relating to our Series H medium-term notes of which these Notes are a part, and the more detailed information contained in product prospectus supplement no. UBS-TAS-2 dated September 7, 2018. This free writing prospectus, together with the documents listed below, contains the terms of the Notes and supersedes all other prior or contemporaneous oral statements as well as any other written materials including preliminary or indicative pricing terms, correspondence, trade ideas, structures for implementation, sample structures, fact sheets, brochures or other educational materials of ours. You should carefully consider, among other things, the matters set forth in "Risk Factors" in the accompanying product prospectus supplement no. UBS-TAS-2, as the Notes involve risks not associated with conventional debt securities.

If the terms discussed in this free writing prospectus differ from those discussed in the product prospectus supplement no. UBS-TAS-2, the prospectus supplement, or the prospectus, the terms discussed herein will control.

You may access these on the SEC website at www.sec.gov as follows (or if such address has changed, by reviewing our filing for the relevant date on the SEC website):

Product prospectus supplement no. UBS-TAS-2 dated September 7, 2018:

<https://www.sec.gov/Archives/edgar/data/1000275/000114036118038058/form424b5.htm>

Prospectus supplement dated September 7, 2018:

<https://www.sec.gov/Archives/edgar/data/1000275/000121465918005975/f97180424b3.htm>

Prospectus dated September 7, 2018:

<https://www.sec.gov/Archives/edgar/data/1000275/000121465918005973/196181424b3.htm>

As used in this free writing prospectus, "we," "us" or "our" refers to Royal Bank of Canada.

Investor Suitability

The Notes may be suitable for you if, among other considerations:

- .. You fully understand the risks inherent in an investment in the Notes, including the risk of loss of your entire initial investment.
- .. You can tolerate the loss of all or a substantial portion of your investment and are willing to make an investment that may have similar downside market risk as the Underlying Equity.
- .. You are willing to accept the risks of investing in equities in general and in the Underlying Equity in particular. You believe the Underlying Equity will close at or above the Initial Underlying Price on any one of the specified
- .. Observation Dates, including the final Observation Date, or you believe the Underlying Equity will not close below the Downside Threshold on the final Observation Date.
- .. You can tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying Equity.
- .. You are willing to hold Notes that will be called on the earliest Observation Date on which the Underlying Equity closes at or above the Initial Underlying Price, or you are otherwise willing to hold such Notes to maturity. You are willing to make an investment whose return is limited to the Call Return, regardless of the potential
- .. appreciation of the Underlying Equity, which could be significant, or, if the Notes have not been called, to the Contingent Absolute Return (as limited by the Downside Threshold).
- .. You would be willing to invest in the Notes if the Call Return Rate were set equal to the bottom of the range indicated on the cover page of this free writing prospectus (the actual Call Return Rate will be set on the Trade Date). You are willing to invest in Notes for which there may be little or no secondary market and you accept that the
- .. secondary market will depend in large part on the price, if any, at which RBC Capital Markets, LLC, which we refer to as "RBCCM," is willing to purchase the Notes.
- .. You do not seek current income from this investment and are willing to forgo any dividends paid on the Underlying Equity.
- .. You are willing to assume our credit risk for all payments under the Notes, and understand that if we default on our obligations, you may not receive any amounts due to you, including any repayment of principal.

The Notes may not be suitable for you if, among other considerations:

- .. You do not fully understand the risks inherent in an investment in the Notes, including the risk of loss of your entire initial investment.
- .. You cannot tolerate the loss of all or a substantial portion of your investment, and you are not willing to make an investment that may have similar downside market risk as the Underlying Equity.
- .. You are unwilling to accept the risks of investing in equities in general or in the Underlying Equity in particular. You do not believe the Underlying Equity will close at or above the Initial Underlying Price on any one of the
- .. specified Observation Dates, including the final Observation Date, or you believe the Underlying Equity will close below the Downside Threshold on the final Observation Date exposing you to the full downside performance of the Underlying Equity.
- .. You seek an investment that is designed to provide a full return of principal at maturity. You seek an investment that participates in the full performance of the Underlying Equity and whose positive return
- .. is not limited to the applicable Call Return, or, if the Notes have not been called, to the Contingent Absolute Return (as limited by the Downside Threshold).
- .. You would be unwilling to invest in the Notes if the Call Return Rate were set equal to the bottom of the range indicated on the cover page of this free writing prospectus (the actual Call Return Rate will be set on the Trade Date). You are unable or unwilling to hold Notes that will be called on the earliest Observation Date on which the
- .. Underlying Equity closes at or above the Initial Underlying Price, or you are otherwise unable or unwilling to hold such Notes to maturity.
- .. You seek an investment for which there will be an active secondary market.
- .. You seek current income from your investment, or prefer to receive any dividends paid on the Underlying Equity.
- .. You prefer the lower risk, and therefore accept the potentially lower returns, of conventional fixed income investments with comparable maturities and credit ratings.

..You cannot tolerate fluctuations in the price of the Notes prior to maturity that may be similar to or exceed the downside price fluctuations of the Underlying Equity.

..You are not willing to assume our credit risk for all payments under the Notes, including any repayment of principal.

The suitability considerations identified above are not exhaustive. Whether or not the Notes are a suitable investment for you will depend on your individual circumstances, and you should reach an investment decision only after you and your investment, legal, tax, accounting, and other advisers have carefully considered the suitability of an investment in the Notes in light of your particular circumstances. You should also review carefully the “Key Risks” below and “Risk Factors” in the accompanying product prospectus supplement no. UBS-TAS-2 for risks related to an investment in the Notes.

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Indicative Terms of the Notes¹

Issuer:	Royal Bank of Canada
Principal Amount per Note:	\$10 per Note (subject to a minimum purchase of 100 Notes or \$1,000)
Term:	Approximately two years, unless called earlier
Underlying Equity: ²	The common stock of Intel Corporation
Call Feature:	The Notes will be called if the Closing Price of the Underlying Equity on any Observation Date is at or above its Initial Underlying Price. If the Notes are called, we will pay you on the applicable Call Settlement Date a cash payment per \$10 principal amount equal to the Call Price for the applicable Observation Date.
Observation Dates: ³	The first Observation Date will occur on or about January 14, 2019; Observation Dates will occur quarterly thereafter on or about April 12, 2019, July 12, 2019, October 14, 2019, January 13, 2020, April 13, 2020, July 13, 2020, and October 12, 2020 (the “final Observation Date ⁴ ”).
Call Settlement Dates:	Three (3) business days following the applicable Observation Date, except that the Call Settlement Date for the final Observation Date is the Maturity Date.
Call Price:	The Call Price will be calculated based on the following formula: \$10 + (\$10 x Call Return)
Call Return / Call Return Rate:	The Call Price will be based upon the Call Return. The Call Return increases the longer the Notes are outstanding and will be based on the Call Return Rate of between 14.25% and 14.75% per annum. The actual Call Return Rate will be set on the Trade Date. The Call Return will be a fixed amount based upon equal quarterly installments at the Call Return Rate, which is a per annum rate. The following table sets forth each Observation Date, each Call Settlement Date and the corresponding Call Price range for the Notes.

¹ Terms used in this free writing prospectus, but not defined herein, shall have the meanings ascribed to them in the product prospectus supplement.

² For a description of adjustments that may affect the Underlying Equity, see “General Terms of the Securities” in the product prospectus supplement no. UBS-TAS-2.

Expected. In the event that we make any change to the expected Trade Date and Settlement Date, the Observation Dates (including the final Observation Date) and Maturity Date will be changed to ensure that the stated term of the Notes remains approximately the same.

³ Subject to postponement in the event of a market disruption event and as described under “General Terms of the Securities – Market Disruption Events” in the accompanying product prospectus supplement no. UBS-TAS-2.

Observation Dates	Call Settlement Dates	Call Price
January 14, 2019	January 17, 2019	[\$10.35625] - [\$10.36875]
April 12, 2019	April 17, 2019	[\$10.7125] - [\$10.7375]

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July 12, 2019	July 17, 2019	[\$11.06875] - [\$11.10625]
October 14, 2019	October 17, 2019	[\$11.425] - [\$11.475]
January 13, 2020	January 16, 2020	[\$11.78125] - [\$11.84375]
April 13, 2020	April 16, 2020	[\$12.1375] - [\$12.2125]
July 13, 2020	July 16, 2020	[\$12.49375] - [\$12.58125]
October 12, 2020	October 16, 2020	[\$12.85] - [\$12.95]

If the Notes are not called and the Final Underlying Price of the Underlying Equity is above or equal to the Downside Threshold on the final Observation Date, we will pay you a cash payment on the Maturity Date per Note equal to:

$\$10 \times (1 + \text{Contingent Absolute Return})$

Payment at Maturity (per Note):

If the Notes are not called and the Final Underlying Price is below the Downside Threshold on the final Observation Date, then the Contingent Absolute Return will not apply, and we will pay you a cash payment on the Maturity Date that is less than your principal amount, if anything, resulting in a loss that is proportionate to the negative Underlying Return, equal to:

$\$10 \times (1 + \text{Underlying Return})$

Accordingly, you may lose all or a substantial portion of your principal at maturity, depending on how much the Underlying Equity declines.

Underlying Return:

Final Underlying Price - Initial Underlying Price

Initial Underlying Price

Downside Threshold:

A percentage of the Initial Underlying Price of the Underlying Equity, as specified on the cover page of this free writing prospectus.

Contingent Absolute Return:

The absolute value of the Underlying Return. For example, if the Underlying Return is -5%, the Contingent Absolute Return will equal 5%.

Initial

Underlying Price:

The closing price of the Underlying Equity on the Trade Date.

Final

Underlying Price:

The closing price of the Underlying Equity on the final Observation Date.

Closing Price:

On any trading day, the last reported sale price of the Underlying Equity on the principal national securities exchange on which it is listed for trading, as determined by the calculation agent.

Investment Timeline

Trade Date: The closing price of the Underlying Equity (the Initial Underlying Price) is observed, the Downside Threshold is determined and the Call Return Rate is set.

The Notes will be called if the closing price of the Underlying Equity on any Observation Date is equal to or greater than the Initial Underlying Price.

Quarterly:

If the Notes are called, we will pay the Call Price for the applicable Observation Date, equal to the principal amount plus the applicable Call Return.

The Final Underlying Price of the Underlying Equity is observed on the final Observation Date.

If the Notes have not been called and the Final Underlying Price is equal to or greater than the Downside Threshold, we will repay an amount in cash equal to:

Maturity Date: $\$10 \times (1 + \text{Contingent Absolute Return})$

If the Notes have not been called and the Final Underlying Price is less than the Downside Threshold, then the Contingent Absolute Return will not apply, and we will repay less than the principal amount, if anything, resulting in a loss proportionate to the decline of the Underlying Equity, equal to a return of:

$\$10.00 \times (1 + \text{Underlying Return})$ per Note

INVESTING IN THE NOTES INVOLVES SIGNIFICANT RISKS. YOU MAY LOSE SOME OR ALL OF YOUR PRINCIPAL AMOUNT. ANY PAYMENT ON THE NOTES, INCLUDING ANY REPAYMENT OF PRINCIPAL, IS SUBJECT TO OUR CREDITWORTHINESS. IF WE WERE TO DEFAULT ON OUR PAYMENT OBLIGATIONS, YOU MAY NOT RECEIVE ANY AMOUNTS OWED TO YOU UNDER THE NOTES AND YOU COULD LOSE YOUR ENTIRE PRINCIPAL AMOUNT.

Key Risks

An investment in the Notes involves significant risks. Investing in the Notes is not equivalent to investing directly in the Underlying Equity. These risks are explained in more detail in the “Risk Factors” section of the accompanying product prospectus supplement no. UBS-TAS-2. We also urge you to consult your investment, legal, tax, accounting and other advisors before investing in the Notes.

Risks Relating to the Notes Generally

You May Lose Some or All of Your Principal: The Notes differ from ordinary debt securities in that we will not necessarily pay the full principal amount at maturity. The return on the Notes depends on whether the Underlying Equity closes at or above the Initial Underlying Price on an Observation Date, and if the Notes are not called, whether the Final Underlying Price of the Underlying Equity is greater than or equal to the Downside Threshold. If the Notes are not called, we will only pay you the principal amount of your Notes, plus the Contingent Absolute Return, if the Final Underlying Price of the Underlying Equity is greater than or equal to the Downside Threshold, and will only make such payment at maturity. If the Notes are not called and the Final Underlying Price is less than the Downside Threshold, the Contingent Absolute Return will not apply and you will lose some or all of your principal amount in an amount proportionate to the negative Underlying Return.

The Call Feature and the Downside Threshold Limit Your Potential Return: The return potential of the Notes if the Notes are called as of any Observation Date is limited to the applicable Call Return, regardless of the appreciation of the Underlying Equity, which may be significant. Therefore, you may receive a lower payment if the Notes are automatically called or at maturity, as the case may be, than you would have if you had invested directly in the Underlying Equity. In addition, because the Call Return increases the longer the Notes are outstanding, the Call Price payable on the first Observation Date is less than the Call Price payable on later Observation Dates. As the Notes could be called as early as the first Observation Date, the total return on the Notes could be minimal.

If the Notes are not called, and the Final Underlying Price is greater than or equal to the Downside Threshold, your return at maturity will be limited to the absolute value of the decline in the price of the Underlying Equity up to the Downside Threshold. Accordingly, this payment will not exceed the percentage by which the Downside Threshold is less than the Initial Underlying Price. You will not receive the Contingent Absolute Return, and will lose some or all of your principal amount, if the Notes are not called and the Final Underlying Price is less than the Downside Threshold.

No Periodic Interest Payments: We will not pay any interest with respect to the Notes.

Reinvestment Risk: If your Notes are called early, the holding period over which you would receive the per annum Call Return Rate could be as little as three months. There is no guarantee that you would be able to reinvest the proceeds from an investment in the Notes in a comparable investment with a similar level of risk in the event the Notes are called prior to the Maturity Date.

Contingent Absolute Return Applies Only at Maturity: You should be willing to hold your Notes to maturity. If you are able to sell your Notes prior to maturity in the secondary market, if any, you may have to sell your Notes at a loss relative to your initial investment, even if the price of the Underlying Equity is above the Downside Threshold. If at maturity the Notes have not been called, we will repay you the full principal amount per Note plus the Contingent Absolute Return, unless the price of the Underlying Equity closes below the Downside Threshold on the final Observation Date. Under these circumstances, the Contingent Absolute Return will not apply and we will repay less than the principal amount, if anything, resulting in a loss that is proportionate to the decline in the price of the Underlying Equity from the Trade Date to the final Observation Date. The Contingent Absolute Return and any contingent repayment of principal are based on whether the Final Underlying Price is below the Downside Threshold and apply only if you hold your Notes to maturity.

The Call Return Rate and the Probability that the Final Underlying Price Will Fall Below the Downside Threshold on the Final Observation Date Will Reflect in Part the Volatility of the Underlying Equity: “Volatility” refers to the frequency and magnitude of changes in the price of the Underlying Equity. The greater the volatility of the Underlying Equity, the more likely it is that the price of that Underlying Equity could close below the Downside Threshold on the final Observation Date. This risk will generally be reflected in a higher Call Return Rate for the Notes than the return payable on our conventional debt securities with a comparable term. However, while the Call Return Rate is set on the Trade Date, the Underlying Equity’s volatility can change significantly over the term of the

Notes, and may increase. The price of the Underlying Equity could fall sharply as of the final Observation Date, which could result in a significant loss of your initial investment.

Credit Risk of Royal Bank of Canada: The Notes are our unsubordinated and unsecured debt obligations and are not, either directly or indirectly, an obligation of any third party. Any payment to be made on the Notes, including payments in respect of an automatic call or any repayment of principal, depends on our ability to satisfy our obligations as they come due. As a result, our actual and perceived creditworthiness may affect the market value of the Notes and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the Notes and you could lose your entire investment.

The Securities Will be Subject to Risks, Including Non-Payment in Full, Under Canadian Bank Resolution Powers: Under Canadian bank resolution powers, the Canada Deposit Insurance Corporation (“CDIC”) may, in circumstances where we have ceased, or are about to cease, to be viable, assume temporary control or ownership over us and may be granted broad powers by one or more orders of the Governor in Council (Canada), including the power to sell or dispose of all or a part of our assets, and the power to carry out or cause us to carry out a transaction or a series of transactions the purpose of which is to restructure our business of the Bank. As See “Description of Debt Securities Canadian Bank Resolution Powers” in the accompanying prospectus for a description of the Canadian bank resolution powers, including the bail-in regime. If the CDIC were to take action under the Canadian bank resolution powers with respect to us, this could result in holders of the Securities being exposed to losses.

Single Stock Risk: The price of the Underlying Equity can rise or fall sharply due to factors specific to the Underlying Equity and its issuer, such as stock price volatility, earnings, financial conditions, corporate, industry and regulatory developments, management changes and decisions and other events, as well as general market factors, such as general stock market volatility and levels, interest rates and economic and political conditions. You, as an investor in the Notes, should make your own investigation into the issuer of the Underlying Equity and the Underlying Equity. We urge you to review financial and other information filed periodically by the issuer with the SEC.

Dividend Payments or Voting Rights: As a holder of the Notes, you will not have voting rights, rights to receive cash dividends or other distributions, or any other rights that holders of the Underlying Equity would have.

Owning the Notes Is Not the Same as Owning the Underlying Equity: The return on your Notes may not reflect the return you would realize if you actually owned the Underlying Equity. For instance, you will not receive or be entitled to receive any dividend payments or other distributions over the term of the Notes, which could constitute significant returns to actual owners of the Underlying Equity. Furthermore, the Underlying Equity may appreciate substantially during the term of the Notes, while your potential return, if called, will be limited to the applicable Call Return.

There Is No Affiliation Between the Underlying Equity Issuer and RBCCM, and RBCCM Is Not Responsible for any Disclosure by the Underlying Equity Issuer: We are not affiliated with the Underlying Equity issuer. However, we and our affiliates may currently, or from time to time in the future engage in business with the Underlying Equity issuer. Nevertheless, neither we nor our affiliates assume any responsibility for the accuracy or the completeness of any information about the Underlying Equity and the Underlying Equity issuer. You, as an investor in the Notes, should make your own investigation into the Underlying Equity and the Underlying Equity issuer for your Notes. The Underlying Equity issuer is not involved in this offering and has no obligation of any sort with respect to your Notes. The Underlying Equity issuer has no obligation to take your interests into consideration for any reason, including when taking any corporate actions that might affect the value of your Notes.

Lack of Liquidity: The Notes will not be listed on any securities exchange. RBCCM intends to offer to purchase the Notes in the secondary market, but is not required to do so. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Notes easily. Because other dealers are not likely to make a secondary market for the Notes, the price at which you may be able to trade your Notes is likely to depend on the price, if any, at which RBCCM is willing to buy the Notes.

The Initial Estimated Value of the Notes Will Be Less than the Price to the Public: The initial estimated value for the Notes that is set forth on the cover page of this document, and that will be set forth in the final pricing supplement for the Notes, will be less than the public offering price you pay for the Notes, and does not represent a minimum price at which we, RBCCM or any of our other affiliates would be willing to purchase the Notes in any secondary market (if any exists) at any time. If you attempt to sell the Notes prior to maturity, their market value may be lower than the price you paid for them and the initial estimated value. This is due to, among other things, changes in the price of the Underlying Equity, the borrowing rate we pay to issue securities of this kind, and the inclusion in the price to the public of the underwriting discount, and our estimated profit and the costs relating to our hedging of the Notes. These factors, together with various credit, market and economic factors over the term of the Notes, are expected to reduce the price at which you may be able to sell the Notes in any secondary market and will affect the value of the Notes in complex and unpredictable ways. Assuming no change in market conditions or any other relevant factors, the price, if any, at which you may be able to sell your Notes prior to maturity may be less than the price to public, as any such sale price would not be expected to include the underwriting discount and our estimated profit and the costs relating to our hedging of the Notes. In addition, any price at which you may sell the Notes is likely to reflect customary bid-ask spreads for similar trades. In addition to bid-ask spreads, the value of the Notes determined for any secondary market price is expected to be based on a secondary market rate rather than the internal borrowing rate used to price the Notes and determine the initial estimated value. As a result, any secondary price will be less than if the internal borrowing rate was used. The Notes are not designed to be short-term trading instruments. Accordingly, you should be able and willing to hold your Notes to maturity.

Our Initial Estimated Value of the Notes Is an Estimate Only, Calculated as of the Time the Terms of the Notes Are Set: The initial estimated value of the Notes is based on the value of our obligation to make the payments on the Notes, together with the mid-market value of the derivative embedded in the terms of the Notes. See “Structuring the Notes” below. Our estimate is based on a variety of assumptions, including our credit spreads, expectations as to dividends, interest rates and volatility, and the expected term of the Notes.

These assumptions are based on certain forecasts about future events, which may prove to be incorrect. Other entities may value the Notes or similar securities at a price that is significantly different than we do.

The value of the Notes at any time after the Trade Date will vary based on many factors, including changes in market conditions, and cannot be predicted with accuracy. As a result, the actual value you would receive if you sold the Notes in any secondary market, if any, should be expected to differ materially from the initial estimated value of your Notes.

Potential Conflicts: We and our affiliates play a variety of roles in connection with the issuance of the Notes, including hedging our obligations under the Notes. In performing these duties, the economic interests of the calculation agent and other affiliates of ours are potentially adverse to your interests as an investor in the Notes.

Potentially Inconsistent Research, Opinions or Recommendations by RBCCM, UBS or Their Affiliates: RBCCM, UBS or their affiliates may publish research, express opinions or provide recommendations as to the Underlying Equity that are inconsistent with investing in or holding the Notes, and which may be revised at any time. Any such research, opinions or recommendations could affect the value of the Underlying Equity, and therefore the market

value of the Notes.

..Uncertain Tax Treatment: Significant aspects of the tax treatment of an investment in the Notes are uncertain. You should consult your tax adviser about your tax situation.

Potential Royal Bank of Canada and UBS Impact on Price: Trading or other transactions by us, UBS or our ..respective affiliates in the Underlying Equity, or in futures, options, exchange-traded funds or other derivative products on the Underlying Equity may adversely affect the market value of the Underlying Equity, the closing price of the Underlying Equity, and, therefore, the market value of the Notes.

The Terms of the Notes at Issuance and Their Market Value Prior to Maturity Will Be Influenced by Many Unpredictable Factors: Many economic and market factors will influence the terms of the Notes at issuance and their value prior to maturity. These factors are similar in some ways to those that could affect the value of a combination of instruments that might be used to replicate the payments on the Notes, including a combination of a bond with one ..or more options or other derivative instruments. For the market value of the Notes, we expect that, generally, the price of the Underlying Equity on any trading day will affect the value of the Notes more than any other single factor. However, you should not expect the value of the Notes in the secondary market to vary in proportion to changes in the price of the Underlying Equity. The value of the Notes will be affected by a number of other factors that may either offset or magnify each other, including:

..the actual and expected volatility of the price of the Underlying Equity;

..the time remaining to maturity of the Notes;

..the dividend rate on the Underlying Equity;

.. interest and yield rates in the market generally;

..a variety of economic, financial, political, regulatory or judicial events;

..the occurrence of certain events relating to the Underlying Equity that may or may not require an adjustment to the terms of the Notes; and

..our creditworthiness, including actual or anticipated downgrades in our credit ratings.

Some or all of these factors will influence the terms of the Notes at issuance as well as the price you will receive if you choose to sell the Notes prior to maturity. The impact of any of the factors set forth above may enhance or offset some or all of any change resulting from another factor or factors. You

may have to sell the Notes at a substantial discount from the principal amount if the price of the Underlying Equity is at, below or not sufficiently above, the Downside Threshold.

The Anti-Dilution Protection for the Underlying Equity Is Limited: The calculation agent will make adjustments to the Initial Underlying Price and the Downside Threshold for certain events affecting the Underlying Equity.

However, the calculation agent will not be required to make an adjustment in response to all events that could affect the Underlying Equity. If an event occurs that does not require the calculation agent to make an adjustment, the value of the Notes and the payments on the Notes may be materially and adversely affected.

Hypothetical Examples

Hypothetical terms only. Actual terms may vary. See the cover page for actual offering terms.

The examples below illustrate the payment upon a call or at maturity for a \$10 Note in a hypothetical offering of the Notes, with the following assumptions:*

Principal Amount:	\$10
Term:	2 years
Hypothetical Initial Underlying Price:	\$100.00
Hypothetical Call Return Rate:	14.25% per annum (or 3.5625% per quarterly period), representing the low end of the Call Return Rate range set forth on the cover page.
Observation Dates:	Observation Dates will occur quarterly as set forth under “Indicative Terms of the Notes” in this free writing prospectus.
Hypothetical Downside Threshold:	\$75.00 (which is 75% of the Initial Underlying Price)

* May not be the actual Call Return Rate per annum, Initial Underlying Price or Downside Threshold applicable to the Notes. The actual Call Return Rate, Initial Underlying Price and Downside Threshold for the Notes will be determined on the Trade Date.

Example 1 - Notes are Called on the First Observation Date

Closing Price at first Observation Date:	\$105.00 (at or above Initial Underlying Price, Notes are called)
Call Price (per \$10.00):	\$10.35625

Because the Notes are called on the first Observation Date, we will pay you on the Call Settlement Date a total Call Price of \$10.35625 per \$10.00 principal amount (a 3.5625% total return on the Notes).

Example 2 - Notes are Called on the final Observation Date

Closing Price at first Observation Date:	\$95.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at second Observation Date:	\$90.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at third Observation Date:	\$85.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at fourth Observation Date:	\$87.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at fifth Observation Date:	\$89.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at sixth Observation Date:	\$92.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at seventh Observation Date:	\$95.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at final Observation Date:	\$105.00 (at or above Initial Underlying Price, Notes are called)
Call Price (per \$10.00):	\$12.85

Because the Notes are called on the final Observation Date, we will pay you on the Call Settlement Date (which coincides with the Maturity Date in this example) a total Call Price of \$12.85 per \$10.00 principal amount (a 28.50% total return on the Notes).

Example 3 - Notes are NOT Called and the Final Underlying Price is above the Downside Threshold on the final Observation Date

Closing Price at first Observation Date:	\$95.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at second Observation Date:	\$90.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at third Observation Date:	\$85.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at fourth Observation Date:	\$87.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at fifth Observation Date:	\$89.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at sixth Observation Date:	\$92.00 (below Initial Underlying Price, Notes NOT called)

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Closing Price at seventh Observation Date:	\$95.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at final Observation Date:	\$90.00 (below Initial Underlying Price, but above Downside Threshold, Notes NOT called)
	$\$10.00 \times (1 + \text{Contingent Absolute Return})$
Payment at Maturity (per \$10.00):	$\$10.00 \times (1 + 10\%)$ \$11.00

Because the Notes are not called and the Underlying Return is -10.00%, but the Final Underlying Price is above the Downside Threshold on the final Observation Date, we will pay you at maturity a total of \$11.00 per \$10.00 principal amount (a 10.00% return on the Notes). Accordingly, even though the price of the Underlying Equity has decreased, you will receive a positive return on the Notes.

Example 4 - Notes are NOT Called and the Final Underlying Price is below the Downside Threshold on the final Observation Date

Closing Price at first Observation Date:	\$95.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at second Observation Date:	\$90.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at third Observation Date:	\$85.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at fourth Observation Date:	\$87.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at fifth Observation Date:	\$89.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at sixth Observation Date:	\$92.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at seventh Observation Date:	\$95.00 (below Initial Underlying Price, Notes NOT called)
Closing Price at final Observation Date:	\$50.00 (below Initial Underlying Price and Downside Threshold, Notes NOT called)
	$\$10.00 \times (1 + \text{Underlying Return})$
Payment at Maturity (per \$10):	$\$10.00 \times (1 - 50\%)$
	\$5.00

Because the Notes are not called and the Final Underlying Price is below the Downside Threshold on the final Observation Date, we will pay you at maturity a total of \$5.00 per \$10.00 principal amount (a 50.00% loss on the Notes).

What Are the Tax Consequences of the Notes?

U.S. Federal Income Tax Consequences

Set forth below, together with the discussion of U.S. federal income tax in the accompanying product prospectus supplement, prospectus supplement, and prospectus, is a summary of the material U.S. federal income tax consequences relating to an investment in the Notes. The following summary is not complete and is qualified in its entirety by the discussion under the sections entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” in the accompanying product prospectus supplement, the section “Tax Consequences” in the accompanying prospectus and the section entitled “Certain Income Tax Consequences” in the accompanying prospectus supplement, which you should carefully review prior to investing in the Notes.

In the opinion of our counsel, Morrison & Foerster LLP, it would generally be reasonable to treat the Notes as callable pre-paid cash-settled derivative contracts linked to the Underlying Equity for U.S. federal income tax purposes, and the terms of the Notes require a holder and us (in the absence of a change in law or an administrative or judicial ruling to the contrary) to treat the Notes for all tax purposes in accordance with such characterization. If the Notes are so treated, a holder should generally recognize capital gain or loss upon the call, sale or maturity of the Notes in an amount equal to the difference between the amount a holder receives at such time and the holder’s tax basis in the Notes. Capital gain recognized by an individual U.S. holder is generally taxed at preferential rates where the property is held for more than one year and is generally taxed at ordinary income rates where the property is held for one year or less. The deductibility of capital losses is subject to limitations.

Alternative tax treatments are also possible and the Internal Revenue Service might assert that a treatment other than that described above is more appropriate. In addition, the Internal Revenue Service has released a notice that may affect the taxation of holders of the Notes. According to the notice, the Internal Revenue Service and the U.S. Treasury Department are actively considering whether the holder of an instrument such as the Notes should be required to accrue ordinary income on a current basis. It is not possible to determine what guidance they will ultimately issue, if any. It is possible, however, that under such guidance, holders of the Notes will ultimately be required to accrue income currently and this could be applied on a retroactive basis. The Internal Revenue Service and the U.S. Treasury Department are also considering other relevant issues, including whether additional gain or loss from such instruments should be treated as ordinary or capital and whether the special “constructive ownership rules” of Section 1260 of the Code might be applied to such instruments. Holders are urged to consult their tax advisors concerning the significance, and the potential impact, of the above considerations.

Individual holders that own “specified foreign financial assets” may be required to include certain information with respect to such assets with their U.S. federal income tax return. You are urged to consult your own tax advisor regarding such requirements with respect to the Notes.

Under Section 871(m) of the Code, a “dividend equivalent” payment is treated as a dividend from sources within the United States. Such payments generally would be subject to a 30% U.S. withholding tax if paid to a non-U.S. holder. Under U.S. Treasury Department regulations, payments (including deemed payments) with respect to equity-linked instruments (“ELIs”) that are “specified ELIs” may be treated as dividend equivalents if such specified ELIs reference an interest in an “underlying security,” which is generally any interest in an entity taxable as a corporation for U.S. federal income tax purposes if a payment with respect to such interest could give rise to a U.S. source dividend. However, the Internal Revenue Service has issued guidance that states that the U.S. Treasury Department and the Internal Revenue Service intend to amend the effective dates of the U.S. Treasury Department regulations to provide that withholding on dividend equivalent payments will not apply to specified ELIs that are not delta-one instruments and that are issued before January 1, 2021. Based on our determination that the Notes are not delta-one instruments, non-U.S. holders should not be subject to withholding on dividend equivalent payments, if any, under the Notes. However, it is possible that the Notes could be treated as deemed reissued for U.S. federal income tax purposes upon the occurrence of certain events affecting the Underlying Equity or the Notes, and following such occurrence the Notes could be treated as subject to withholding on dividend equivalent payments. Non-U.S. holders that enter, or have entered, into other transactions in respect of the Underlying Equity or the Notes should consult their tax advisors as to the application of the dividend equivalent withholding tax in the context of the Notes and their other transactions. If any payments are treated as dividend equivalents subject to withholding, we (or the applicable withholding agent) would be entitled to withhold taxes without being required to pay any additional amounts with respect to amounts so withheld.

Please see the discussion under the section entitled “Supplemental Discussion of U.S. Federal Income Tax Consequences” in the accompanying product prospectus supplement for a further discussion of the U.S. federal income tax consequences of an investment in the Notes.

Canadian Federal Income Tax Consequences

For a discussion of the material Canadian federal income tax consequences relating to an investment in the Notes, please see the section entitled “Tax Consequences” in the accompanying prospectus, which you should carefully review prior to investing in the Notes.

Information About the Underlying Equity

Included on the following pages is a brief description of the issuer of the Underlying Equity. This information has been obtained from publicly available sources. Set forth below is a table that provides the quarterly high, low and period-end closing prices for the Underlying Equity. We obtained the closing price information set forth below from the Bloomberg Professional® service (“Bloomberg”) without independent verification. You should not take the historical prices of the Underlying Equity as an indication of future performance.

The Underlying Equity is registered under the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Companies with securities registered under the Exchange Act are required to file financial and other information specified by the SEC periodically. Information filed by the Underlying Equity issuer with the SEC can be reviewed electronically through a website maintained by the SEC. The address of the SEC’s website is <http://www.sec.gov>. Information filed with the SEC by the Underlying Equity issuer under the Exchange Act can be located by reference to its SEC Central Index Key (“CIK”) number provided below. In addition, information filed with the SEC can be inspected and copied at the Public Reference Section of the SEC, 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Copies of this material can also be obtained from the Public Reference Section, at prescribed rates. Information from outside sources is not incorporated by reference in, and should not be considered part of, this free writing prospectus or any accompanying prospectus or prospectus supplement. We have not independently verified the accuracy or completeness of the information contained in outside sources.

Intel Corporation

According to publicly available information, Intel Corporation engages in the design, manufacture, and sale of computer products and technologies. It delivers computer, networking, data storage and communications platforms. Information filed by the company with the SEC under the Exchange Act can be located by reference to its SEC CIK number: 50863. The company’s common stock is listed on the Nasdaq Global Select Market under the ticker symbol “INTC.”

Historical Information

The following table sets forth the quarterly high, low and period-end closing prices for this Underlying Equity, based on daily closing prices, as reported by Bloomberg. The historical performance of this Underlying Equity should not be taken as an indication of its future performance during the term of the Notes.

Quarter Begin	Quarter End	Quarterly Closing High	Quarterly Closing Low	Quarterly Period-End Close
1/1/2013	3/31/2013	\$22.68	\$20.23	\$21.85
4/1/2013	6/30/2013	\$25.47	\$20.94	\$24.22
7/1/2013	9/30/2013	\$24.24	\$21.90	\$22.92
10/1/2013	12/31/2013	\$25.96	\$22.48	\$25.96
1/1/2014	3/31/2014	\$26.67	\$23.52	\$25.81
4/1/2014	6/30/2014	\$30.93	\$25.82	\$30.90
7/1/2014	9/30/2014	\$35.33	\$30.79	\$34.82
10/1/2014	12/31/2014	\$37.67	\$30.85	\$36.29
1/1/2015	3/31/2015	\$36.91	\$29.89	\$31.27
4/1/2015	6/30/2015	\$34.46	\$30.39	\$30.42
7/1/2015	9/30/2015	\$30.56	\$25.87	\$30.14
10/1/2015	12/31/2015	\$35.44	\$30.00	\$34.45
1/1/2016	3/31/2016	\$33.99	\$28.22	\$32.35
4/1/2016	6/30/2016	\$32.99	\$29.63	\$32.80
7/1/2016	9/30/2016	\$37.75	\$32.68	\$37.75
10/1/2016	12/31/2016	\$38.10	\$33.61	\$36.27
1/1/2017	3/31/2017	\$37.98	\$35.04	\$36.07
4/1/2017	6/30/2017	\$37.43	\$33.54	\$33.74
7/1/2017	9/30/2017	\$38.08	\$33.46	\$38.08
10/1/2017	12/31/2017	\$47.56	\$39.04	\$46.16
1/1/2018	3/31/2018	\$52.48	\$42.50	\$52.08
4/1/2018	6/30/2018	\$57.08	\$48.76	\$49.71

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7/1/2018	9/30/2018	\$52.43	\$44.93	\$47.29
10/1/2018	10/09/2018*	\$48.76	\$46.45	\$46.55

* This free writing prospectus includes information for the fourth calendar quarter of 2018 only for the period from October 1, 2018 through October 9, 2018. Accordingly, the “Quarterly Closing High,” “Quarterly Closing Low” and “Quarterly Period-End Close” data indicated are for this shortened period only and do not reflect complete data for the fourth calendar quarter of 2018.

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The graph below illustrates the performance of this Underlying Equity from October 9, 2008 to October 9, 2018, assuming an Initial Underlying Price of \$46.55, which was its closing price on September 5, 2018, and a Downside Threshold equal to \$34.91, which was 75.00% of the Initial Underlying Price, rounded to two decimal places (the actual Initial Underlying Price and Downside Threshold will be determined on the Trade Date).

n Downside Threshold = 75.00% of the Initial Underlying Price

HISTORIC PERFORMANCE IS NOT AN INDICATION OF FUTURE PERFORMANCE.

Source: Bloomberg L.P. We have not independently verified the accuracy or completeness of the information obtained from Bloomberg Financial Markets.

Supplemental Plan of Distribution (Conflicts of Interest)

We have agreed to indemnify UBS Financial Services Inc. and RBCCM against liabilities under the Securities Act of 1933, as amended, or to contribute payments that UBS Financial Services Inc. and RBCCM may be required to make relating to these liabilities as described in the prospectus supplement and the prospectus. We will agree that UBS Financial Services Inc. may sell all or a part of the Notes that it will purchase from us to investors at the price to public or to its affiliates at the price indicated on the cover of the pricing supplement, the document that will be filed under Rule 424(b)(2) containing the final pricing terms of the Notes.

Subject to regulatory constraints and market conditions, RBCCM intends to offer to purchase the Notes in the secondary market, but it is not required to do so.

We or our affiliates may enter into swap agreements or related hedge transactions with one of our other affiliates or unaffiliated counterparties in connection with the sale of the Notes and RBCCM and/or an affiliate may earn additional income as a result of payments pursuant to the swap or related hedge transactions. See “Use of Proceeds and Hedging” in the accompanying product prospectus supplement no. UBS-TAS-2.

We expect to deliver the Notes on a date that is greater than two business days following the Trade Date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in two business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Notes more than two business days prior to the original issue date will be required to specify alternative settlement arrangements to prevent a failed settlement.

The value of the Notes shown on your account statement may be based on RBCCM’s estimate of the value of the Notes if RBCCM or another of our affiliates were to make a market in the Notes (which it is not obligated to do). That estimate will be based upon the price that RBCCM may pay for the Notes in light of then prevailing market conditions, our creditworthiness and transaction costs. For a period of approximately six months after the issue date of the Notes, the value of the Notes that may be shown on your account statement may be higher than RBCCM’s estimated value of the Notes at that time. This is because the estimated value of the Notes will not include the underwriting discount and our hedging costs and profits; however, the value of the Notes shown on your account statement during that period may be a higher amount, reflecting the addition of the underwriting discount and our estimated costs and profits from hedging the Notes. Any such excess is expected to decrease over time until the end of this period. After this period, if RBCCM repurchases your Notes, it expects to do so at prices that reflect their estimated value. This period may be reduced at RBCCM’s discretion based on a variety of factors, including but not limited to, the amount of the Notes that we repurchase and our negotiated arrangements from time to time with UBS. For additional information as to the relationship between us and RBCCM, please see the section “Plan of Distribution—Conflicts of Interest” in the prospectus dated September 7, 2018.

Structuring the Notes

The Notes are our debt securities, the return on which is linked to the performance of the Underlying Equity. As is the case for all of our debt securities, including our structured notes, the economic terms of the Notes reflect our actual or perceived creditworthiness at the time of pricing. In addition, because structured notes result in increased operational, funding and liability management costs to us, we typically borrow the funds under these Notes at a rate that is more favorable to us than the rate that we might pay for a conventional fixed or floating rate debt security of comparable maturity. Using this relatively lower implied borrowing rate rather than the secondary market rate is a factor that is likely to result in a higher initial estimated value of the Notes at the time their terms are set than if the secondary market rate was used. Unlike the estimated value included on the cover of this document or in the final pricing supplement relating to the Notes, any value of the Notes determined for purposes of a secondary market transaction may be based on a different borrowing rate, which may result in a lower value for the Notes than if our initial internal borrowing rate were used.

In order to satisfy our payment obligations under the Notes, we may choose to enter into certain hedging arrangements (which may include call options, put options or other derivatives) on the issue date with RBCCM or one of our other subsidiaries. The terms of these hedging arrangements take into account a number of factors, including our creditworthiness, interest rate movements, the volatility of the Underlying Equity, and the tenor of the Notes. The economic terms of the Notes and their initial estimated value depend in part on the terms of these hedging arrangements.

The lower implied borrowing rate is a factor that reduces the economic terms of the Notes to you. The initial offering price of the Notes also reflects the underwriting commission and our estimated hedging costs. These factors result in the initial estimated value for the Notes on the Trade Date being less than their public offering price. See “Key Risks—The Initial Estimated Value of the Notes Will Be Less than the Price to the Public” above.

Terms Incorporated in Master Note

The terms appearing above under the caption “Indicative Terms of the Notes” and the provisions in the accompanying product prospectus supplement no. UBS-TAS-2 dated September 7, 2018 under the caption “General Terms of the Securities,” are incorporated into the master note issued to DTC, the registered holder of the Notes.

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Liabilities

Current liabilities:

Commercial paper		\$550	\$-
Accounts payable		2,158	1,864
Payables to related parties		25	18
Payroll and benefits payable		120	193
Accrued taxes		1,440	2,015
Other current liabilities		211	163
Long-term debt due within one year		187	141
Total current liabilities		4,691	4,394
Long-term debt		4,513	4,674
Deferred income taxes		2,534	2,544
Defined benefit postretirement plan obligations		761	789
Asset retirement obligations		1,489	1,510
Deferred credits and other liabilities		477	301
Total liabilities		14,465	14,212

Commitments and contingencies

Stockholders' Equity

Preferred stock – no shares issued and outstanding (no par value,

26 million shares authorized)		-	-
Common stock:			
Issued – 770 million and 770 million shares (par value \$1 per share, 1.1 billion shares authorized)		770	770
Securities exchangeable into common stock – no shares issued and outstanding (no par value, 29 million shares authorized)		-	-
Held in treasury, at cost – 65 million and 66 million shares		(2,646)	(2,716)
Additional paid-in capital		6,667	6,680
Retained earnings		13,358	12,788
Accumulated other comprehensive loss		(364)	(370)
Total equity of Marathon Oil's stockholders		17,785	17,152
Noncontrolling interest		-	7
Total equity		17,785	17,159
Total liabilities and stockholders' equity		\$32,250	\$31,371

The accompanying notes are an integral part of these consolidated financial statements.

MARATHON OIL CORPORATION
Consolidated Statements of Cash Flows (Unaudited)

	Six Months Ended June 30,	
(In millions)	2012	2011
Increase (decrease) in cash and cash equivalents		
Operating activities:		
Net income	\$810	\$1,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Discontinued operations	-	(1,239)
Loss on early extinguishment of debt	-	279
Deferred income taxes	75	(51)
Depreciation, depletion and amortization	1,154	1,199
Impairments	263	307
Pension and other postretirement benefits, net	(22)	22
Exploratory dry well costs and unproved property impairments	174	264
Net gain on disposal of assets	(138)	(50)
Equity method investments, net	7	(21)
Changes in:		
Current receivables	(107)	78
Inventories	(18)	46
Current accounts payable and accrued liabilities	(450)	372
All other operating, net	(6)	122
Net cash provided by continuing operations	1,742	3,320
Net cash provided by discontinued operations	-	1,090
Net cash provided by operating activities	1,742	4,410
Investing activities:		
Additions to property, plant and equipment	(2,181)	(1,702)
Disposal of assets	218	371
Investments - return of capital	21	36
Investing activities of discontinued operations	-	(493)
Property deposit	-	(100)
All other investing, net	(59)	15
Net cash used in investing activities	(2,001)	(1,873)
Financing activities:		
Commercial paper, net	550	-
Debt issuance costs	(9)	-
Debt repayments	(111)	(2,843)
Dividends paid	(240)	(356)
Financing activities of discontinued operations	-	2,916
Distribution in spin-off	-	(1,622)
All other financing, net	20	126
Net cash provided by (used in) financing activities	210	(1,779)
Effect of exchange rate changes on cash	8	2
Net increase (decrease) in cash and cash equivalents	(41)	760
Cash and cash equivalents at beginning of period	493	3,951
Cash and cash equivalents at end of period	\$452	\$4,711

The accompanying notes are an integral part of these consolidated financial statements.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation

These consolidated financial statements are unaudited; however, in the opinion of management, these statements reflect all adjustments necessary for a fair statement of the results for the periods reported. All such adjustments are of a normal recurring nature unless disclosed otherwise. These consolidated financial statements, including notes, have been prepared in accordance with the applicable rules of the Securities and Exchange Commission and do not include all of the information and disclosures required by accounting principles generally accepted in the United States of America for complete financial statements.

As a result of the spin-off (see Note 2), the results of operations for our downstream (Refining, Marketing and Transportation) business have been classified as discontinued operations in 2011. The disclosures in this report are presented on the basis of continuing operations, unless otherwise stated. Any reference to “Marathon” indicates Marathon Oil Corporation as it existed prior to the June 30, 2011 spin-off.

These interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Marathon Oil Corporation (“Marathon Oil”) 2011 Annual Report on Form 10-K. The results of operations for the second quarter and first six months of 2012 are not necessarily indicative of the results to be expected for the full year.

2. Spin-off Downstream Business

On June 30, 2011, the spin-off of the downstream business was completed, creating two independent energy companies: Marathon Oil and Marathon Petroleum Corporation (“MPC”). On June 30, 2011, stockholders of record as of 5:00 p.m. Eastern Daylight Savings time on June 27, 2011 (the “Record Date”) received one common share of MPC stock for every two common shares of Marathon stock held as of the Record Date.

The following table presents selected financial information regarding the results of operations of our downstream business which are reported as discontinued operations. Transaction costs incurred to affect the spin-off of \$57 million and \$74 million for the second quarter and first six months of 2011 are included in discontinued operations.

	Three Months Ended, June 30, 2011	Six Months Ended June 30, 2011
(In millions)		
Revenues applicable to discontinued operations	\$20,760	\$38,602
Pretax income from discontinued operations	1,244	2,012

3. Accounting Standards

Recently Adopted

In September 2011, the Financial Accounting Standards Board (“FASB”) amended accounting standards to simplify how entities test goodwill for impairment. The amendment reduces complexity by allowing an entity the option to make a qualitative evaluation of whether it is necessary to perform the two-step goodwill impairment test. The amendment is effective for our interim and annual periods beginning with the first quarter of 2012. Adoption of this amendment did not have a significant impact on our consolidated results of operations, financial position or cash flows.

The FASB amended the reporting standards for comprehensive income in June 2011 to eliminate the option to present the components of Other Comprehensive Income (“OCI”) as part of the statement of changes in stockholders' equity. All non-owner changes in stockholders' equity are required to be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In the two statement approach, the first statement should present total net income and its components followed consecutively by a second statement that should present total other comprehensive income, the components of OCI, and total comprehensive income. The presentation of items that are reclassified from OCI to net income on the income statement is also required. The amendments did not change the items that must be reported in OCI or when an item of OCI must be reclassified to net income. The amendments are effective for us beginning with the first quarter of 2012, except for the presentation of reclassifications, which has been deferred. Adoption of these amendments did not have a significant impact on our consolidated results of operations, financial position or cash flows.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

In May 2011, the FASB issued an update amending the accounting standards for fair value measurement and disclosure, resulting in common principles and requirements under accounting principles generally accepted in the U.S. (“U.S. GAAP”) and International Financial Reporting Standards (“IFRS”). The amendments change the wording used to describe certain of the U.S. GAAP requirements either to clarify the intent of existing requirements, to change measurement or expand disclosure principles or to conform to the wording used in IFRS. The amendments are to be applied prospectively for our interim and annual periods beginning with the first quarter of 2012. The adoption of the amendments did not have a significant impact on our consolidated results of operations, financial position or cash flows. To the extent they were necessary, we have made the expanded disclosures in Note 13.

4. Variable Interest Entity

The owners of the Athabasca Oil Sands Project (“AOSP”), in which we hold a 20 percent undivided interest, contracted with a wholly-owned subsidiary of a publicly traded Canadian limited partnership (“Corridor Pipeline”) to provide materials transportation capabilities among the Muskeg River and Jackpine mines, the Scotford upgrader and markets in Edmonton. The contract, originally signed in 1999 by a company we acquired, allows each holder of an undivided interest in the AOSP to ship materials in accordance with its undivided interest. Costs under this contract are accrued and recorded on a monthly basis, with a \$3 million current liability recorded at June 30, 2012. Under this agreement, the AOSP absorbs all of the operating and capital costs of the pipeline. Currently, no third-party shippers use the pipeline. Should shipments be suspended, by choice or due to force majeure, we remain responsible for the portion of the payments related to our undivided interest for all remaining periods. The contract expires in 2029; however, the shippers can extend its term perpetually. This contract qualifies as a variable interest contractual arrangement and the Corridor Pipeline qualifies as a Variable Interest Entity (“VIE”). We hold a variable interest but are not the primary beneficiary because our shipments are only 20 percent of the total; therefore, the Corridor Pipeline is not consolidated by Marathon Oil. Our maximum exposure to loss as a result of our involvement with this VIE is the amount we expect to pay over the contract term, which was \$703 million as of June 30, 2012. The liability on our books related to this contract at any given time will reflect amounts due for the immediately previous month’s activity, which is substantially less than the maximum exposure over the contract term. We have not provided financial assistance to Corridor Pipeline and we do not have any guarantees of such assistance in the future.

5. Income per Common Share

Basic income per share is based on the weighted average number of common shares outstanding. Diluted income per share includes exercise of stock options and stock appreciation rights, provided the effect is not antidilutive.

(In millions, except per share data)	Three Months Ended June 30,			
	2012		2011	
	Basic	Diluted	Basic	Diluted
Income from continuing operations	\$393	\$393	\$298	\$298
Discontinued operations	-	-	698	698
Net income	\$393	\$393	\$996	\$996
Weighted average common shares outstanding	706	706	713	713
Effect of dilutive securities	-	3	-	4

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Weighted average common shares, including dilutive effect	706	709	713	717
Per share:				
Income from continuing operations	\$0.56	\$0.56	\$0.42	\$0.42
Discontinued operations	\$-	\$-	\$0.98	\$0.97
Net income	\$0.56	\$0.56	\$1.40	\$1.39

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MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

(In millions, except per share data)	Six Months Ended June 30,			
	2012		2011	
	Basic	Diluted	Basic	Diluted
Income from continuing operations	\$810	\$810	\$753	\$753
Discontinued operations	-	-	1,239	1,239
Net income	\$810	\$810	\$1,992	\$1,992
Weighted average common shares outstanding	705	705	712	712
Effect of dilutive securities	-	4	-	4
Weighted average common shares, including dilutive effect	705	709	712	716
Per share:				
Income from continuing operations	\$1.15	\$1.14	\$1.06	\$1.05
Discontinued operations	\$-	\$-	\$1.74	\$1.73
Net income	\$1.15	\$1.14	\$2.80	\$2.78

The per share calculations above exclude 10 million and 9 million stock options and stock appreciation rights for the second quarter and first six months of 2012, as they were antidilutive. Excluded for the second quarter and first six months of 2011 were 5 million and 6 million stock options and stock appreciation rights.

6. Acquisitions

In April 2012, we entered into agreements to acquire approximately 20,000 net acres in the core of the Eagle Ford shale. The smaller transactions closed during the second quarter of 2012. The largest transaction, with a value of \$750 million before closing adjustments, closed on August 1, 2012.

7. Dispositions

2012

In May 2012, we reached an agreement to relinquish our Exploration and Production (“E&P”) segment’s operatorship of and interests in the Bone Bay and Kumawa exploration licenses in Indonesia. A \$36 million payment will be made upon government ratification of the agreement, to settle all of our obligations related to these licenses, including well commitments. This amount was accrued and reported as a loss on disposal of assets in the second quarter of 2012.

In April 2012, we entered into agreements to sell all of our E&P segment’s assets in Alaska. One transaction closed in the second quarter of 2012 with proceeds and a net gain of \$7 million. The remaining transaction, with a value of \$375 million before closing adjustments, is expected to close in the second half of 2012, pending regulatory approval and closing conditions. Assets held for sale are included in the June 30, 2012 balance sheet as follows:

(In millions)	
Other current assets	\$60
Other noncurrent assets	187
Total assets	247

Deferred credits and other liabilities	87
Total liabilities	\$87

In January 2012, we closed on the sale of our E&P segment's interests in several Gulf of Mexico crude oil pipeline systems for proceeds of \$206 million. This includes our equity method interests in Poseidon Oil Pipeline Company, L.L.C. and Odyssey Pipeline L.L.C., as well as certain other oil pipeline interests, including the Eugene Island pipeline system. A pretax gain of \$166 million was recorded in the first quarter of 2012.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

2011

In April 2011, we assigned a 30 percent undivided working interest in our E&P segment's approximately 180,000 acres in the Niobrara shale play located within the DJ Basin of southeast Wyoming and northern Colorado for total consideration of \$270 million, recording a pretax gain of \$39 million. We remain operator of this jointly owned leasehold.

In March 2011, we closed the sale of our E&P segment's outside-operated interests in the Gudrun field development and the Brynhild and Eirin exploration areas offshore Norway for net proceeds of \$85 million, excluding working capital adjustments. A \$64 million pretax loss on this disposition was recorded in the fourth quarter of 2010.

8. Segment Information

We have three reportable operating segments. Each of these segments is organized and managed based upon the nature of the products and services they offer.

- Exploration and Production ("E&P") – explores for, produces and markets liquid hydrocarbons and natural gas on a worldwide basis;
 - Oil Sands Mining ("OSM") – mines, extracts and transports bitumen from oil sands deposits in Alberta, Canada, and upgrades the bitumen to produce and market synthetic crude oil and vacuum gas oil; and
- Integrated Gas ("IG") – produces and markets products manufactured from natural gas, such as liquefied natural gas ("LNG") and methanol, in Equatorial Guinea.

Information regarding assets by segment is not presented because it is not reviewed by the chief operating decision maker ("CODM"). Segment income represents income from continuing operations, net of income taxes, attributable to the operating segments. Our corporate general and administrative costs are not allocated to the operating segments. These costs primarily consist of employment costs (including pension effects), professional services, facilities and other costs associated with corporate activities, net of associated income tax effects. Foreign currency transaction gains or losses are not allocated to operating segments. Impairments, gains or losses on disposal of assets or other items that affect comparability (as determined by the CODM) also are not allocated to operating segments.

Differences between segment totals and our consolidated totals for income taxes and depreciation, depletion and amortization represent amounts related to corporate administrative activities and other unallocated items which are included in "Items not allocated to segments, net of income taxes" in the reconciliation below. Total capital expenditures include accruals but not corporate activities.

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As discussed in Note 2, our downstream business was spun-off on June 30, 2011 and has been reported as discontinued operations in 2011.

(In millions)	Three Months Ended June 30, 2012			
	E&P	OSM	IG	Total
Revenues:				
Customer	\$3,383	\$335	\$-	\$3,718
Related parties	13	-	-	13
Total revenues	\$3,396	\$335	\$-	\$3,731
Segment income	\$417	\$51	\$13	\$481
Income from equity method investments	38	-	22	60
Depreciation, depletion and amortization	521	50	-	571
Income tax provision	1,110	17	5	1,132
Capital expenditures	1,184	43	1	1,228

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

(In millions)	Three Months Ended June 30, 2011			
	E&P	OSM	IG	Total
Revenues:				
Customer	\$3,220	\$447	\$13	\$3,680
Intersegment	15	-	-	15
Related parties	14	-	-	14
Segment revenues	3,249	447	13	3,709
Elimination of intersegment revenues	(15)	-	-	(15)
Total revenues	\$3,234	\$447	\$13	\$3,694
Segment income	\$601	\$69	\$43	\$713
Income from equity method investments	66	-	54	120
Depreciation, depletion and amortization	501	49	1	551
Income tax provision	598	23	17	638
Capital expenditures	749	80	-	829

(In millions)	Six Months Ended June 30, 2012			
	E&P	OSM	IG	Total
Revenues:				
Customer	\$6,781	\$714	\$-	\$7,495
Related parties	27	-	-	27
Total revenues	\$6,808	\$714	\$-	\$7,522
Segment income	\$894	\$92	\$17	\$1,003
Income from equity method investments	102	-	36	138
Depreciation, depletion and amortization	1,037	99	-	1,136
Income tax provision	2,146	31	6	2,183
Capital expenditures	2,185	95	1	2,281

(In millions)	Six Months Ended June 30, 2011			
	E&P	OSM	IG	Total
Revenues:				
Customer	\$6,506	\$753	\$77	\$7,336
Intersegment	41	-	-	41
Related parties	29	-	-	29
Segment revenues	6,576	753	77	7,406
Elimination of intersegment revenues	(41)	-	-	(41)
Total revenues	\$6,535	\$753	\$77	\$7,365
Segment income	\$1,269	\$101	\$103	\$1,473
Income from equity method investments	124	-	113	237
Depreciation, depletion and amortization	1,087	86	3	1,176
Income tax provision	1,211	33	43	1,287
Capital expenditures	1,417	200	1	1,618

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

The following reconciles segment income to net income as reported in the consolidated statements of income:

(In millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Segment income	\$481	\$713	\$1,003	\$1,473
Items not allocated to segments, net of income taxes:				
Corporate and other unallocated items	(65)	(24)	(109)	(153)
Gain (loss) on dispositions (a)	(23)	24	83	24
Impairments(b)	-	(195)	(167)	(195)
Tax effect of subsidiary restructuring	-	(122)	-	(122)
Loss on early extinguishment of debt(c)	-	-	-	(176)
Deferred income tax items	-	(50)	-	(50)
Water abatement - Oil Sands	-	(48)	-	(48)
Income from continuing operations	393	298	810	753
Discontinued operations	-	698	-	1,239
Net income	\$393	\$996	\$810	\$1,992

(a) Additional information on these gains and losses can be found in Note 7.

(b) Impairments are discussed in Note 13.

(c) Additional information on debt retired early can be found in Note 15.

The following reconciles total revenues to sales and other operating revenues as reported in the consolidated statements of income:

(In millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Total revenues	\$3,731	\$3,694	\$7,522	\$7,365
Less: Sales to related parties	13	14	27	29
Sales and other operating revenues	\$3,718	\$3,680	\$7,495	\$7,336

9. Defined Benefit Postretirement Plans

The following summarizes the components of net periodic benefit cost:

(In millions)	Three Months Ended June 30,			
	Pension Benefits		Other Benefits	
	2012	2011	2012	2011
Service cost	\$13	\$10	\$1	\$1
Interest cost	16	16	3	4
Expected return on plan assets	(16)	(16)	-	-
Amortization:				

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- prior service cost (credit)	2	2	(1)	(1)
- actuarial loss	13	12	-		-	
Net periodic benefit cost	\$28	\$24	\$3		\$4	

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MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

(In millions)	Six Months Ended June 30,			
	Pension Benefits		Other Benefits	
	2012	2011	2012	2011
Service cost	\$25	\$23	\$2	\$2
Interest cost	32	33	7	8
Expected return on plan assets	(32)	(33)	-	-
Amortization:				
– prior service cost (credit)	4	3	(3)	(3)
– actuarial loss	25	25	-	-
Net periodic benefit cost	\$54	\$51	\$6	\$7

During the first six months of 2012, we made contributions of \$68 million to our funded pension plans. We expect to make additional contributions up to an estimated \$50 million over the remainder of 2012. Current benefit payments related to unfunded pension and other postretirement benefit plans were \$6 million and \$8 million during the first six months of 2012.

10. Income Taxes

The effective income tax rate is influenced by a variety of factors including the geographic and functional sources of income and the relative magnitude of these sources of income. The provision for income taxes is allocated on a discrete, stand-alone basis to pretax segment income and to individual items not allocated to segments. The difference between the total provision and the sum of the amounts allocated to segments and to individual items not allocated to segments is reported in “Corporate and other unallocated items” in Note 8.

Our effective tax rate in the first six months of 2012 was 71 percent. This rate is higher than the U.S. statutory rate of 35 percent primarily due to earnings from foreign jurisdictions, primarily Norway and Libya, where the tax rates are in excess of the U.S. statutory rate. An increase in earnings and associated taxes from foreign jurisdictions, primarily Norway, as compared to prior periods caused an increase in our valuation allowance on current year foreign tax credits. In Libya, where the statutory tax rate is in excess of 90 percent, limited production resumed in the fourth quarter of 2011 and liquid hydrocarbon sales resumed in the first quarter of 2012. A reliable estimate of 2012 annual ordinary income from our Libyan operations cannot be made and the range of possible scenarios when including ordinary income from our Libyan operations in the worldwide annual effective tax rate calculation demonstrates significant variability. As such, for the first six months of 2012, an estimated annual effective tax rate was calculated excluding Libya and applied to consolidated ordinary income excluding Libya and the tax provision applicable to Libyan ordinary income was recorded as a discrete item in the period. Excluding Libya, the effective tax rate would be 64 percent for the first six months of 2012.

Our effective tax rate in the first six months of 2011 was 60 percent which is higher than the U.S. statutory tax rate of 35 percent primarily due to earnings from foreign jurisdictions where the tax rates are in excess of the U.S. statutory rate and the valuation allowance recorded against 2011 foreign tax credits. In addition, in the second quarter of 2011 we recorded a deferred tax charge related to an internal restructuring of our international subsidiaries.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

The following table summarizes the activity in unrecognized tax benefits:

(In millions)	Six Months Ended June 30,	
	2012	2011
Beginning balance	\$ 157	\$ 103
Additions based on tax positions related to the current year	2	2
Reductions based on tax positions related to the current year	-	(2)
Additions for tax positions of prior years	69	53
Reductions for tax positions of prior years	(55)	(8)
Settlements	(7)	(9)
Ending balance	\$ 166	\$ 139

If the unrecognized tax benefits as of June 30, 2012 were recognized, \$117 million would affect our effective income tax rate. There were \$16 million of uncertain tax positions as of June 30, 2012 for which it is reasonably possible that the amount of unrecognized tax benefits would decrease during the next twelve months.

11. Inventories

Inventories are carried at the lower of cost or market value.

(In millions)	June 30, 2012	December 31, 2011
Liquid hydrocarbons, natural gas and bitumen	\$ 99	\$ 147
Supplies and sundry items	236	214
Total inventories, at cost	\$ 335	\$ 361

12. Property, Plant and Equipment

(In millions)	June 30, 2012	December 31, 2011
E&P		
United States	\$ 20,353	\$ 19,679
International	12,954	12,579
Total E&P	33,307	32,258
OSM	10,031	9,936
IG	38	37
Corporate	402	341
Total property, plant and equipment	43,778	42,572
Less accumulated depreciation, depletion and amortization	(17,777)	(17,248)
Net property, plant and equipment	\$ 26,001	\$ 25,324

In the first quarter of 2011, production operations in Libya were suspended. In the fourth quarter of 2011, limited production resumed. Since that time, average net sales volumes have increased to 44 thousand barrels per day

("mbbld") in the second quarter of 2012 and 30 mbbld in the first six months of 2012. We and our partners in the Waha concessions continue to assess the condition of our assets in Libya and uncertainty around sustained production and sales levels remains.

Exploratory well costs capitalized greater than one year after completion of drilling ("suspended") were \$254 million as of June 30, 2012. The net increase in such costs related to changes in two areas. Norway exploration costs of \$55 million incurred between 2009 and 2011 have now been suspended for greater than one year, pending commencement of Boyla development which was submitted to the Norwegian government for approval June 2012. Drilling on the Shenandoah prospect in the Gulf of Mexico resumed in June 2012. Costs of \$28 million related to Shenandoah are no longer suspended.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

13. Fair Value Measurements

Fair Values - Recurring

As of June 30, 2012 and December 31, 2011, balances related to interest rate swaps accounted for at fair value on a recurring basis were noncurrent assets of \$16 million and \$5 million. Foreign currency forwards accounted for at fair value on a recurring basis were current liabilities of \$15 million at June 30, 2012. See Note 14 for the income statement impacts of our derivative instruments.

Interest rate swaps are measured at fair value with a market approach using actionable broker quotes which are Level 2 inputs. Foreign currency forwards are measured at fair value with a market approach using third-party pricing services, such as Bloomberg L.P., which have been corroborated with data from active markets for similar assets and liabilities, and are Level 2 inputs.

The following is a reconciliation of the net beginning and ending balances recorded for derivative instruments classified as Level 3 in the fair value hierarchy.

(In millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Beginning balance	\$-	\$(1)	\$-	\$(2)
Included in net income	-	1	-	-
Settlements	-	(2)	-	-
Spin-off downstream business	-	2	-	2
Ending balance	\$-	\$-	\$-	\$-

Fair Values - Nonrecurring

The following tables show the values of assets, by major class, measured at fair value on a nonrecurring basis in periods subsequent to their initial recognition.

(In millions)	Three Months Ended June 30,			
	2012		2011	
	Fair Value	Impairment	Fair Value	Impairment
Long-lived assets held for use	\$ -	\$ 1	\$ 226	\$ 282
Intangible assets	\$ -	\$ -	\$ -	\$ 25

(In millions)	Six Months Ended June 30,			
	2012		2011	
	Fair Value	Impairment	Fair Value	Impairment
Long-lived assets held for use	\$ -	\$ -	\$ -	\$ -
Intangible assets	\$ -	\$ -	\$ -	\$ -

Long-lived assets held for use	\$	75	\$	263	\$	226	\$	282
Intangible assets	\$	-	\$	-	\$	-	\$	25

Our E&P segment's Ozona development in the Gulf of Mexico began production in December 2011. During the first quarter of 2012, production rates declined significantly and have remained below initial expectations. Accordingly, our reserve engineers performed an evaluation of our future production as well as our reserves which concluded in early April 2012. This resulted in a 2 million barrel of oil equivalent reduction in proved reserves and a \$261 million impairment charge in the first quarter of 2012. The fair value of the Ozona development was determined using an income approach based upon internal estimates of future production levels, prices and discount rate, all Level 3 inputs. Inputs to the fair value measurement included reserve and production estimates made by our reservoir engineers, estimated liquid hydrocarbon prices based on the Louisiana Light Sweet 12-month price range, as we think production will not be significant beyond twelve months, adjusted for quality and location differentials, and forecasted operating expenses for the remaining estimated life of the reservoir.

In May 2011, significant water production and reservoir pressure declines occurred at our E&P segment's Droshky development in the Gulf of Mexico. Consequently, 3.4 million barrels of oil equivalent of proved reserves were written off and a \$273 million impairment of this long-lived asset to fair value was recorded in the second quarter of 2011. The \$226 million fair value of the Droshky development was determined using an income approach based upon internal estimates of future production levels, prices and discount rate, all Level 3 inputs.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

In the second quarter of 2011, our outlook for U.S. natural gas prices indicated that it was unlikely that sufficient U.S. demand for LNG would materialize by 2021, which is when our rights lapse under arrangements at the Elba Island, Georgia regasification facility. Using an income approach based upon internal estimates of natural gas prices and future deliveries, which are Level 3 inputs, we determined that the contract had no remaining fair value and recorded a full impairment of this intangible asset held in our Integrated Gas segment.

Other impairments of long-lived assets held for use by our E&P segment in the second quarter and first six months of 2012 and 2011 were a result of reduced drilling expectations, reduction of estimated reserves or declining natural gas prices. The fair values of those assets were measured using an income approach based upon internal estimates of future production levels, commodity prices and discount rate, which are Level 3 inputs.

Natural gas prices began declining in September 2011 and have continued to decline in 2012. Should natural gas prices remain depressed, additional impairment charges related to our natural gas assets may be necessary.

Fair Values – Reported

Our current assets and liabilities include financial instruments, the most significant of which are accounts receivables and payables. We believe the carrying values of these current assets and liabilities approximate fair value. Our fair value assessment incorporates a variety of considerations, including (1) the short-term duration of the instruments, (2) our investment-grade credit rating, and (3) our historical incurrence of and expected future insignificance of bad debt expense, which includes an evaluation of counterparty credit risk. An exception to this assessment is the current portion of our long-term debt, which is reported with long-term debt and discussed below.

The following table summarizes financial instruments, excluding trade accounts receivables and payables and derivative financial instruments, and their reported fair value by individual balance sheet line item at June 30, 2012 and December 31, 2011:

(In millions)	June 30, 2012		December 31, 2011	
	Fair Value	Carrying Amount	Fair Value	Carrying Amount
Financial assets				
Other current assets	\$131	\$136	\$146	\$148
Other noncurrent assets	198	198	68	68
Total financial assets	329	334	214	216
Financial liabilities				
Long-term debt, including current portion(a)	5,447	4,643	5,479	4,753
Deferred credits and other liabilities	122	121	36	38
Total financial liabilities	\$5,569	\$4,764	\$5,515	\$4,791

(a) Excludes capital leases.

Fair values of our remaining financial assets included in other current assets and other noncurrent assets and of our financial liabilities included in deferred credits and other liabilities are measured using an income approach and most inputs are internally generated, which results in a Level 3 classification. Estimated future cash flows are discounted using a rate deemed appropriate to obtain the fair value.

Over 90 percent of our long-term debt instruments are publicly-traded. A market approach based upon quotes from major financial institutions is used to measure the fair value of such debt. Because these quotes cannot be independently verified to an active market they are considered Level 3 inputs. The fair value of our debt that is not publicly-traded is measured using an income approach. The future debt service payments are discounted using the rate at which we currently expect to borrow. All inputs to this calculation are Level 3.

14. Derivatives

As of June 30, 2012, our outstanding derivative positions were fair value hedges. Interest rate swaps with an asset value of \$16 million are reported in Other noncurrent assets and foreign currency forwards with a liability value of \$15 million are located in Other current liabilities on the consolidated balance sheet.

As of December 31, 2011, our derivatives outstanding were interest rate swaps that were fair value hedges, which had an asset value of \$5 million and are located on the consolidated balance sheet in Other noncurrent assets.

For information regarding the fair value measurement of derivative instruments, see Note 13.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

Derivatives Designated as Fair Value Hedges

As of June 30, 2012, we had multiple interest rate swap agreements with a total notional amount of \$600 million at a weighted average, London Interbank Offer Rate (“LIBOR”)-based, floating rate of 4.72 percent.

As of June 30, 2012, our foreign currency forwards had an aggregate notional amount of 3,310 million Norwegian Kroner at a weighted average forward rate of 5.825. These forwards hedge our current Norwegian tax liability and have settlement dates through December 2012.

In connection with the debt retired in February and March 2011 discussed in Note 15, we settled interest rate swaps with a notional amount of \$1,450 million.

The pretax effect of derivative instruments designated as hedges of fair value in our consolidated statements of income are summarized in the table below.

(In millions)	Income Statement Location	Gain (Loss)			
		Three Months Ended		Six Months Ended	
		June 30,		June 30,	
		2012	2011	2012	2011
Derivative					
Interest rate	Net interest and other	\$12	\$3	\$12	\$(1)
Interest rate	Loss on early extinguishment of debt	-	-	-	29
Foreign currency	Provision for income taxes	\$(32)	\$-	\$(40)	\$-
Hedged Item					
Long-term debt	Net interest and other	\$(12)	\$(3)	\$(12)	\$1
Long-term debt	Loss on early extinguishment of debt	-	-	-	(29)
Accrued taxes	Provision for income taxes	\$32	\$-	\$40	\$-

15. Debt

At June 30, 2012, we had no borrowings against our revolving credit facility, described below, and \$550 million in commercial paper outstanding under our U.S. commercial paper program that is backed by the revolving credit facility.

In April 2012, we terminated our \$3.0 billion five-year revolving credit facility and replaced it with a new \$2.5 billion unsecured five-year revolving credit facility (the “Credit Facility”). The Credit Facility matures in April 2017 but allows us to request two one-year extensions. It contains an option to increase the commitment amount by up to an

additional \$1.0 billion, subject to the consent of any increasing lenders, and includes sub-facilities for swing-line loans and letters of credit up to an aggregate amount of \$100 million and \$500 million, respectively. Fees on the unused commitment of each lender range from 10 basis points to 25 basis points depending on our credit ratings. Borrowings under the Credit Facility bear interest, at our option, at either (a) an adjusted LIBOR rate plus a margin ranging from 87.5 basis points to 162.5 basis points per year depending on our credit ratings or (b) the Base Rate plus a margin ranging from 0.0 basis points to 62.5 basis points depending on our credit ratings. Base Rate is defined as a per annum rate equal to the greatest of (a) the prime rate, (b) the federal funds rate plus one-half of one percent and (c) LIBOR for a one-month interest period plus 1 percent.

The agreement contains a covenant that requires our ratio of total debt to total capitalization not to exceed 65 percent as of the last day of each fiscal quarter. If an event of default occurs, the lenders may terminate the commitments under the Credit Facility and require the immediate repayment of all outstanding borrowings and the cash collateralization of all outstanding letters of credit under the Credit Facility.

In the second quarter of 2012, we retired the remaining \$23 million principal amount of our 5.375 percent revenue bonds due December 2013. No gain or loss was recorded on this early extinguishment of debt. During the first quarter of 2012, \$53 million principal amount of debt carrying a 9.375 percent interest rate was repaid at maturity.

During the first quarter of 2011, we retired \$2,498 million aggregate principal amount of debt at a weighted average price equal to 112 percent of face value. A \$279 million loss on early extinguishment of debt was recognized in the first quarter of 2011. The loss includes related deferred financing and premium costs partially offset by the gain on settled interest rate swaps.

MARATHON OIL CORPORATION

Notes to Consolidated Financial Statements (Unaudited)

16. Incentive Based Compensation Plans

Stock Option and Restricted Stock Awards

The following table presents a summary of stock option award and restricted stock award activity for the first six months of 2012:

	Stock Options		Restricted Stock	
	Number of Shares	Weighted Average Exercise Price	Awards	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2011	21,370,715	\$24.41	3,703,978	\$25.88
Granted	1,462,779 (a)	35.06	1,219,174	34.59
Options Exercised/Stock Vested	(906,193)	18.73	(310,575)	20.94
Cancelled	(293,478)	27.77	(161,439)	27.41
Outstanding at June 30, 2012	21,633,823	\$25.33	4,451,138	\$28.55

(a) The weighted average grant date fair value of stock option awards granted was \$11.62 per share.

Performance Unit Awards

During the first quarter of 2012, we granted 13 million performance units to executive officers. These units have a 36-month performance period.

17. Supplemental Cash Flow Information

(In millions)	Six Months Ended June 30,	
	2012	2011
Net cash provided from operating activities:		
Interest paid (net of amounts capitalized)	\$113	\$83
Income taxes paid to taxing authorities	2,317	1,351
Commercial paper and revolving credit arrangements, net:		
Commercial paper - issuances	\$4,252	\$-
- repayments	(3,702)	-
Total	\$550	\$-
Noncash investing activities:		
Debt payments made by United States Steel	\$14	\$14
Change in capital expenditure accrual	159	(54)

18. Commitments and Contingencies

We are defendant in a number of lawsuits arising in the ordinary course of business, including, but not limited to, royalty claims, contract claims and environmental claims. While the ultimate outcome and impact to us cannot be predicted with certainty, we believe the resolution of these proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. Certain of these matters are discussed below.

Litigation – In March 2011, Noble Drilling (U.S.) LLC (“Noble”) filed a lawsuit against us in the District Court of Harris County, Texas, alleging, among other things, breach of contract, breach of the duty of good faith and fair dealing, and negligent misrepresentation, relating to a multi-year drilling contract for a newly constructed drilling rig to be deployed in the U.S. Gulf of Mexico. We filed an answer in April 2011, contending, among other things, failure to perform, failure to comply with material obligations, failure to mitigate alleged damages and that Noble failed to provide the rig according to the operating, performance and safety requirements specified in the drilling contract. Noble is seeking an unspecified amount for damages. We are vigorously defending this litigation. The ultimate outcome of this lawsuit, including any financial effect on us, remains uncertain. We do not believe an estimate of a reasonably probable loss (or range of loss) can be made for this lawsuit at this time.

Contractual commitments – At June 30, 2012 and December 31, 2011, Marathon’s contract commitments to acquire property, plant and equipment were \$1,021 million and \$664 million.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

We are an international energy company with operations in the U.S., Canada, Africa, the Middle East and Europe. Our operations are organized into three reportable segments:

- w Exploration and Production ("E&P") which explores for, produces and markets liquid hydrocarbons and natural gas on a worldwide basis.
- w Oil Sands Mining ("OSM") which mines, extracts and transports bitumen from oil sands deposits in Alberta, Canada, and upgrades the bitumen to produce and market synthetic crude oil and vacuum gas oil.
- w Integrated Gas ("IG") which produces and markets products manufactured from natural gas, such as liquefied natural gas ("LNG") and methanol, in Equatorial Guinea.

Certain sections of Management's Discussion and Analysis of Financial Condition and Results of Operations include forward-looking statements concerning trends or events potentially affecting our business. These statements typically contain words such as "anticipates," "believes," "estimates," "expects," "targets," "plans," "projects," "could," "may," "should" or similar words indicating that future outcomes are uncertain. In accordance with "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, these statements are accompanied by cautionary language identifying important factors, though not necessarily all such factors, which could cause future outcomes to differ materially from those set forth in the forward-looking statements. For additional risk factors affecting our business, see Item 1A. Risk Factors in our 2011 Annual Report on Form 10-K.

Key Operating and Financial Activities

In the second quarter of 2012, notable items were:

- Net liquid hydrocarbon and natural gas sales volumes of 407 thousand barrels of oil equivalent per day ("mboed"), of which 66 percent was liquid hydrocarbons
- Net international liquid hydrocarbon sales volumes, for which average realizations have exceeded West Texas Intermediate ("WTI") crude oil, were 66 percent of total liquid hydrocarbon sales
 - Production from Libya increased over the first quarter of 2012, with average net sales of 44 mboed and production available for sale of 44 mboed in the second quarter
- Bakken shale average net sales volumes of 27 mboed, a 69 percent increase over the same quarter of last year
- Eagle Ford shale average net sales volumes of 21 mboed, an increase nearly 50 percent from the first quarter of 2012
- Turnarounds at our operated assets in Equatorial Guinea and Norway were completed in less time and at lower cost than originally anticipated
- Signed a new production sharing contract for an exploration block adjacent to the Alba field offshore Equatorial Guinea

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- Cash-adjusted debt-to-capital ratio of 21 percent
- Replaced existing revolving credit facility with a new \$2.5 billion facility expiring April 2017

Some significant third quarter activities through August 3, 2012 include:

- Re-entered Gabon with a non-operated 21 percent working interest in an exploration license
 - Agreed to pursue exploration activities in Kenya and Ethiopia
- Closed farm out agreements on 35 percent working interests in the Harir and Safen blocks in the Kurdistan Region of Iraq
 - Closed the largest previously announced acquisition in the Eagle Ford shale

Overview and Outlook

Exploration and Production

Production

Net liquid hydrocarbon and natural gas sales averaged 407 mboed during the second quarter and 395 mboed in the first six months of 2012 compared to 337 mboed and 368 mboed in the same periods of 2011. The resumption of sales from Libya in the first quarter of 2012 after production had ceased there in February of 2011 was the most significant cause of our increased sales volumes. Net liquid hydrocarbon sales volumes increased in the U.S. for both the quarter and first six months of 2012, reflecting the impact of the Eagle Ford shale assets acquired in the fourth quarter of 2011 and our ongoing development programs in the Eagle Ford, Bakken and Anadarko Woodford unconventional resource plays. In addition, net liquid hydrocarbon sales volumes from the U.K. were higher in the second quarter of 2012 than in the same period of 2011 due to the timing of liftings.

We continue to ramp up operations in the core of the Eagle Ford play in Texas where we had 20 operated rigs drilling and four hydraulic fracturing crews working as of June 30, 2012. During the second quarter and first six months of 2012, we drilled 61 gross and 107 gross wells, with a total of 72 gross (50 net) wells brought to sales in the first six months of 2012. We have realized significant efficiencies in drilling over the past few months, reducing the average drilling time per well to 23 days. With these gains in efficiencies, we believe we can reduce our operated rig count to 18 for the balance of 2012 and drill the 230 to 240 wells originally planned for 2012, along with 11 incremental wells associated with the acreage acquired on August 1, 2012.

To complement drilling and completion activity in the Eagle Ford shale, we continue to build infrastructure to support production growth across the operating area. Approximately 210 miles of gathering lines were installed in the first six months of 2012, while four new central gathering and treating facilities were commissioned. Five additional facilities are under construction. We are now able to transport approximately 70 percent of our Eagle Ford production by pipeline.

Average net sales volumes from the Bakken shale were 27 mboed and 26 mboed in the second quarter and first six months of 2012 compared to 16 mboed and 15 mboed in the same periods of 2011. Our Bakken shale liquid hydrocarbon volumes average approximately 95 percent liquid hydrocarbons. During the second quarter and first six months of 2012, we drilled 26 gross and 47 gross wells, with a total of 44 gross (37 net) wells brought to sales in the first six months of 2012. We are reducing our operated rig count in the Bakken shale from eight to five in response to continued commodity price volatility and lower domestic liquid hydrocarbon prices. With this five-rig program, we expect to maintain our previously projected production levels over the next 12 to 18 months and to retain our core Bakken acreage.

In the Anadarko Woodford shale, net sales volumes averaged 6 mboed and 5 mboed during the second quarter and first six months of 2012 compared to 2 mboed and 1 mboed in the same periods of 2011. Recent performance improvements are being driven by results in the Knox area. During the second quarter of 2012, eight gross (five net) wells were brought to sales, with 17 gross (13 net) brought to sales in the first six months of 2012. In response to the

continued decline in natural gas liquids prices and low natural gas prices, we are reducing our rig count in the Anadarko Woodford play from six to two. We expect to maintain our projected 2012 production level and retain our core acreage in the play with this two-rig program over the next 12 to 18 months.

Our Ozona development in the Gulf of Mexico began production in December 2011. During the first quarter of 2012, production rates declined significantly and have remained below initial expectations. Accordingly, our reserve engineers performed an evaluation of our future production as well as our reserves which concluded in early April 2012. This resulted in a 2 mboe reduction in proved reserves and a \$261 million impairment charge in the first quarter of 2012.

In the first quarter 2011, production operations in Libya were suspended. In the fourth quarter of 2011, limited production resumed so that during the second quarter and first six months of 2012, net sales volumes averaged 44 mboed and 31 mboed. Some uncertainty concerning the sustainability of production and sales levels in Libya remains. We and our partners in the Waha concessions continue to assess the condition of our assets.

In June 2012, we submitted a plan for the development and operation of the Boyla field (PL 340) in the North Sea to the Norwegian Ministry of Petroleum and Energy. The Boyla field is located approximately 17 miles south of our operated Alvheim field. We hold a 65 percent working interest in the field. Pending approval, first production from Boyla is expected in the fourth quarter of 2014. Also during the second quarter of 2012, we completed a four-day turnaround in Norway that was originally scheduled for 14 days in the third quarter. We expect an additional one to two day planned shutdown of our Norway assets in the third quarter of 2012.

A 28-day turnaround began at our production operations in Equatorial Guinea on March 23, 2012. It was completed in April 2012, seven days ahead of schedule and below budget.

Exploration

At June 30, 2012, we were participating in two non-operated wells in the Gulf of Mexico: an appraisal well on the Gunflint discovery located on Mississippi Canyon Block 948 and an appraisal well on the Shenandoah prospect located on Walker Ridge Block 51. We have a 15 percent and a 10 percent working interest in these prospects. The Gunflint well has confirmed expected reservoir properties and continuity, establishing the commercial viability of the field. Drilling of the Shenandoah appraisal well commenced on June 29, 2012. During the second quarter of 2012, the well costs and related unproved property costs related to the Kilchurn well were charged to exploration expenses.

In the second half of 2012, we expect to return to drilling the exploration well on the Gulf of Mexico Innsbruck prospect on Mississippi Canyon Block 993 in which we hold a 45 percent working interest. Drilling of this well was halted in 2010 due to the U.S. government imposed drilling moratorium that followed the large Gulf of Mexico spill.

We continue exploratory drilling in Poland. Our third exploratory well has completed and a fourth well, is currently drilling. We have collected extensive data, including well logs and core samples, which are being evaluated. We plan to drill six wells by the end of 2012 in Poland. We hold a 51 percent working interest in 10 operated concessions and a 100 percent working interest in one concession.

In the Kurdistan Region of Iraq, we began drilling our first operated exploration well on the Harir block on July 30, 2012 and plan to drill an exploration well on the Safen block in 2013. We have a 45 percent working (56 percent paying) interest in both the Harir and Safen blocks. Additionally, we are participating in non operated appraisal well on the Sarsang block, where we hold a 20 percent working (25 percent paying) interest.

During the first quarter of 2012, on the Birchwood oil sands lease located in Alberta, Canada, we conducted a seismic survey and drilled six water wells. We also submitted a regulatory application for a proposed 12 thousand barrel per day (“mbbld”) steam assisted gravity drainage (“SAGD”) project at Birchwood. Pending regulatory approval, project sanction is expected in 2014, with first oil projected in 2017. We have a 100 percent working interest in Birchwood.

Acquisitions and Divestitures

On January 3, 2012, we closed on the sale of our interests in several Gulf of Mexico crude oil pipeline systems for proceeds of \$206 million. This includes our equity method interests in Poseidon Oil Pipeline Company, L.L.C. and Odyssey Pipeline L.L.C., as well as certain other oil pipeline interests, including the Eugene Island pipeline system. A pretax gain of \$166 million was recorded in the first quarter of 2012.

In April 2012, we entered multiple agreements to acquire approximately 20,000 net acres in the core of the Eagle Ford shale formation in transactions valued at \$767 million, before closing adjustments. The smaller transactions closed during the second quarter of 2012. The largest transaction with a value of \$750 million before closing adjustments closed on August 1, 2012. In addition to undeveloped acreage, at closing 17 gross operated and 9 gross non-operated wells were producing an average of 9 net mboed, of which 70 percent was liquid hydrocarbons.

In April 2012, we entered agreements to sell our Alaska assets. One transaction closed in the second quarter of 2012 with proceeds and a net gain of \$7 million. The remaining transaction, with a value of \$375 million before closing adjustments, is expected to close in the second half of 2012, pending regulatory approval and closing conditions.

In May 2012, we reached an agreement to relinquish operatorship of and our interests in the Bone Bay and Kumawa exploration licenses in Indonesia. A \$36 million payment will be made upon government ratification of the agreement, to settle all of our obligations related to these licenses, including well commitments. This amount was accrued and reported as a loss on disposal of assets in the second quarter of 2012.

In June 2012, we entered an agreement to acquire a 21 percent working (25 percent paying) interest in the Diaba License G4-223 and its related permit in Gabon. The transaction is expected to close, subject to completion of the necessary Gabonese government and partner approvals, in the third quarter of 2012. The start of exploration drilling is expected in the first quarter of 2013.

During June 2012, we signed a new production sharing contract with the government of Equatorial Guinea for the exploration of Block A-12 offshore Bioko Island, located immediately west of our operated Alba Field. We have an 80 percent operated working interest in this block. Ratification of the contract by the government is expected in the third quarter of 2012.

In late July, we entered into an agreement to acquire positions in two onshore exploration blocks in northwest Kenya amounting to more than 11 million gross acres. The transaction includes a 50 percent working interest in Block 9 and a 15 percent working interest in Block 12A. An exploration well is planned on Block 9 in mid-2013. The transaction, subject to government approval, is expected to close in the third quarter of 2012. Additionally, we are pursuing exploration activities in Ethiopia, subject to host country government approval.

Also in late July, we closed on agreements to farm out 35 percent working (44 percent paying) interests in the Harir and Safen blocks in the Kurdistan Region of Iraq. After this transaction, we have a 45 percent working (56 percent paying) interest in each of the two blocks.

The above discussions include forward-looking statements with respect to the expected production in the Eagle Ford, Anadarko Woodford and Bakken plays, timing of first production from the Boyla field, anticipated drilling rig and drilling activity, the sale of the our Alaska assets, the expected closing of agreements in Gabon and Kenya, possible exploration activity in Ethiopia, a new production sharing contract with the Government of Equatorial Guinea, a scheduled shutdown of the Norway assets and the timing of the commencement of construction and first oil on the SAGD project. Factors that could potentially affect the expected production in the Eagle Ford, Anadarko Woodford and Bakken plays, timing of first production from the Boyla field, and anticipated drilling rig and drilling activity include pricing, supply and demand for liquid hydrocarbons and natural gas, the amount of capital available for exploration and development, regulatory constraints, timing of commencing production from new wells, drilling rig availability, unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response thereto, and other geological, operating and economic considerations. The completion of the sale of our Alaska assets is subject to necessary government and regulatory approvals and customary closing conditions. The agreement in Gabon is subject to government and partner approvals. The agreement in Kenya and the exploration activity in Ethiopia are subject to government approvals. The new production sharing contract with the Government of Equatorial Guinea is subject to ratification by the Equatorial Guinea government. The scheduled shutdown of the Norway assets is based on current expectations, estimates and projections and is not a guarantee of future performance. The timing of commencement of construction and first oil on the SAGD project can be affected by delays in obtaining and conditions imposed by necessary government and third-party approvals, board approval, transportation logistics, availability of materials and labor, unforeseen hazards such as weather conditions, and the other risks associated with construction projects. Actual results may differ materially from these expectations, estimates and projections and are subject to certain risks, uncertainties and other factors, some of which are beyond the our control and difficult to predict. The foregoing factors (among others) could cause actual results to differ materially from those set forth in the forward-looking statements.

Oil Sands Mining

Our OSM operations consist of a 20 percent non-operated working interest in the Athabasca Oil Sands Project (“AOSP”). Our net synthetic crude oil sales were 44 mbbld in the second quarter and first six months of 2012 compared to 41 mbbld and 39 mbbld in the same periods of 2011. The upgrader expansion was completed and commenced operations in the second quarter of 2011 and subsequent periods’ sales volumes have increased as a result.

With production capacity at the AOSP now at 255,000 gross barrels per day, the focus will be on improving operating efficiencies and adding capacity through debottlenecking.

In July 2012, Alberta’s primary energy regulator, the Energy and Resources Conservation Board (“ERCB”), conditionally approved the AOSP’s Quest Carbon Capture and Storage (“Quest”) project. The ERCB’s approval positions the AOSP partners to make an investment decision on Quest in 2012.

The above discussion contains forward looking statements with regard to the Quest project. The project is subject to regulatory approvals, stakeholder engagement, detailed engineering studies and a final joint venture partner agreement.

Integrated Gas

LNG and methanol sales from Equatorial Guinea are conducted through equity method investees that purchase dry gas from our E&P assets in Equatorial Guinea. Our share of LNG sales totaled 5,467 metric tonnes per day (“mtd”) for the second quarter and 5,879 mtd for the first six months of 2012 compared to 6,614 mtd and 7,215 mtd in the same periods of 2011. LNG sales volumes are below the prior year primarily because the second quarter and first six months of 2011 also included LNG sales from Alaska, which ceased when our interest in that production facility was sold in the third quarter of 2011. Also, the planned turnaround which began at the LNG facility in Equatorial Guinea in the first quarter of 2012 was completed in the second quarter four days ahead of schedule and 15 percent under budget.

Market Conditions

Exploration and Production

Prevailing prices for the various qualities of crude oil and natural gas that we produce significantly impact our revenues and cash flows. Prices have been volatile in recent years. The following table lists benchmark crude oil and natural gas price averages in the second quarter and first six months of 2012 compared to the same periods in 2011.

Benchmark	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
WTI crude oil (Dollars per barrel)	\$93.35	\$102.34	\$98.15	\$98.50
Brent (Europe) crude oil (Dollars per barrel)	\$108.42	\$117.36	\$113.45	\$111.16
Henry Hub natural gas (Dollars per million British thermal units ("mmbtu"))(a)	\$2.22	\$4.31	\$2.48	\$4.21

(a) Settlement date average.

Average WTI crude oil benchmark prices decreased in the second quarter of 2012 compared to the same quarter of 2011, but were relatively flat for the first six months of each year. The average differential between the Brent and WTI benchmarks was a premium of approximately \$15 per barrel in both periods of 2012. Our international crude oil production is relatively sweet and a majority is sold in relation to the Brent crude oil benchmark.

Our domestic crude oil production was about 42 percent sour in the second quarter and 45 percent sour in the first six months of 2012 compared to 68 percent and 69 percent in the same periods of 2011. Reduced production from the Gulf of Mexico and increased onshore production from the Bakken and Eagle Ford shales contributed to the lower sour crude percentage in 2012. Sour crude oil contains more sulfur than light sweet WTI. Sour crude oil also tends to be heavier than and sells at a discount to light sweet crude oil because of its higher refining costs and lower refined product values.

A significant portion of our natural gas production in the lower 48 states of the U.S. is sold at bid-week prices, or first-of-month indices relative to our specific producing areas. Average Henry Hub settlement prices for natural gas were lower for the second quarter and first six months of 2012 compared to the same periods of the prior year. A decline in average settlement date Henry Hub natural gas prices began in September 2011 and continued into the second quarter of 2012. Should U.S. natural gas prices remain depressed, impairment charges related to our natural gas assets may be necessary.

Our other major natural gas-producing regions are Europe and Equatorial Guinea. Natural gas prices in Europe have been higher than in the U.S. in recent periods. In the case of Equatorial Guinea, our natural gas sales are subject to term contracts, making realized prices in these areas less volatile. The natural gas sales from Equatorial Guinea are at fixed prices; therefore, our reported average natural gas realized prices may not fully track market price movements.

Oil Sands Mining

OSM segment revenues correlate with prevailing market prices for the various qualities of synthetic crude oil and vacuum gas oil we produce. Roughly two-thirds of our normal output mix will track movements in WTI and one-third will track movements in the Canadian heavy sour crude oil market, primarily Western Canadian Select (“WCS”). Recently, the WCS discount from WTI has increased, bringing down our average price realizations. Output mix can be impacted by operational problems or planned unit outages at the mines or upgrader.

The operating cost structure of the oil sands mining operations is predominantly fixed, and therefore many of the costs incurred in times of full operation continue during production downtime, making per unit costs sensitive to production rate. Key variable costs are natural gas and diesel fuel, which track commodity markets such as the Canadian Alberta Energy Company (“AECO”) natural gas sales index and crude prices respectively.

The table below shows benchmark prices that impacted both our revenues and variable costs for the second quarter and first six months of 2012 and 2011:

Benchmark	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
WTI crude oil (Dollars per barrel)	\$ 93.35	\$ 102.34	\$ 98.15	\$ 98.50
Western Canadian Select (Dollars per barrel)(a)	\$ 70.63	\$ 84.92	\$ 76.07	\$ 78.08
AECO natural gas sales index (Dollars per mmbtu)(b)	\$ 1.84	\$ 4.04	\$ 2.04	\$ 3.94

(a) Monthly pricing based upon average WTI adjusted for differentials unique to western Canada.

(b) Monthly average AECO day ahead index.

Integrated Gas

We have a 60 percent ownership in a production facility in Equatorial Guinea, which sells LNG under a long-term contract principally based upon Henry Hub natural gas prices.

We own a 45 percent interest in a methanol plant located in Equatorial Guinea. Methanol demand has a direct impact on the plant's earnings. Because global demand for methanol is rather limited, changes in the supply-demand balance can have a significant impact on sales prices. The plant capacity of 1.1 million tonnes is about 2 percent of 2011 estimated world demand.

Results of Operations

Consolidated Results of Operation

Due to the spin-off of our downstream business on June 30, 2011, which is reported as discontinued operations, income from continuing operations is more representative of Marathon Oil as an independent energy company. Consolidated income from continuing operations before income taxes in the second quarter of 2012 was 55 percent higher than in the same period of 2011 primarily due to the previously discussed resumption of our operations in Libya and no impairments in the second quarter of 2012. The effective tax rate was 72 percent in the second quarter of 2012 compared to 67 percent in the second quarter of 2011, with the increase related to higher income from continuing operations in higher tax jurisdictions, primarily Norway and Libya.

Consolidated income from continuing operations before income taxes in the first six months of 2012 was 45 percent higher than in the same period of 2011 primarily due to increased income in Libya and lower exploration expenses, depreciation, depletion and amortization ("DD&A") and impairments. As a result of increased income from continuing operations before tax in higher tax jurisdictions, primarily Norway and Libya, the effective tax rate was 71 percent for the first six months of 2012 compared to 60 percent for the same period of 2011.

Revenues are summarized by segment in the following table:

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
E&P	\$3,396	\$3,249	\$6,808	\$6,576
OSM	335	447	714	753
IG	-	13	-	77
Segment revenues	3,731	3,709	7,522	7,406
Elimination of intersegment revenues	-	(15)	-	(41)
Total revenues	\$3,731	\$3,694	\$7,522	\$7,365

E&P segment revenues increased \$147 million in the second quarter and \$232 million in the first six months of 2012 from the comparable prior-year periods. Included in our E&P segment are supply optimization activities which include the purchase of commodities from third parties for resale. Supply optimization serves to aggregate volumes in

order to satisfy transportation commitments and to achieve flexibility within product types and delivery points. See the Cost of revenues discussion as revenues from supply optimization approximate the related costs. Lower average commodity prices in the second quarter and first six months of 2012 decreased revenues related to supply optimization.

Revenues from the sale of our U.S. production are higher in the second quarter and first six months of 2012 primarily as a result of increased liquid hydrocarbon sales volumes from our U.S. shale plays. Lower liquid hydrocarbon and natural gas price realizations partially offset the volume impact. The following table gives details of net sales and average realizations of our U.S. operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
United States Operating Statistics				
Net liquid hydrocarbon sales (mbbl) (a)	93	72	91	75
Liquid hydrocarbon average realizations (per bbl) (b)	\$84.40	\$99.51	\$88.94	\$92.76
Net natural gas sales (mmcf)	319	315	331	341
Natural gas average realizations (per mcf)(b)	\$3.42	\$5.08	\$3.79	\$5.12

(a) Includes crude oil, condensate and natural gas liquids.

(b) Excludes gains and losses on derivative instruments.

Revenues from our international operations are higher in the second quarter and first six months of 2012 primarily as a result of the, previously discussed, resumption of liquid hydrocarbon sales from Libya. Higher average liquid hydrocarbon realizations during the first six months of 2012 also contributed to the revenue increase for that period. The following table gives details of net sales and average realizations of our international operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
International Operating Statistics				
Net liquid hydrocarbon sales (mmbld)(a)				
Europe	99	87	98	99
Africa	78	39	65	49
Total International	177	126	163	148
Liquid hydrocarbon average realizations (per bbl)(b)				
Europe	\$111.12	\$122.13	\$117.37	\$115.27
Africa	96.84	76.86	95.87	79.60
Total International	\$104.82	\$108.05	\$108.80	\$103.51
Net natural gas sales (mmcf/d)				
Europe(c)	102	96	103	99
Africa	399	420	409	433
Total International	501	516	512	532
Natural gas average realizations (per mcf)(b)				
Europe	\$10.05	\$10.05	\$10.02	\$10.18
Africa	0.25	0.25	0.25	0.25
Total International	\$2.25	\$2.06	\$2.22	\$2.09

(a) Includes crude oil, condensate and natural gas liquids. The amounts correspond with the basis for fiscal settlements with governments, representing equity tanker liftings and direct deliveries of liquid hydrocarbons.

(b) Excludes gains and losses on derivative instruments.

(c) Includes natural gas acquired for injection and subsequent resale of 17 mmcf/d and 13 mmcf/d for the second quarters of 2012 and 2011, and 15 mmcf/d and 14 mmcf/d for the first six months of 2012 and 2011.

OSM segment revenues decreased \$112 million in the second quarter and \$39 million in the first six months of 2012 compared to the same periods of 2011. Net sales volumes improved in both periods of 2012 compared to the prior year because the upgrader expansion was completed and commenced operations in the second quarter of 2011. However, lower WTI prices and an increase in the discount of WCS to WTI resulted in the 21 percent and 9 percent decreases in average realizations during the second quarter and first six months of 2012. The following table gives details of net sales and average realizations of our OSM operations.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
OSM Operating Statistics				
Net synthetic crude oil sales (mmbld) (a)	44	41	44	39
Synthetic crude oil average realizations (per bbl)	\$79.31	\$100.68	\$85.07	\$93.26

(a) Includes blendstocks.

IG segment revenues decreased \$13 million in the second quarter and \$77 million in the first six months of 2012 compared to the same periods of 2011. Sales of LNG from our Alaska operations ceased in the third quarter of 2011 when we sold our interest in this production facility.

Income from equity method investments decreased \$60 million in the second quarter of 2012 and \$99 million in the first six months of 2012 from the comparable prior-year periods. Lower commodity prices negatively impacted the earnings of our equity method investees.

Net gain (loss) on disposal of assets in the second quarter of 2012 primarily reflects \$36 million to settle all of our obligations, including well commitments, as a result of the assignment of our Bone Bay and Kumawa exploration licenses in Indonesia. The net gain on disposal of assets in the first six months of 2012 was primarily the \$166 million gain on the sale of our interests in several Gulf of Mexico crude oil pipeline systems, reduced by the second quarter Indonesia loss. See Note 7 to the consolidated financial statements for information about these dispositions.

Cost of revenues decreased \$365 million and \$362 million in the second quarter and first six months of 2012 from the comparable periods of 2011 primarily due to the impact of lower commodity prices on our supply optimization activities. Comparatively, costs related to supply optimization were lower by \$276 million for the second quarter and by \$239 million for the first six months of 2012. OSM segment costs decreased in both periods of 2012 because the second quarter of 2011 included a \$64 million accrual for estimated net costs to address water flow in a previously mined and contained area of the Muskeg River mine. Additionally, Integrated Gas segment costs are lower in 2012 due to the sale of our interest in the Alaska LNG facility in the third quarter of 2011.

Depreciation, depletion and amortization increased \$16 million in the second quarter and decreased \$45 million in the first six months of 2012 from the comparable prior-year periods. Because both our E&P and OSM segments apply the units-of-production method to the majority of their assets, the previously discussed increases or decreases in sales volumes generally result in similar changes in DD&A. The DD&A rate (expense per barrel of oil equivalent), which is impacted by changes in reserves and capitalized costs, can also cause changes in our DD&A. Lower U.S. DD&A rates in the second quarter and first six months of 2012 compared to the same periods in 2011 offset the impact of higher sales volumes in those periods. Also, there was no depletion of our Alaska assets in the second quarter of 2012 because they are held for sale. The following table provides DD&A rates for our E&P and OSM segments.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
(\$ per boe)				
DD&A rate				
E&P Segment				
United States	\$22	\$26	\$23	\$27
International	\$10	\$10	\$9	\$10
OSM Segment	\$6	\$6	\$6	\$6

Impairments in the first six months of 2012 related primarily to the Ozona development in the Gulf of Mexico. Impairments in the first six months of 2011 related primarily to the Droshtky development in the Gulf of Mexico and an intangible asset for an LNG delivery contract at Elba Island. See Note 13 to the consolidated financial statements for information about these impairments.

General and administrative expenses were flat in the second quarter and decreased \$17 million in the first six months of 2012 compared to the same periods in 2011. The first six months of 2011 included higher incentive compensation expense due to the increase in Marathon's stock price in the period leading up to the spin-off.

Exploration expenses were higher in the second quarter of 2012 than in the same quarter of 2011, primarily due to higher dry well costs and unproved property impairments. Dry well costs in the second quarter of 2012 included one dry well in the Gulf of Mexico and a few domestic onshore dry wells, while the second quarter of 2011 included dry well costs in Norway and Indonesia. Exploration expenses were lower in the first six months of 2012 than in the previous year, primarily due to dry well costs in the Gulf of Mexico and Indonesia in the first quarter of 2011; however, higher unproved property impairments in the Marcellus shale and Indonesia in 2012 partially offset this decrease. Geological and geophysical ("G&G") costs increased in both periods of 2012 primarily related to the Eagle Ford shale play, the Kurdistan Region of Iraq and the seismic survey on our Birchwood oil sands in-situ lease. The following table summarizes the components of exploration expenses.

(In millions)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Dry well costs and unproved property impairments	\$116	\$91	\$174	\$264
G&G	27	13	70	29
Other	30	41	71	82
Total exploration expenses	\$173	\$145	\$315	\$375

Loss on early extinguishment of debt relates to debt retirements in February and March of 2011. See Note 15 to the consolidated financial statements for additional discussion of these transactions.

Net interest and other increased \$44 million and \$75 million in the second quarter and first six months of 2012 from the comparable periods of 2011 primarily due to lower capitalized interest in both periods.

Provision for income taxes increased \$408 million and \$799 million in the second quarter and first six months of 2012 from the comparable periods of 2011 primarily due to the increase in pretax income in high tax rate jurisdictions, including the impact of the previously discussed resumption of sales in Libya in the first quarter of 2012.

The effective income tax rate is influenced by a variety of factors including the geographic and functional sources of income and the relative magnitude of these sources of income. The provision for income taxes is allocated on a discrete, stand-alone basis to pretax segment income and to individual items not allocated to segments. The difference between the total provision and the sum of the amounts allocated to segments and to individual items not allocated to segments is reported in "Corporate and other unallocated items" in Note 8 to the consolidated financial statements.

Our effective tax rate in the first six months of 2012 was 71 percent. This rate is higher than the U.S. statutory rate of 35 percent primarily due to earnings from foreign jurisdictions, primarily Norway and Libya, where the tax rates are in excess of the U.S. statutory rate. An increase in earnings and associated taxes from foreign jurisdictions, primarily Norway, as compared to prior periods caused an increase in our valuation allowance on current year foreign tax credits. In Libya, where the statutory tax rate is in excess of 90 percent, limited production resumed in the fourth quarter of 2011 and liquid hydrocarbon sales resumed in the first quarter of 2012. A reliable estimate of 2012 annual ordinary income from our Libyan operations cannot be made and the range of possible scenarios when including ordinary income from our Libyan operations in the worldwide annual effective tax rate calculation demonstrates significant variability. As such, for the first six months of 2012, an estimated annual effective tax rate was calculated excluding Libya and applied to consolidated ordinary income excluding Libya and the tax provision applicable to Libyan ordinary income was recorded as a discrete item in the period. Excluding Libya, the effective tax rate would be 64 percent for the first six months of 2012.

Our effective tax rate in the first six months of 2011 was 60 percent which is higher than the U.S. statutory tax rate of 35 percent primarily due to earnings from foreign jurisdictions where the tax rates are in excess of the U.S. statutory rate and the valuation allowance recorded against 2011 foreign tax credits. In addition, in the second quarter of 2011 we recorded a deferred tax charge related to an internal restructuring of our international subsidiaries.

Discontinued operations reflect the June 30, 2011 spin-off of our downstream business and the historical results of those operations, net of tax, for all periods presented.

Segment Results

Segment income is summarized in the following table.

(In millions)	Three Months Ended June		Six Months Ended June	
	2012	2011	2012	2011
E&P				
United States	\$70	\$126	\$179	\$157
International	347	475	715	1,112
E&P segment	417	601	894	1,269
OSM	51	69	92	101
IG	13	43	17	103
Segment income	481	713	1,003	1,473
Items not allocated to segments, net of income taxes:				
Corporate and other unallocated items	(65)	(24)	(109)	(153)
Gain (loss) on dispositions	(23)	24	83	24
Impairments	-	(195)	(167)	(195)
Tax effect of subsidiary restructuring	-	(122)	-	(122)
Loss on early extinguishment of debt	-	-	-	(176)
Deferred income tax items	-	(50)	-	(50)
Water abatement - Oil Sands	-	(48)	-	(48)
Income from continuing operations	393	298	810	753
Discontinued operations	-	698	-	1,239

Net income	\$393	\$996	\$810	\$1,992
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United States E&P income decreased \$56 million in the second quarter and increased \$22 million in the first six months of 2012 compared to the same periods of 2011. The income decrease in the second quarter of 2012 was primarily the result of lower liquid hydrocarbon price realizations and increased exploration expenses, partially offset by higher liquid hydrocarbon sales volumes. For the six-month period, the increase in liquid hydrocarbon sales volumes and decreased DD&A were partially offset by lower liquid hydrocarbon realizations and increased exploration expenses.

International E&P income decreased \$128 million in the second quarter and \$397 million in the first six months of 2012 compared to the same periods of 2011. As previously discussed, increased income before tax in higher tax jurisdictions resulted in a higher effective tax rate in the second quarter and first six months of 2012 compared to the same periods of 2011. Segment income, before taxes, increased in both periods primarily due to the previously discussed higher liquid hydrocarbon sales volumes and lower exploration expenses in both periods. Higher liquid hydrocarbon realizations also had a favorable impact on income for the first six months of 2012.

OSM segment income decreased \$18 million and \$9 million in the second quarter and first six months of 2012. As previously discussed, lower synthetic crude oil price realizations were the primary reason for the decrease in income. This was partially offset by decreased costs and higher sales volumes.

IG segment income decreased \$30 million and \$86 million in the second quarter of 2012 and first six months of 2012 compared to the same periods of 2011 primarily as a result of weaker natural gas prices in 2012 and lower LNG sales volumes due to the sale of our interest in the Alaska LNG facility in the third quarter of 2011.

Cash Flows and Liquidity

Cash Flows

Net cash provided by continuing operations was \$1,742 million in the first six months of 2012, compared to \$3,320 million in the first six months of 2011 primarily reflecting the impact of lower liquid hydrocarbon and natural gas prices on operating income and higher cash tax payments. See Note 17 to the consolidated financial statements for amounts of the cash tax payments.

Net cash used in investing activities totaled \$2,001 million in the first six months of 2012, compared to \$1,380 million related to continuing operations in the first six months of 2011. Significant investing activities are additions to property, plant and equipment and disposal of assets. In the first six months of 2012, most of the additions were in the E&P segment with continued spending on U.S. unconventional resource plays, particularly the Eagle Ford shale. This compares to additions in the first six months of 2011 which also included spending on U.S. unconventional resource plays, though at a lower level, and drilling in Norway, Indonesia and the Iraqi Kurdistan Region. Deposits totaling \$100 million were paid in the first six months of 2011 related to the Eagle Ford shale acreage acquisitions that closed later that year.

For further information regarding capital expenditures by segment, see Supplemental Statistics.

Net cash provided by financing activities was \$210 million in the first six months of 2012, compared to net cash used in financing activities related to continuing operations of \$4,695 million in the first six months of 2011. During the first six months of 2012, we drew a net \$550 million under our commercial paper program, retired \$23 million principal amount of debt before it was due and repaid \$88 million of debt upon its maturity. During the first six months of 2011, we retired \$2.5 billion aggregate principal amount of our debt before it was due and distributed \$1.6 billion to Marathon Petroleum Corporation in connection with the spin-off of the downstream business. Dividends paid were a significant use of cash in both periods.

Liquidity and Capital Resources

Our main sources of liquidity are cash and cash equivalents, internally generated cash flow from operations, the issuance of notes, our committed revolving credit facility, and sales of non-strategic assets. Our working capital requirements are supported by these sources and we may issue commercial paper backed by our \$2.5 billion revolving credit facility to meet short-term cash requirements. We issued \$4.3 billion and repaid \$3.7 billion of commercial paper in the first six months of 2012 leaving a balance of \$550 million outstanding at June 30, 2012. After June 30, 2012, we continued to utilize our sources of liquidity, including additional issuances of commercial paper, to fund the Eagle Ford acquisition that closed on August 1, 2012 and working capital requirements. Because of the alternatives

available to us as discussed above and access to capital markets, we believe that our short-term and long-term liquidity is adequate to fund not only our current operations, but also our near-term and long-term funding requirements including our capital spending programs, dividend payments, defined benefit plan contributions, repayment of debt maturities, and other amounts that may ultimately be paid in connection with contingencies.

Capital Resources

At June 30, 2012, we had no borrowings against our revolving credit facility, described below, and \$550 million in commercial paper outstanding under our U.S. commercial paper program that is backed by the revolving credit facility.

In April 2012, we terminated our \$3.0 billion five-year revolving credit facility and replaced it with a new \$2.5 billion unsecured five-year revolving credit facility (the "Credit Facility"). The Credit Facility matures in April 2017 but allows us to request two one-year extensions. It contains an option to increase the commitment amount by up to an additional \$1.0 billion, subject to the consent of any increasing lenders, and includes sub-facilities for swing-line loans and letters of credit up to an aggregate amount of \$100 million and \$500 million, respectively. Fees on the unused commitment of each lender range from 10 basis points to 25 basis points per year depending on our credit ratings. Borrowings under the Credit Facility bear interest, at our option, at either (a) an adjusted London Interbank Offered Rate ("LIBOR") plus a margin ranging from 87.5 basis points to 162.5 basis points per year depending on our credit ratings or (b) the Base Rate plus a margin ranging from 0.0 basis points to 62.5 basis points depending on our credit ratings. Base Rate is defined as a per annum rate equal to the greatest of (a) the prime rate, (b) the federal funds rate plus one-half of one percent and (c) LIBOR for a one-month interest period plus 1 percent.

The agreement contains a covenant that requires our ratio of total debt to total capitalization not to exceed 65 percent as of the last day of each fiscal quarter. If an event of default occurs, the lenders may terminate the commitments under the Credit Facility and require the immediate repayment of all outstanding borrowings and the cash collateralization of all outstanding letters of credit under the Credit Facility.

We have a universal shelf registration statement filed with the Securities and Exchange Commission under which we, as a well-known seasoned issuer, have the ability to issue and sell an indeterminate amount of various types of debt and equity securities.

Our cash-adjusted debt-to-capital ratio (total debt-minus-cash to total debt-plus-equity-minus-cash) was 21 percent at June 30, 2012, compared to 20 percent at December 31, 2011.

	June 30, 2012	December 31, 2011		
(In millions)				
Commercial paper	\$550	\$-		
Long-term debt due within one year	187	141		
Long-term debt	4,513	4,674		
Total debt	5,250	4,815		
Cash	452	493		
Equity	\$17,785	\$17,159		
Calculation:				
Total debt	\$5,250	\$4,815		
Minus cash	452	493		
Total debt minus cash	4,798	4,322		
Total debt	5,250	4,815		
Plus equity	17,785	17,159		
Minus cash	452	493		
Total debt plus equity minus cash	\$22,583	\$21,481		
Cash-adjusted debt-to-capital ratio	21	%	20	%

Capital Requirements

On July 25, 2012, our Board of Directors approved a dividend of 17 cents per share for the second quarter of 2012, payable September 10, 2012 to stockholders of record at the close of business on August 16, 2012.

As discussed in Note 6 to the consolidated financial statements, the transaction valued at \$750 million to acquire additional Eagle Ford shale assets was closed on August 1, 2012.

In the first quarter of 2012, we increased our 2012 capital, investment and exploration budget, excluding acquisition costs, from \$4.8 billion to \$5.0 billion, of which \$4.6 billion will be used for capital expenditures. The increase reflects development plans for the additional acreage being acquired in the Eagle Ford shale and other adjustments.

As of June 30, 2012 we expected to make additional contributions to our funded pension plans up to an estimated \$50 million over the remainder of 2012. We made a contribution of \$14 million in July 2012.

Our opinions concerning liquidity and our ability to avail ourselves in the future of the financing options mentioned in the above forward-looking statements are based on currently available information. If this information proves to be inaccurate, future availability of financing may be adversely affected. Estimates may differ from actual

results. Factors that affect the availability of financing include our performance (as measured by various factors including cash provided from operating activities), the state of worldwide debt and equity markets, investor perceptions and expectations of past and future performance, the global financial climate, and, in particular, with respect to borrowings, the levels of our outstanding debt and credit ratings by rating agencies. The above discussions also contain forward-looking statements about our 2012 capital, investment and exploration budget and expected contributions to our funded pension plans. Actual results may differ materially from these expectations, estimates and projections and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Some factors that could cause actual results to differ materially are changes in prices of and demand for liquid hydrocarbons and natural gas, actions of competitors, disruptions or interruptions of our production and mining operations due to unforeseen hazards such as weather conditions, acts of war or terrorist acts and the governmental or military response thereto, and other operating and economic considerations.

Contractual Cash Obligations

The table below provides aggregated information on our consolidated contractual cash obligations to make future payments under existing contracts as of June 30, 2012.

(In millions)	Total	2012	2013- 2014	2015- 2016	Later Years
Short and long-term debt (excludes interest)	\$5,202	\$584	\$249	\$68	\$4,301
Lease obligations	272	45	74	54	99
Purchase obligations:					
Oil and gas activities(a)	1,053	550	381	43	79
Service and materials contracts(b)	992	84	229	152	527
Transportation and related contracts	1,258	162	255	158	683
Drilling rigs and fracturing crews	1,272	397	851	24	-
Other	215	41	90	27	57
Total purchase obligations	4,790	1,234	1,806	404	1,346
Other long-term liabilities reported					
in the consolidated balance sheet(c)	1,163	95	272	253	543
Total contractual cash obligations(d)	\$11,427	\$1,958	\$2,401	\$779	\$6,289

(a) Oil and gas activities include contracts to acquire property, plant and equipment and commitments for oil and gas exploration such as costs related to contractually obligated exploratory work programs that are expensed immediately.

(b) Service and materials contracts include contracts to purchase services such as utilities, supplies and various other maintenance and operating services.

(c) Primarily includes obligations for pension and other postretirement benefits including medical and life insurance, which we have estimated through 2021. Also includes amounts for uncertain tax positions.

(d) This table does not include the estimated discounted liability for dismantlement, abandonment and restoration costs of oil and gas properties of \$1,489 million.

Critical Accounting Estimates

There have been no changes to our critical accounting estimates subsequent to December 31, 2011.

Environmental Matters

We have incurred and will continue to incur substantial capital, operating and maintenance, and remediation expenditures as a result of environmental laws and regulations. If these expenditures, as with all costs, are not ultimately reflected in the prices of our products and services, our operating results will be adversely affected. We believe that substantially all of our competitors must comply with similar environmental laws and regulations. However, the specific impact on each competitor may vary depending on a number of factors, including the age and location of its operating facilities, marketing areas and production processes.

There have been no significant changes to our environmental matters subsequent to December 31, 2011.

Other Contingencies

We are defendant in a number of lawsuits arising in the ordinary course of business, including, but not limited to, royalty claims, contract claims and environmental claims. While the ultimate outcome and impact to us cannot be predicted with certainty, we believe the resolution of these proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

Litigation – In March 2011, Noble Drilling (U.S.) LLC (“Noble”) filed a lawsuit against us in the District Court of Harris County, Texas alleging, among other things, breach of contract, breach of the duty of good faith and fair dealing, and negligent misrepresentation, relating to a multi-year drilling contract for a newly constructed drilling rig to be deployed in the U.S. Gulf of Mexico. We filed an answer in April 2011, contending, among other things, failure to perform, failure to comply with material obligations, failure to mitigate alleged damages and that Noble failed to provide the rig according to the operating, performance and safety requirements specified in the drilling contract. Noble is seeking an unspecified amount of damages. We are vigorously defending this litigation. The ultimate outcome of this lawsuit, including any financial effect on us, remains uncertain. We do not believe an estimate of a reasonably probable loss (or range of loss) can be made for this lawsuit at this time.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

For a detailed discussion of our risk management strategies and our derivative instruments, see Item 7A. Quantitative and Qualitative Disclosures About Market Risk, in our 2011 Annual Report on Form 10-K.

Disclosures about how derivatives are reported in our consolidated financial statements and how the fair values of our derivative instruments are measured may be found in Notes 13 and 14 to the consolidated financial statements.

Sensitivity analysis of the projected incremental effect of a hypothetical 10 percent change in interest rates on financial assets and liabilities as of June 30, 2012 is provided in the following table.

(In millions)	Fair Value	Incremental Change in Fair Value
Financial assets (liabilities): (a)		
Interest rate swap agreements	\$ 16	(b) \$ 5
Long-term debt, including amounts due within one year	\$(5,447)	(b) \$(220)

(a) Fair values of cash and cash equivalents, receivables, notes payable, accounts payable and accrued interest approximate carrying value and are relatively insensitive to changes in interest rates due to the short-term maturity of the instruments. Accordingly, these instruments are excluded from the table.

(b) Fair value was based on market prices where available, or current borrowing rates for financings with similar terms and maturities.

The aggregate cash flow effect on foreign currency derivative contracts of a hypothetical 10 percent change in exchange rates at June 30, 2012 would be \$55 million.

Item 4. Controls and Procedures

An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) was carried out under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer. As of the end of the period covered by this report based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures were effective. During the quarter ended June 30, 2012, there were no changes in our internal control over financial reporting that have materially affected, or were reasonably likely to materially affect, our internal control over financial reporting.

MARATHON OIL CORPORATION
Supplemental Statistics (Unaudited)

(In millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
Segment Income				
Exploration and Production				
United States	\$70	\$126	\$179	\$157
International	347	475	715	1,112
E&P segment	417	601	894	1,269
Oil Sands Mining	51	69	92	101
Integrated Gas	13	43	17	103
Segment income	481	713	1,003	1,473
Items not allocated to segments, net of income taxes				
Income from continuing operations	(88)	(415)	(193)	(720)
Discontinued operations(a)	-	698	-	1,239
Net income	\$393	\$996	\$810	\$1,992
Capital Expenditures(b)				
Exploration and Production				
United States	\$983	\$556	\$1,845	\$905
International	201	193	340	512
E&P segment	1,184	749	2,185	1,417
Oil Sands Mining	43	80	95	200
Integrated Gas	1	-	1	1
Corporate	17	24	59	30
Total	\$1,245	\$853	\$2,340	\$1,648
Exploration Expenses				
United States	\$144	\$54	\$237	\$204
International	29	91	78	171
Total	\$173	\$145	\$315	\$375

(a) The spin-off of our downstream business was completed on June 30, 2011, and has been reported as discontinued operations in 2011.

(b) Capital expenditures include changes in accruals.

MARATHON OIL CORPORATION
Supplemental Statistics (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2012	2011	2012	2011
E&P Operating Statistics				
Net Liquid Hydrocarbon Sales (mbbld)				
United States	93	72	91	75
Europe	99	87	98	99
Africa	78	39	65	49
Total International	177	126	163	148
Worldwide	270	198	254	223
Net Natural Gas Sales (mmcf)				
United States	319	315	331	341
Europe(c)	102	96	103	99
Africa	399	420	409	433
Total International	501	516	512	532
Worldwide	820	831	843	873
Total Worldwide Sales (mboed)	407	337	395	368
Average Realizations (d)				
Liquid Hydrocarbons (per bbl)				
United States	\$84.40	\$99.51	\$88.94	\$92.76
Europe	111.12	122.13	117.37	115.27
Africa	96.84	76.86	95.87	79.60
Total International	104.82	108.05	108.80	103.51
Worldwide	\$97.81	\$104.93	\$101.68	\$99.89
Natural Gas (per mcf)				
United States	\$3.42	\$5.08	\$3.79	\$5.12
Europe	10.05	10.05	10.02	10.18
Africa(e)	0.25	0.25	0.25	0.25
Total International	2.25	2.06	2.22	2.09
Worldwide	\$2.70	\$3.21	\$2.84	\$3.28
OSM Operating Statistics				
Net Synthetic Crude Oil Sales (mbbld) (f)	44	41	44	39
Synthetic Crude Oil Average Realizations (per bbl)(d)	\$79.31	\$100.68	\$85.07	\$93.26
IG Operating Statistics				
Net Sales (mtd) (g)				
LNG	5,467	6,614	5,879	7,215
Methanol	1,268	1,243	1,290	1,281

c) Includes natural gas acquired for injection and subsequent resale of 17 mmcf and 13 mmcf for the second quarters of 2012 and 2011, and 15 mmcf and 14 mmcf for the first six months of 2012 and 2011.

(d) Excludes gains and losses on derivative instruments.

- (e) Primarily represents a fixed price under long-term contracts with Alba Plant LLC, Atlantic Methanol Production Company LLC (“AMPCO”) and Equatorial Guinea LNG Holdings Limited (“EGHoldings”), equity method investees. We include our share of Alba Plant LLC’s income in our E&P segment and we include our share of AMPCO’s and EGHoldings’ income in our Integrated Gas segment.
- (f) Includes blendstocks.
- (g) Includes both consolidated sales volumes and our share of the sales volumes of equity method investees in 2011. LNG sales from Alaska, conducted through a consolidated subsidiary, ceased when these operations were sold in the third quarter of 2011. LNG and methanol sales from Equatorial Guinea are conducted through equity method investees.

Part II – OTHER INFORMATION

Item 1. Legal Proceedings

We are defendant in a number of lawsuits arising in the ordinary course of business, including, but not limited to, royalty claims, contract claims and environmental claims. While the ultimate outcome and impact to us cannot be predicted with certainty, we believe the resolution of these proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. There have been no significant changes in legal or environmental proceedings during the first six months of 2012.

Item 1A. Risk Factors

We are subject to various risks and uncertainties in the course of our business. The discussion of such risks and uncertainties may be found under Item 1A. Risk Factors in our 2011 Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table provides information about purchases by Marathon Oil during the quarter ended June 30, 2012, of equity securities that are registered by Marathon Oil pursuant to Section 12 of the Securities Exchange Act of 1934.

	Column (a)	Column (b)	Column (c)	Column (d)
			Total Number of Shares Purchased as Part of Publicly Announced	Approximate Dollar Value of Shares that May Yet Be Purchased Under the
Period	Total Number of Shares Purchased (a)(b)	Average Price Paid per Share	Plans or Programs(c)	Plans or Programs(c)
04/01/12 – 04/30/12	10,341	\$31.90	-	\$1,780,609,536
05/01/12 – 05/31/12	4,522	\$29.95	-	\$1,780,609,536
06/01/12– 06/30/12	46,608	\$24.68	-	\$1,780,609,536
Total	61,471	\$26.29	-	

- (a) 23,502 shares of restricted stock were delivered by employees to Marathon Oil, upon vesting, to satisfy tax withholding requirements.
- (b) In June 2012, 37,969 shares were repurchased in open-market transactions to satisfy the requirements for dividend reinvestment under the Marathon Oil Corporation Dividend Reinvestment and Direct Stock Purchase Plan (the “Dividend Reinvestment Plan”) by the administrator of the Dividend Reinvestment Plan. Shares needed to

meet the requirements of the Dividend Reinvestment Plan are either purchased in the open market or issued directly by Marathon Oil.

- (c) We announced a share repurchase program in January 2006, and amended it several times in 2007 for a total authorized program of \$5 billion. As of June 30, 2012, 78 million split-adjusted common shares had been acquired at a cost of \$3,222 million, which includes transaction fees and commissions that are not reported in the table above. Of this total, 66 million shares had been acquired at a cost of \$2,922 million prior to the spin-off of the downstream business.

Item 4. Mine Safety Disclosures

Not applicable.

Item 6. Exhibits

The following exhibits are filed as a part of this report:

Exhibit Number	Exhibit Description	Form	Incorporated by Reference			Filed Herewith	Furnished Herewith
			Exhibit	Filing Date	SEC File No.		
12.1	Computation of Ratio of Earnings to Fixed Charges.					X	
31.1	Certification of Chairman, President and Chief Executive Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.					X	
31.2	Certification of Executive Vice President and Chief Financial Officer pursuant to Rule 13(a)-14 and 15(d)-14 under the Securities Exchange Act of 1934.					X	
32.1	Certification of Chairman, President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350.					X	
32.2	Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.					X	
101.INS	XBRL Instance Document.					X	
101.SCH	XBRL Taxonomy Extension Schema.					X	
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.					X	
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.					X	
101.DEF	XBRL Taxonomy Extension Definition Linkbase.					X	
101.LAB	XBRL Taxonomy Extension Label Linkbase.					X	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 3, 2012

MARATHON OIL CORPORATION

By: /s/ Michael K. Stewart
Michael K. Stewart
Vice President, Finance and Accounting,
Controller and Treasurer

