



Canadian Natural

2007 Stewardship Report to Stakeholders

Delivering the Future through Responsible Operations

Health and Safety ■ Infrastructure Integrity ■ Environment ■ Community



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Who We Are

Canadian Natural Resources Limited is a senior independent oil and natural gas exploration, development and production company based in Calgary, Alberta. Our operations are focused in Western Canada, the North Sea and Offshore West Africa. We have more than 3,700 employees worldwide.

We have a strong, diversified asset base with balanced production of natural gas, and heavy and light crude oil.

Our Mission Statement

To develop people to work together to create value for the Company's shareholders by doing it right with fun and integrity.

Our Vision

Health and Safety ■ Infrastructure Integrity ■ Environment ■ Community

- We conduct all of our operations in a way that identifies, minimizes and mitigates harm to the health and safety of employees, contractors, the public and the environment.
- We work co-operatively and effectively with communities, government agencies and interested stakeholders to reduce potential impacts of our operations and to maximize opportunities for economic participation locally and regionally.
- We are committed to a long-term presence in the communities where we operate. Our business activities contribute to the economics and quality of life where we do business, as do our community investments.
- We work together with community and industry groups to ensure a continuously improving, sustainable energy industry.
- We demonstrate integrity in our approach to health and safety, environmental management, our interest in community life in all aspects of our operations.



Message to our Stakeholders

At Canadian Natural, we are committed to responsible operations and to ensuring that the way we conduct our business demonstrates our mission of “doing it right”. We have targets for continuous improvement in all areas of concern to stakeholders. Our integrated systems measure our performance against these targets on an ongoing basis.

As we work to enhance our health and safety, infrastructure integrity, environmental and community programs, we also work to meet stakeholder expectations for corporate citizenship. This report provides highlights of our mission of “doing it right” with respect to several key aspects of our commitments to stakeholders.

The health and safety of our employees, contractors and the communities in proximity to our operations are of the utmost importance. Our safety management systems work to instill a culture of safety throughout our operations. As a result, our overall safety performance and benchmarking results continue to improve. We compare our safety benchmarking results with other industry top performers to ensure our performance is solid and improving.

Despite our continuous efforts to improve our worker health and safety results, we experienced four tragic contractor fatalities in 2007. Canadian Natural was deeply saddened and greatly concerned by these fatalities. This has strengthened our resolve to ensure that such incidents are prevented. In cooperation with workplace health and safety authorities, Canadian Natural investigates all incidents and develops preventative action plans toward our goal of eliminating such incidents.

A growing focus of Canadian Natural Resources Limited is development of Canada’s oil sands resources. The growing global need for oil continues to drive development of this strategically important resource. Canadian Natural has an extensive inventory of oil sands development opportunities that are included in our defined development plans.

Development of Canada’s oil sands is receiving considerable national and international attention. Canadian Natural welcomes this attention as it provides opportunities to demonstrate how we put our mission statement into practice. As we design, develop and operate our oil sands facilities, we exhibit alignment with our mission statement that requires that we “do it right with integrity”. This report outlines our many programs and achievements in oil sands development and describes our commitment to health and safety, environmental stewardship and support for communities.

As is the case for the upstream crude oil and natural gas industry in general, development of Canada’s oil sands resources is highly regulated to ensure the protection of worker health and safety, environmental protection and that communities benefit from development of this resource. Oil sands development requires close collaboration with all levels of government, First Nations, aboriginal communities and a diversity of stakeholders to achieve positive outcomes.

Canadian Natural’s long-term focus is contributing to the communities in proximity to our operations. These are often the same communities where our employees live and work. We understand the importance of working responsibly with communities affected by our operations.

Through our investments in health, education and other social initiatives, we support the priorities identified by these communities. In keeping with our mission statement, we focus on “developing people” to help create and maintain sustainable communities.

We believe that Canadian Natural has the people, assets and plans to deliver on our targets for continuous improvement of our health and safety, environmental and community programs for responsible corporate citizenship.

This report provides a summary of our overall approach and our results for 2007. We look forward to an ongoing, close collaboration with stakeholders who are an essential part of delivering on our mission statement.

Allan P. Markin
CHAIRMAN OF
THE BOARD



A blue ink signature of Allan P. Markin, written in a cursive style.

Allan P. Markin
CHAIRMAN OF THE BOARD

A blue ink signature of Steve W. Laut, written in a cursive style.

Steve W. Laut
PRESIDENT AND CHIEF OPERATING OFFICER

Steve W. Laut
PRESIDENT & CHIEF
OPERATING OFFICER



A quick look at 2007 achievements

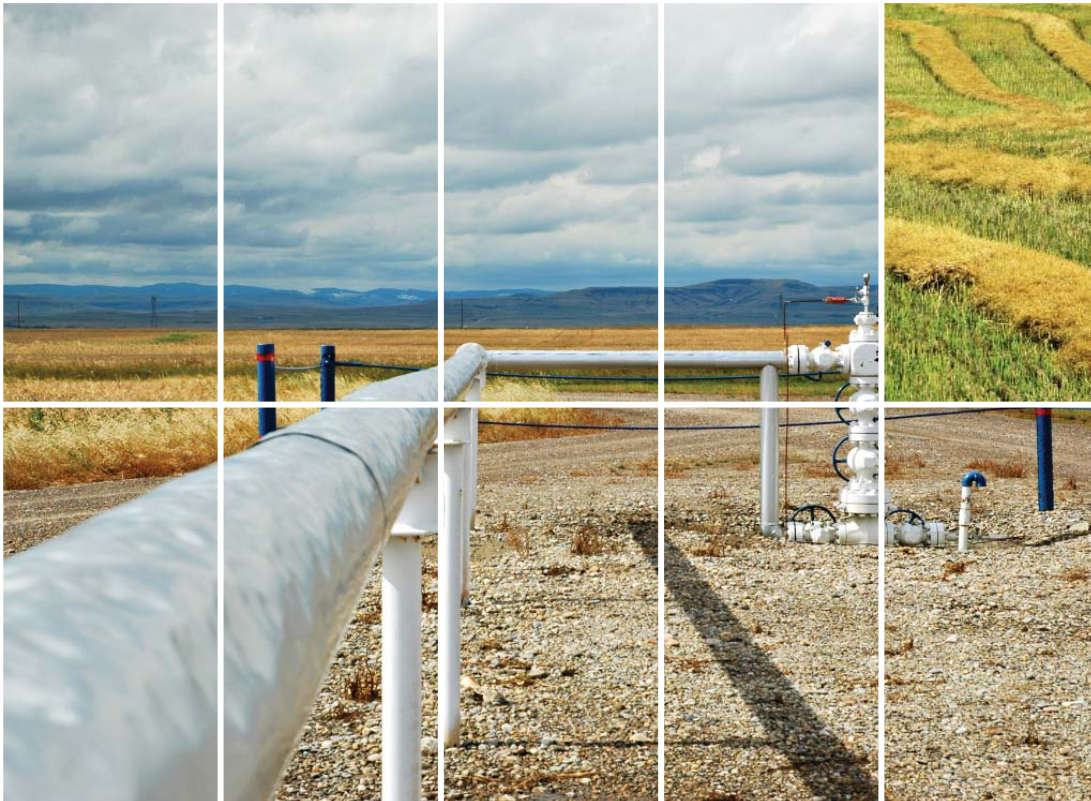
Canadian Natural continues to demonstrate improvements over previous years. This can be attributed to an increased focus on training and preparedness.

Health and Safety

- In our North American operations, we continue to achieve high scores in third party audits that are a requirement of the Certificate of Recognition (Alberta Workplace Health and Safety and the Workers' Compensation Board of British Columbia).
- We continue with our aggressive audit program, conducting safety and compliance audits on many compressor facilities, oil batteries, drilling and service rigs, pipeline projects and construction projects.
- Total recordable injury frequency at our Horizon Oil Sands Project site ("Horizon Project") decreased even though the total exposure hours onsite increased by more than 240% over 2006.
- The Horizon Project has achieved over 12 million hours "lost time injury free".
- The "dangerous occurrence frequency" for our North Sea operations continues to be low – 40% below the industry benchmark.
- In our North Sea operations, the Ninian Central platform received ISO 14001 certification of their Safety, Health and Environmental Management System, while the Tiffany and Ninian Northern platforms maintained their ISO 14001 certification.

Infrastructure Integrity

- The International division and Conventional division continue to use risk-based approach to prioritize inspections of pipelines, facilities equipment and infrastructure to ensure effective allocation of resources while maintaining high levels of infrastructure integrity. Equipment inspection intervals have been successfully extended using this approach. Horizon Project personnel plan to use a similar approach once the equipment is commissioned.
- In all divisions, there is a focus on addressing infrastructure integrity at the design phase of new projects to incorporate past experience in new designs.



Environment

- In 2007, 115 natural gas conservation projects were completed in North American conventional operations, resulting in the reduction of 1.28 million tonnes/year of CO₂e. Over the past five years over \$116 million has been spent to conserve the equivalent of over 6.4 million tonnes of CO₂e.
- The Horizon Project will incorporate numerous advancements in technology to minimize greenhouse gas ("GHG") emissions including the research, development, and implementation of a process to sequester CO₂ into tailings. At the completion of the full project this process will eliminate approximately 180,000 tonnes of CO₂ emissions annually.
- In our International operations, total oil-in-produced-water discharged to sea was reduced by over 40% from 2006 due, in part, to significant improvements in produced water handling.
- Increased brackish/saline water use at our Primrose/Wolf Lake operations continues to enable increased bitumen production without an equivalent increase in fresh water use. Ongoing efforts to increase brackish and saline water supplies will reduce freshwater demand at Primrose/Wolf Lake by 73% by 2013, relative to 2006 levels.
- In 2007, we abandoned 669 wells and 224 pipelines.

Community

- More than 440 students have benefited from a Building Futures Scholarship since the program's inception in 2002.
- We have developed numerous joint management committees with First Nation and Métis communities which have been successful in collaborating on business, social and environmental initiatives that develop long term capacity in these communities.
- Canadian Natural's 2007 community sponsorship and funding support totaled more than \$4.6 million, supporting a variety of initiatives in North America and internationally.



Health and Safety



Canadian Natural conducts our operations to achieve our goal of protecting the health and safety of employees, contractors and the public. Our ongoing focus on aggressive safety programs and processes, enhanced safety awareness throughout our operations, and the high degree of co-operation with our contractors is essential to achieving continuous improvement.

In 2005 we obtained a Certificate of Recognition ("COR") through Enform, a certifying partner of Alberta Workplace Health and Safety and the Workers' Compensation Board of British Columbia. To maintain our COR certification in 2007, we continued our aggressive internal safety audit program.

Our North American conventional Safety and Compliance Team conducted more than 600 facility, drilling and service rig, pipeline and construction project audits. One result is that Canadian Natural maintained a significantly higher compliance rate from regulators, such as the Alberta Energy Resources Conservation Board ("ERCB"), in comparison to the industry average.

Emergency response planning continued to be a top priority for all operations. In 2007, our North American conventional emergency response training focused on preparedness. This year, we held 11 major preparation drills and 54 tabletop preparation exercises.

Invitations to participate in major emergency response planning drills were extended to all agencies that have a mandate for emergency response or may be called on to assist in an emergency. This gave us an excellent opportunity to work together in simulated situations and to assess strengths, weaknesses and available resources. We received highly positive feedback from the regulatory organizations in attendance at the drills.

In 2006, Canadian Natural conventional operations completely revised the existing Comprehensive Safety Manual and Employee Guide to Accident Prevention. As we provided the new materials to staff in 2007, we emphasized the role each person plays in ensuring a safe work environment.



If an incident or injury occurs, we respond in a diligent manner to secure and investigate the site and, where possible, initiate processes and procedures to ensure incidents of that nature do not reoccur.

As noted in the introductory section of this report, despite our continuous efforts to improve our worker health and safety results, we experienced four tragic contractor fatalities in 2007. Canadian Natural was deeply saddened and greatly concerned by these fatalities. They have strengthened our resolve to ensure that such incidents are prevented.

In cooperation with workplace health and safety authorities, Canadian Natural investigates all incidents and develops preventative action plans toward our goal of eliminating such incidents.

In our North American conventional operations, our total recordable injury frequency showed a continued improvement trend over the past five years. Our medical aid frequency and first aid frequencies were also improved over previous years.

As the Horizon Project proceeds towards commissioning in 2008, work continued on our safety training programs and processes for employees and contractors. We also made progress in integrating our emergency response plan for Horizon with the plans of the local municipality. An audit of the Horizon Project Emergency Response Plan in 2007 found that the plan met our corporate standards and surpasses regulatory requirements.

Also at our Horizon Project, total recordable injury frequency continued to decline even though exposure hours onsite increased by over 240% and we achieved 12 million hours "lost time injury free" in 2007.

In our International operations, we created formal initiatives aimed at further improving worksite safety, behaviors, and targeted safety leadership training. The number of lost time injuries declined by 50% in 2007 compared to 2006. The total recordable injury frequency dropped by 36%. Our international benchmarking statistics were in the top quartile of North Sea operators.

Health and safety statistics are available on page 16.

Canadian Natural cares about the wellbeing of its employees and contractors. We implemented a Healthy People Pure North S'Energy Program to improve the overall health and wellness of Canadian Natural's employees, contractors and families. The program includes: regular health risk assessments, physician consultations in the field, on-site dieticians and exercise specialists, medical advisors, health education seminars, health coaching programs, healthy weight management and support to employee groups organizing health events. Participation in these programs has been as high as 85% in the field. A special project is currently underway for the field employees and their spouses to assess a number of nutritional deficiencies and toxicity measures. These programs generate aggregated population data for Canadian Natural and an individual action plan for each participant. The overall goal of this wellness program is for people to "Feel Better and Live Longer".



CASE STUDY:

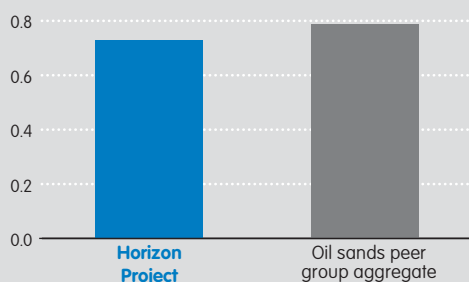
HORIZON PROJECT HEALTH & SAFETY

Safety performance associated with the Horizon Project is very important to Canadian Natural. Programs and actions have been established to ensure a safe and secure workplace. For example, contractors undergo independent third party safety prequalification assessments before accessing work sites. Ongoing audits and monitoring through site inspections are used to ensure ongoing compliance with regulations and site wide standards. Site safety orientations are also mandatory prior to gaining access to site and going to work.

A Health Centre has been established on site, available to workers on a 24/7 basis, and an Emergency Response Centre has been established equipped with a fully trained Emergency Response Team that is able to respond to all site emergencies.

Horizon Project's safety record is comparable to our peers as shown in the following chart below and these results demonstrate that it is a safe worksite.

2007 recordable injury frequency
Horizon Project vs. Oil Sands Peer Groups



Infrastructure Integrity



Infrastructure integrity management focuses on systems and processes to responsibly manage our equipment, facilities, pipelines and structures. All Canadian Natural divisions work together to identify common key performance indicators and best management practices to solidify our commitment to integrity management.

In our North American conventional operations, our integrity programs focus on tank testing, pipeline integrity, pipeline abandonment and discontinuation, and pressure equipment.

Our performance is measured through auditing our systems and operations. In 2007, the Alberta Energy Resources Conservation Board ("ERCB") completed an audit of Canadian Natural's overall pipeline integrity program and we received a high rating for program effectiveness. The audit was voluntary, with a purpose of assessing compliance with the Canadian Standards Association ("CSA") Standard "Guidelines for Pipeline Integrity Management Programs".

A similar audit was also performed by the British Columbia Oil and Gas Commission ("OGC") to assess our pipeline system in that province. Canadian Natural also received a high rating from the OGC for having effective programs in place to address their regulatory requirements.

In our North American conventional operations, the number of pipeline leaks per 1,000 km of pipeline has decreased since 2003, and, from the latest peer data (2006), our results are significantly better than the peer benchmark average. This success is largely due to our pipeline corrosion testing and integrity program.

The Infrastructure Integrity Program at the Horizon Project will develop and implement the pressure equipment guidelines that meet regulatory requirements and corporate standards. Key aspects of the program are adherence to our equipment integrity manuals, active reference to the equipment integrity database and ongoing risk-based inspection.

In our International operations, we manage the ongoing and forward structural integrity of our mature North Sea installations. This was the subject of significant focus in 2007 and will continue into 2008. In

2007, we completed a major structural sub-sea repair at our Ninian South platform jacket. A major revision of the International operations' Pipeline Integrity Management System was undertaken in 2007, and the results of this will be integrated into our systems in 2008.



Environment

Canadian Natural's environmental management groups work with operations personnel and senior management to ensure that environmental stewardship is factored into all aspects of our operations. Training and due diligence are key to our environmental management programs.

Our continued investment in environmental strategies enables us to strengthen air emissions management, reduce fresh water use and minimize our landscape footprint. We establish internal targets to ensure we meet or surpass regulatory compliance requirements.

Management systems and environmental operating guidelines are continually reviewed and updated as necessary to reflect improved practices and requirements. International operations extended ISO 14001 certification to the Ninian Central installation in 2007, and maintained certification on Tiffany and Ninian Northern installations.

Air

Canadian Natural is committed to managing air emissions through an integrated corporate approach which considers opportunities to reduce both air pollutants and greenhouse gas emissions. Air quality programs continue to be an essential part of our environmental work plan and our facilities are operated in a manner that meet regulatory requirements and our corporate standards and guidelines. Our strategy for managing GHG emissions is based on four core principles:

1. Energy conservation and efficiency,
2. Reduced emission intensity,
3. Innovative technology and associated research and development, and
4. Emissions trading capacity, both domestically and globally.

This strategy is outlined in our Taking Action on Greenhouse Gas Emissions document, which is available on our corporate web site.



Canadian Natural continues to work with Canadian federal and provincial governments on the regulatory frameworks for GHGs and air pollutants. The federal government has indicated its intent to develop regulations that would be in effect in 2010 to address industrial GHG emissions. The Federal Government has also outlined preliminary national and sectoral reduction targets for several categories of air pollutants.

In Alberta, GHG regulations came into effect on July 1, 2007, covering facilities emitting more than 100 kilotonnes of CO₂e annually. Two Canadian Natural facilities, the Primrose/Wolf Lake in-situ oil sands project and the Hays sour gas plant, are covered by these regulations. These facilities have regulated targets for GHG emission intensity that must be achieved. The primary means of compliance for any emissions above a facility target is a cost per tonne payable to a provincial fund that has been established to advance emission reduction technologies.

In the UK, GHG regulations have been in effect since 2005. During Phase 1 (2005 – 2007) of the UK National Allocation Plan, the company operated below its CO₂ allocation. For Phase 2 (2008 – 2012) the Company's CO₂ allocation has been reduced to a level lower than estimated emissions from operations. We continue to focus on achieving emission reductions based on opportunities identified in efficiency audits of facilities. Where emissions reductions cannot achieve compliance with our allocation, compliance will be achieved through the established emission trading mechanisms.

Canadian Natural worked with all jurisdictions in 2007 to fully understand the implications of existing and pending regulations. This ensures that we have strategies to respond to and comply with regulation of GHG and air pollutant emissions.

Canadian Natural has ongoing projects and programs in place to pursue GHG emission reduction including solution gas conservation, CO₂ capture and sequestration in oil sands tailings, CO₂ capture and storage in association with enhanced oil recovery and participation in industry initiatives such as the Integrated CO₂ Network and Alberta Saline Aquifer Project to promote an integrated CO₂ capture and storage network.

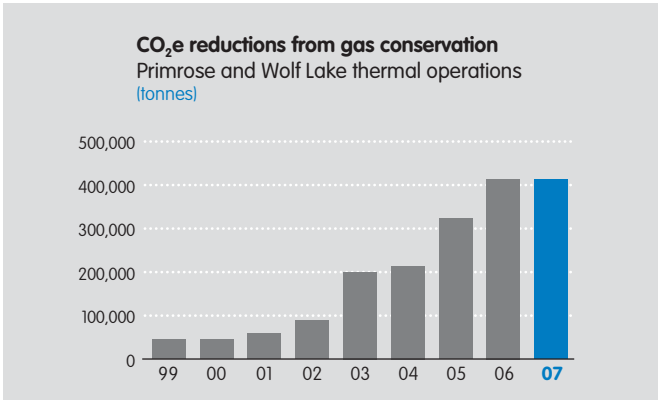
Implementation of flaring, venting, fuel and solution gas conservation programs continued in 2007. Over the past five years, we have spent over \$116 million to conserve approximately 6.4 million tonnes of CO₂e. In 2007 we completed 115 natural gas conservation projects, resulting in the reduction of 1.28 million tonnes of CO₂e. In our North American conventional operations, the amount of direct GHG emitted in 2007 was 10.14 million tonnes of CO₂e.

These aggressive programs also influence and direct our plans for new projects and facilities. The Horizon Project will incorporate numerous advancements in technology which will result in the lower GHG emission intensity as compared to other major mining/upgrading oil sands facilities. The key to GHG reductions at Horizon is our focus on maximizing heat integration, the use of cogeneration to meet steam and electricity demands and the design of the hydrogen production facility to enable CO₂ capture.

Statistics regarding our direct and indirect GHG emissions are available on page 17.

Ongoing air monitoring and emission reduction projects are critical to continuous improvement of emissions management. Some of our 2007 initiatives included:

- Installation of an ambient air monitoring station adjacent to the Horizon Project site. It was tied into the Wood Buffalo Environmental Association ("WBEA") which manages a network of air monitoring stations that provide for monitoring, maintenance and data reporting.
- Implementation of several upgrades at the Primrose/Wolf Lake in-situ oil sands project to improve energy efficiency and reduce air emissions. These included the development of plant heat integration operating practices, heat exchanger performance monitoring/cleaning, glycol system control upgrades and boiler economizer performance monitoring/cleaning.
- Reduction of hydrocarbon and sulphur compound emissions, conservation of methane associated with brackish makeup water, tank vent monitoring and tank vapor recovery system reliability improvements.
- Completion of a gas cooler project on our Ninian Northern facility to conserve produced gases.

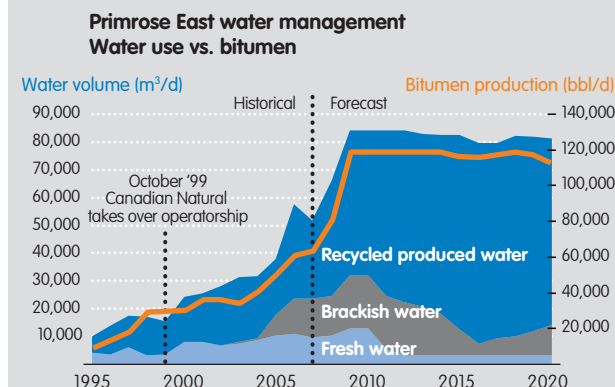


Water

We continued to reduce fresh water use in our operations. The key strategy is increasing brackish/saline water use for our in-situ oil sands operations and recycling a larger percentage of produced water. Increased brackish/saline water use at our Primrose/Wolf Lake operations over the past three years has enabled increased bitumen production without an equivalent increase in fresh water use. Ongoing efforts to reduce fresh water use at our Primrose/Wolf Lake operations will help us to meet our goal to reduce fresh water by 73% in 2013 relative to 2006 levels. The information gathered from the use of brackish/saline water in these operations will be integrated into our future in-situ project plans.

At the Horizon Project, the dam to impound water for the fisheries habitat compensation lake (named Wāpan Sakāhikan) was completed. Work also began on construction of fish habitat. Managing the use of fresh water from the Athabasca River is an essential component of planning, design and operation. Water efficiencies in a fully integrated mining and upgrading project will result in the use of less water and the ability to recycle over 90% of the water. A key element to water management is the construction of a fresh water storage pond that will provide approximately 30 days of supply. This pond will support operations when low flow levels in the Athabasca River may restrict the ability to withdraw water.

The International operations' successful produced water re-injection trial at one of our offshore platforms continued, re-injecting about 30,000 barrels of produced water each day. In 2008, Canadian Natural will evaluate extension of this program to other offshore platforms as part of our produced water reduction strategy.



CASE STUDY:

HORIZON PROJECT ENVIRONMENTAL ACHIEVEMENT

Canadian Natural's Horizon Project is designed to minimize impacts to air, land and water. Development of an oil sands mine and upgrader has a number of effects that need to be managed to protect the environment and minimize impacts.

Sulphur emissions affect air quality and can result in acid deposition affecting forests, soils and lakes. The Horizon Project has been designed such that 99.8% of the sulphur will be captured as elemental sulphur. This rate of recovery is the highest level technically achievable and, in the context oil sands upgrading operations, the Horizon Project facility will emit approximately one fifth the sulphur emissions of comparable mining/upgrading facilities.

Land disturbance from mining impacts wildlife both by the removal of their habitat and by affecting wildlife movements in proximity to oil sands operations. Since 2003, the Horizon Project has been monitoring wildlife movement to detect changes that result from construction and operations relative to the pre-construction data. Monitoring will continue throughout operations. Canadian Natural has taken the lead in developing a regional monitoring program to involve the other companies in the region. This enhanced monitoring program commenced in the winter of 2007/08.

Water conservation is of key importance for stakeholders in the oil sands region. Canadian Natural recognizes this and has incorporated water conservation in the project design. In response to stakeholder concerns and input, we created a 30 day water storage facility at the Horizon site. This allows Canadian Natural to minimize water withdrawals from the Athabasca River at times when the flow in the river is low.

Canadian Natural also recognizes the importance of regional fisheries. To replace the fish habitat lost through the development of the Horizon Project, we are constructing the first fisheries habitat compensation lake in the oil sands region. Wāpan Sakāhikan Lake is nearing completion and will be filled in early 2008. It has been designed to support a wide variety of fish species and is being developed with guidance from aboriginal elders.



Land

In our North American conventional operations and at the Horizon Project site, initial development of our enhanced Environmental Management System was undertaken in 2006. The primary focus of the Environmental Management System is to ensure our field operations minimize their environmental impact and meet all regulatory requirements and meet or surpass corporate standards. Training on the system awareness was delivered throughout 2007 and will continue into 2008 to maintain a high level of performance.

For our North American conventional operations, liability reduction programs focused on abandonment, reclamation and decommissioning activities. In 2007, we abandoned 669 wells and 224 pipelines; reclaimed 482 hectares of land at 275 well sites; and conducted decommissioning activities at 122 facilities.

At the Horizon Project, several environmental management programs are being implemented. The goal is to conduct monitoring of impacts and to implement inspection and audit systems to ensure that operations are functioning as planned. Environmental monitoring includes the operation of an air quality station between the Horizon Project and the community of Fort McKay located about 18 km to the south.

Other on-site monitoring programs include soil assessments for reclamation and impacts to wildlife movement. A significant monitoring program of aquatic ecosystems includes streams and lakes and has salvaged over 100,000 fish from the Tar River prior to disturbance. The program also documents water quality to ensure that there is no change to water quality of the Athabasca River from site operations.

Reclamation planning for the Horizon Project is ongoing with activities focused on an 800 hectare program to commence in 2009, research on better use of topsoil material and development of riparian habitat around Wāpan Sakāhikan Lake. In addition, Canadian Natural is working with other oil sands operators to accelerate research in tailings management and wetland reclamation.



STAY-IN-SCHOOL PROGRAM

Canadian Natural was instrumental in initiating the NE British Columbia Stay in School program in 2003. This program works with nine key Aboriginal Communities in British Columbia to award and celebrate the completion of each grade level of every aboriginal student from kindergarten to High School. Over the past five years we have seen a greater involvement of families and siblings joining in to celebrate the students achievements.



Spills

Spill prevention is a priority for Canadian Natural. We track all spills to ensure necessary clean-up and reclamation work is completed and properly reported. We use this data to help develop, maintain and conduct inspection programs to reduce future spills. The number and volume of spills in our North American conventional operations in 2007 were significantly lower than in the previous year.

We had 11 large spill events in 2007 that accounted for over 50% of the volumes lost. In our International operations, we achieved the sixth consecutive year of decreasing total operational oil discharge to sea, a substantial decrease over 2006 volumes and well below our internal target.

Spill statistics are available on page 16.

Waste

Waste handling continues to be managed proactively. Canadian Natural tracks production and clean-up related wastes for waste classified as both Dangerous and Non-Dangerous. Waste types and volumes from all of our properties are tracked.

The scope of the waste tracking program has grown significantly since its initiation in 1999. To ensure the accurate tracking and to improve the waste management program, a third party consultant that specializes in waste tracking was hired in 2006. The benefit of this support continues to be observed. We also participated in a joint industry audit program of waste receiving facilities. The Waste Receivers Audit Program ("WRAP") evaluates facilities in Western Canada on a rotating basis.

Waste statistics are available on page 17.

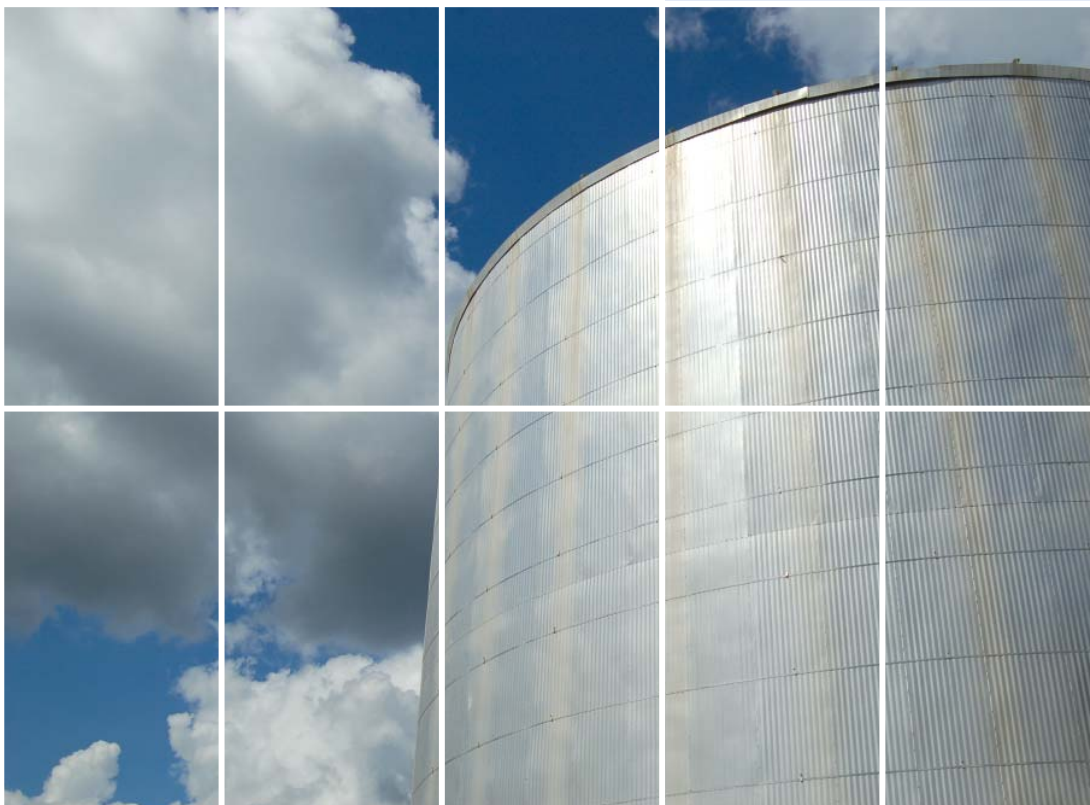
Compliance Penalties and Fines

Canadian Natural strives to conduct our operations in strict compliance with all legislation and regulatory requirements. Our comprehensive compliance audit program has been implemented to ensure compliance and identify areas where we are at risk of non-compliance. We take any non-compliance situations very seriously and take quick action to rectify them.

In 2007, we received three fines totaling \$68,014 for environmental non-compliance. One fine (\$65,000) resulted from a third party operated seismic program in 2004 that we subsequently acquired in 2006. The other two fines were a result of non-compliance with conditions in the Alberta Public Lands Act (\$2,370 and \$644). All three were rectified to attain compliance.

COMMUNITY INTERVENTION PROGRAM

A community intervention program was developed in NE British Columbia to support the prevention of Alcohol and Drug abuse in adolescents. AARC Community Intervention, with support from Allan Markin, Chairman of Canadian Natural, led the development of this ground breaking project.



Community

Canadian Natural is committed to a long-term presence in the communities in proximity to our operations. We are proud to work with these communities to provide financial and volunteer support for projects that meet their vision for the future, contribute to the development of people, and build sustainable communities. In 2007, Canadian Natural continued to involve stakeholders in ongoing conversations about our operations and our commitments. Our goal is to build trust and mutual respect, and to incorporate stakeholder feedback into the development of projects and our day-to-day operations.

Canadian Natural's community sponsorship and funding support totaled more than \$4.6 million in 2007. Support is generally focused into three key areas; health and wellness, community development, and education and training. A few highlights of our community investments in Western Canada this year include providing funding for the United Way of Calgary, University of Alberta – Engineering building, the Bonnyville Centennial Center, Alberta Children Hospital, STARS Ambulance, Fort St. John Hospital, Keyano College Aboriginal Awareness Days and Fort McMurray United Way. Our field employees and contractors in Western Canada also raised funds for charities of their choice in the communities where they work and live. These donations were matched dollar-for-dollar by the company. In our International operations, our community investments covered a wide range of initiatives, such as the Aberdeen Children's Society, Mental Health Aberdeen and Cancer Support Centre in the UK and the School of Mines & Petroleum year-end event in West Africa.

We believe education and training are fundamental approaches in developing people. Through our Building Futures Scholarship Program, we are proud to support students in their pursuit of education and training in the crude oil and natural gas industry. Since the program's inception in 2002, we have provided over \$600,000 to more than 440 students who live near our Western Canadian operations. The Building Futures Training Centre in Ardmore, Alberta is used for internal company safety training, and by members of the surrounding communities for their training initiatives.

We also support a variety of programs that share our goal of building capacity in communities and meeting long-term

PROPOSED KIRBY PROJECT CONSULTATION PROGRAM

With all of our proposed projects in our Canadian operations, we work together with the provincial governments and the communities near the planned project sites to build strong relationships. For our proposed Kirby In-Situ Oil Sands Project, we meet with our neighbours on a regular basis to incorporate their input into our project plans. In addition to these meetings, in 2007 we also held formal community open houses, provided an update newsletter and discussed our plans with local government officials and Aboriginal leaders. Through their feedback we can ensure we are assessing and managing potential impacts to their communities.

In our Canadian operations, we work closely with the more than 55 Métis and First Nations communities near our operations to strengthen mutual understanding and co-operation and enhance the opportunities for economic participation in our oil and natural gas developments.



human resource needs in the crude oil and natural gas industry. We are proud to be a part of programs such as Petroleum Employment Training ("PET") and the Northeast British Columbia Stay-in-School program.

We make an effort to support local community businesses, where appropriate and when qualified. In 2007, we had more than 7,300 locally-based companies provided supplies or services to Canadian Natural's operations in Western Canada. Local hiring of employees is an important factor for us, as we recognize there is a strong desire for people to find work in the communities where they live.

The Horizon Project operates a fly in/fly out service for construction workers to communities across Canada which recognizes the need of families to stay connected with their communities. In addition, the fly in/fly out service reduces the demands on Fort McMurray infrastructure, housing and social services especially during the project construction phase.

A range of multi-stakeholder groups are working to pro-actively address the needs and interests of the community and to ensure a sustainable energy industry. Recognizing the importance of these groups in achieving collaborative goals identified among industry, governments and communities, Canadian Natural continues to play an active role in such initiatives.

In the Fort McMurray region, for example, we are strongly supportive of the Regional Issues Working Group and efforts to ensure infrastructure development keeps pace with industry development. In our extensive oil sands operations, we have a long history of working with the Lakeland Industry Community Association. We also play a leadership role in industry-wide associations such as the Canadian Association of Petroleum Producers.

As we strive to work with the nearby communities within the areas we operate, our operations, in turn, provide considerable economic benefits to those communities. The impact of these benefits can be seen not only locally but also throughout regions where we employ equipment services for our operations. To substantiate this, we can generally measure the direct impact, in terms of jobs, using workplace exposure hour statistics. We can then apply a multiplier factor to the direct impact number which then results in a representation of the indirect and induced impacts on employment. Using this approach for 2007, our operations have directly created over 27,000 person years of work, as well as provide indirect and induced effects of almost an additional 140,000 person years of work. Canadian Natural's operations results in significant economics and benefits to communities and the jurisdictions where we operate.

Additional employment statistics are available on page 18.

PRE-QUALIFICATION PROGRAM

Our pre-qualification program, a baseline information gathering process, ensures consistency and equitability in our contracting process, promotes a safe and environmentally responsible workplace, and assists local contractors to understand what standards they have to meet in order to work with Canadian Natural.



PETROLEUM EMPLOYMENT TRAINING PROGRAMS

In 2007, we continued our involvement in regional Petroleum Employment Training programs with sponsorship in the Northern Alberta region of Slave Lake. These programs provide Aboriginal participants with a solid foundation to move on to develop careers in the oil and natural gas industry.



Code of Integrity, Business Ethics and Conduct

Our employees, contractors and consultants agree to adhere to a code of integrity that reflects our mission statement.

We perform our duties with integrity, honesty and in accordance with the highest ethical standards. We respect our fellow staff members, business associates and public officials. We act fairly, we act without harassment or intimidation, and we act without discrimination on the basis of race, gender, sexual orientation, age, religion, disability, or color.

We act in the best interests of the Company, and comply with all public disclosure requirements.

OUR STATEMENT OF HUMAN RIGHTS IS AS FOLLOWS:

- Canadian Natural believes in, supports and is committed to human rights and social justice. Our statement of Human Rights is reflected in the core values of our mission statement – To develop people to work together to create value for the Company's shareholders by doing it right with fun and integrity and in our Code of Integrity, Business Ethics and Conduct.
- **Security** is a fundamental right for all. We acknowledge the variety of security issues we face as a company, both locally and internationally, and strive to ensure safe working conditions and environments for all those within our sphere of influence.
- We recognize and respect all **labour**, child labour, and employment laws and expect our contract service companies, contractors and other third-parties companies to meet the same standards. These include prohibitions on child labor, forced labor and discriminatory behavior.
- We value and respect the **traditions** and the **culture** of the many different communities in which we do business.
- We believe our business activities should contribute to the economic well being and quality of life where we do business, as do our community investments. We recognize the effect that our activities may have on local **communities**, and we value and strive to engage in a mutually beneficial way in the communities where we do business with a goal to be a positive contributor to the well being of the local communities.
- Canadian Natural will endeavor to conduct business with **contractors** and **contract service companies** who share our values and business principles. We will inform them of our statement of Human Rights and our Code of Integrity, Business Ethics and Conduct and expect they will comply with those principles.



Looking Ahead

These are among our priorities in 2008 to meet our commitment to ongoing responsible operations. We continue to work to:

- Achieve continuous improvement in our health and safety performance throughout our operations by focusing on training, preparedness and our internal audit systems.
- Develop and implement the Emergency Management System prior to start-up and commissioning of the Horizon Project.
- Continue to implement water reduction strategies at our operations, including reducing fresh water use, increasing water recycling and increasing the use of brackish water at our heavy oil operations.
- Ensure that environmental stewardship continues to be factored into all aspects of our operations, with a specific focus on greenhouse gas emissions through strategies such as those outlined in our Taking Action on Greenhouse Gas Emissions document.
- Evaluate opportunities to implement the produced water re-injection scheme on additional North Sea platforms.
- Continue to improve integration and communication of Safety, Health and Environment Management System internationally, and extend the current scope of ISO 14001 certification to our remaining North Sea assets.
- Develop and maintain consultation strategies to meet community and stakeholder goals, as well as regulatory requirements throughout our operations.
- Provide leadership and support for the communities near our operations in the areas of education and training.
- Maintain our community investment programs.
- Participate in community and industry initiatives to manage ongoing crude oil and natural gas developments and to ensure a sustainable energy industry.

AFFILIATIONS

- CAPP Stewardship Program
- Carbon Disclosure Project
- Certificate of Recognition Program



Statistics

Safety

| Recordable injury frequency ¹ (employees and contractors) | 2005 | 2006 | 2007 |
|---|------|------|-------------|
| North American conventional operations | 1.47 | 1.46 | 1.43 |
| Horizon Project | 1.20 | 1.06 | 0.72 |
| International operations | 1.12 | 0.92 | 0.59 |

¹ One person per 200,000 hours worked

Fatalities

| | 2005 | 2006 | 2007 |
|--|------|------|----------|
| Employees | | | |
| North American conventional operations | 0 | 0 | 0 |
| Horizon Project | 0 | 0 | 0 |
| International operations | 0 | 0 | 0 |
| Contractors | | | |
| North American conventional operations | 1 | 2 | 2 |
| Horizon Project | 0 | 0 | 2 |
| International operations | 0 | 1 | 0 |

Environment

SPILLS

| Number of reportable spills ¹ | 2005 | 2006 | 2007 |
|---|------|------|------------|
| North American conventional operations | 292 | 314 | 298 |
| Horizon Project ² | 4 | 5 | 10 |
| International operations | 17 | 13 | 6 |

¹ Reported to regulatory agency, according to jurisdictional requirements, including oil, natural gas, produced water and refined products

² Includes fresh water spills

| Volume spilled (m ³) | 2005 | 2006 | 2007 |
|---|---------|----------|----------------|
| North American conventional operations ¹ | 4,498.0 | 14,427.0 | 4,235.0 |
| Horizon Project ² | 51.1 | 38.4 | 210.6 |
| International operations | 4.3 | 10.4 | 0.2 |

¹ Reported to regulatory agency, according to jurisdictional requirements, including oil, natural gas, produced water and refined products

² Includes fresh water spills

| Number of spills & leaks / Production (MM BOE) | 2005 | 2006 | 2007 |
|---|------|------|-------------|
| North American conventional operations | 2.31 | 2.15 | 2.13 |

| Volume spilled or leaked / Production (m ³ /MM BOE) | 2005 | 2006 | 2007 |
|---|------|------|-------------|
| North American conventional operations | 27.0 | 82.6 | 24.1 |

| Number of leaks / 1,000 km pipeline | 2005 | 2006 | 2007 |
|--|------|------|------------|
| North American conventional operations | 3.1 | 1.8 | 3.1 |

Air and GHG Emissions

The company's GHG emission estimates are prepared internally using reported production volumes and generic emission factors. Only a portion of the estimated emissions have been verified externally.

Direct GHG emissions

| from fuel consumption (tonnes CO ₂ e) (North American operations) | 2005 | 2006 | 2007 |
|---|-----------|-----------|------------------|
| Fuel gas consumption (e ³ ·m ³) | 2,221,472 | 2,599,793 | 2,931,210 |
| Direct GHG emissions from fuel consumption | 4,665,092 | 5,459,565 | 6,155,541 |

| Indirect GHG emissions (tonnes CO ₂ e) (North American operations) | 2005 | 2006 | 2007 |
|--|-----------|-----------|------------------|
| Electricity consumption (MWhr) | 1,478,957 | 1,626,934 | 1,864,674 |
| Indirect GHG emissions | 982,670 | 1,062,242 | 1,228,428 |

| Direct GHG emissions (tonnes CO ₂ e) ¹ | 2005 | 2006 | 2007 |
|---|-----------|-----------|-------------------|
| North American conventional operations | 8,951,568 | 9,895,301 | 10,121,561 |
| Horizon Project ² | 0 | 0 | 0 |
| International operations | 1,958,403 | 1,961,699 | 1,953,175 |

¹ Includes total direct emissions from combustion, flaring, formation CO₂ and other venting and fugitive leaks from equipment

² Project still under construction

| Direct GHG emissions intensity (tonnes CO ₂ e/BOE) ¹ | 2005 | 2006 | 2007 |
|---|--------|--------|---------------|
| North American conventional operations | 0.0538 | 0.0567 | 0.0533 |
| Horizon Project ² | 0 | 0 | 0 |
| International operations | 0.0450 | 0.0373 | 0.0462 |

¹ Includes total direct emissions from combustion, flaring, formation CO₂ and other venting and fugitive leaks from equipment

² Project still under construction

| Flaring and venting (10 ³ m ³) (North American operations) | 2005 | 2006 | 2007 |
|--|---------|---------|----------------|
| Total gas flared | 60,941 | 67,691 | 69,432 |
| Total gas vented | 218,003 | 223,603 | 182,068 |

Waste

| Waste type | 2007 Volume (m ³) |
|------------------------------|-------------------------------|
| Non dangerous oilfield waste | 442,073 |
| Dangerous oilfield waste | 208,348 |

Employment

DISTRIBUTION OF CANADIAN NATURAL EMPLOYEES

| Number of employees | 2007 |
|--|--------------|
| North American conventional operations | 2,487 |
| Horizon Project | 919 |
| International operations | 334 |
| TOTAL | 3,740 |

| Exposure hours (millions) | 2005 | 2006 | 2007 |
|--|--------------|--------------|--------------|
| North American conventional operations | 31.00 | 29.80 | 27.92 |
| Horizon Project | 3.07 | 5.80 | 19.93 |
| International operations | 9.07 | 8.47 | 8.11 |
| TOTAL | 43.14 | 44.07 | 55.96 |

GRI Index

| GRI Indicator | Description | Where to find it |
|---|--|---|
| Economic Performance | | |
| EC1 | Direct economic value generated (revenues) | Annual Report ("AR") |
| EC2 | Financial implications and risks and opportunities due to climate change | Annual Information Form ("AIF") page 8 |
| EC6 | Policy and practices for spending on locally-based suppliers | Report to Stakeholders ("SR") page 12 |
| EC7 | Procedures for local hiring | SR page 12 |
| Environmental Performance | | |
| EN3 | Direct energy use by primary source | SR page 17 |
| EN5 | Energy saved due to conservation | SR page 8 |
| EN6 | Initiatives to provide energy-efficient or renewable energy | SR page 8 |
| EN10 | Percentage and total volume of water recycled and reused | SR page 9 |
| EN16 | Total direct GHG emissions | SR page 17 |
| EN18 | Initiatives to reduce GHG emission and reductions achieved | SR page 8 |
| EN22 | Total weight of waste by type | SR page 17 |
| EN23 | Total number and volume of significant spills | SR page 16 |
| EN28 | Monetary value of significant fines and non-monetary sanctions | SR page 11 |
| Labour Practices and Decent Work | | |
| LA7 | Standard injury and lost day rates and fatalities | SR page 16 |
| Society | | |
| SO1 | Programs to manage impacts on communities | SR page 12 |

| GRI (G3) Report Requirements | Where to find it |
|--|-------------------------|
| 1. Strategy and Analysis | |
| 1.1 Statement from senior decision maker | SR |
| 1.2 Description of key impacts, risks and opportunities | AIF and AR |
| 2. Organizational Profile | |
| 2.1 Name of organization | SR and AR |
| 2.2 Primary brands, products and/or services | SR and AR |
| 2.3 Operational structure, major divisions, operating companies | AR |
| 2.4 Location of headquarters | AR |
| 2.5 Countries of operations | AR |
| 2.6 Nature of ownership | AR |
| 2.7 Markets served, including geographic breakdown/sectors served/ customer | AR |
| 2.8 Scale of organization including number of employees, net sales/revenues, total capitalization | AR |
| 2.9 Significant changes during reporting period | SR |
| 3. Report Parameters | |
| 3.1 Reporting period | SR |
| 3.2 Reporting cycle | SR |
| 3.3 Contact point for questions | SR |
| 4. Governance, Commitments & Engagement | |
| 4.1 Governance structure including committees | AIF |
| 4.2 Indicate whether chair of highest governance body is also an executive officer | AIF |
| 4.3 Percent of independent directors | AIF |
| 4.4 Process for the Board to ensure conflicts of interest are avoided | AIF |
| 4.5 Mission and values statements, codes of conduct, principles relevant to economic, environmental and social performance, and status of implementation | SR and AR |
| 4.6 Explanation of how precautionary approach/principle is addressed by organization | AR |
| 4.7 Externally developed, voluntary economic, environmental and social charters, sets of principles or other initiatives | AR |
| 4.8 Significant memberships in associations and/or advocacy groups | AR |
| 4.9 Basis for identification and selection of stakeholders with who to engage | AR |
| 4.10 Approaches to stakeholder engagement, including frequency and type | AR |

Glossary of Terms

Abandonment:

Converting a drilled well to a condition that can be left indefinitely without further attention and will not damage fresh water supplies, potential petroleum reservoirs or the environment. This is the first stage toward final reclamation.

Barrel:

The common unit for measuring petroleum. One barrel contains approximately 159 litres.

Bitumen:

Crude oil having an API gravity less than 10°. Bitumen is oil that will not flow and is extracted either by mining of in-situ recovery typically by injecting steam to heat-up the bitumen.

BOE:

Barrels of oil equivalent. Converts natural gas to an equivalent amount of oil.

Brackish (saline) water:

Water that has a high concentration of total dissolved solids (>4,000 mg/l or ppm); as a result it is unsuitable for consumption or agricultural use.

Carbon dioxide (CO₂):

A non-toxic gas produced from decaying materials, respiration of plant and animal life, and combustion of organic matter, including fossil fuels; the most common greenhouse gas produced by human activities.

CO₂e:

Carbon dioxide equivalents. To calculate the effect of the various gases involved in global warming using a single unit of measurement, all greenhouse gases (carbon dioxide, methane, and nitrous oxides) are converted to this unit of measurement.

Conventional crude oil (or light crude oil):

Oil having an API gravity greater than 31° and that flows naturally or that can be pumped without being heated or diluted.

Direct impacts or effects (on employment)*:

Estimated number of person years of work directly related to firm operations.

Flaring:

Controlled burning of natural gas that cannot be processed for sale because of technical or economic reasons. The biggest portion is solution gas flaring which involves the burning of natural gas produced along with crude oil and bitumen.

Greenhouse gases ("GHG"):

Gases that trap heat near the Earth's surface. These include carbon dioxide, methane, nitrous oxide and water vapor. These gases occur through natural processes (such as volcanoes) and human activities (such as the burning of fossil fuels).

Groundwater:

Water accumulations below the earth's surface that supply fresh water to wells and springs – both fresh and saline.

Heavy crude oil:

Oil having an API gravity less than 22° and greater than 10°. Includes some oil that will flow, but most oil requires heat or dilution to flow to a well or through a pipeline.

Indirect impacts or effects (on employment)* :

Ripple effect that occurs when firms expand output and purchase additional required input from other firms.

Induced effects (on employment)*:

Additional demand for commodities by households due to additional incurred income associated with expanded production of firms.

In-situ:

In its original place; in position; in-situ recovery refers to various methods used to recover deeply buried bitumen deposits, including steam injection, solvent injection and firefloods.

ISO 14001:

An international standard that specifies requirements for an environmental management system. The standard was developed by the International Organization for Standardization (ISO).

Mmscf:

Million standard cubic feet.

Oil sands:

Naturally-occurring mixtures of bitumen, water, sand and clay that are found mainly in the Athabasca, Peace River and Cold Lake areas of Alberta.

Produced water:

Water that is produced along with the crude oil and natural gas. The water is brought up from the hydrocarbon bearing strata during the extraction of oil and/or gas and can include formation water, injection water and small volumes of condensed water.

*Source: Alberta Finance Statistics 2007, Alberta Economic Multipliers 2003



Canadian Natural

To reach us

We welcome your comments and suggestions on this report and on any aspect of our operations.

Canadian Natural Resources Limited

Investors Relations and Corporate Communications

telephone **403.514.7777**

email **ir@cnrl.com**

www.cnrl.com