MONTHLY UPDATE
PRIMROSE OIL SANDS FLOW TO SURFACE

July 7, 2014

1 Introduction

Primrose/Wolf Lake Oil Sands Project (PAW) is a thermal in situ operation located approximately 65 km north of Bonnyville and about 350 km northeast of Edmonton, primarily inside the Cold Lake Air Weapons Range. The approved project area covers 288 sections or 73,728 hectares.

Bitumen production from this project employs cyclic steam stimulation (CSS) technology whereby steam is injected into the oil sands formation (at approx. 500 metres depth) through wells to reduce the viscosity of the bitumen. After steaming, bitumen then flows through the same wells and is processed at project facilities.

In May and June of 2013, Canadian Natural discovered four sites in the Primrose project area where bitumen emulsion had flowed to surface (FTS). Measures were immediately taken to address the incidents in order to clean up, investigate, remediate and address the causes of the events.

The legal descriptions of the four FTS sites are:

- 02-22-067-03 W4M (2-22)
- 10-01-067-03 W4M (10-1)
- 10-02-067-03 W4M (10-2)
- 09-21-067-04 W4M (9-21)

The prompt and thorough management of environmental impacts is of the highest priority for Canadian Natural. In the Primrose/Wolf Lake Oil Sands Project flow to surface incident, the most immediate concern was the containment and clean-up of the bitumen emulsion from the terrestrial and aquatic environments. Also of urgent concern was managing the impacts to wildlife, soil, water quality and vegetation.

The land disturbances associated with the Primrose flow to surface incident will be reclaimed and restored. This includes the surrounding areas and any disturbances associated with the investigation of the incident (roads, well sites, equipment storage, etc.). All aspects of environmental response and management are the responsibility of Canadian Natural and subject to the oversight and regulation of provincial and federal authorities.

Canadian Natural is working with the Alberta Energy Regulator (AER) and Alberta Environment and Sustainable Resource Development (AESRD) to remediate the affected locations and investigate the root cause of the bitumen emulsion seepage to surface. We appreciate AER and ESRD's ongoing support as we continue to manage these events.

In the fall of 2013, Canadian Natural evaluated the best technical approach to access the fissure below the shallow water body at the 9-21 site. In consultation with AESRD, multiple options were considered. Canadian Natural decided the best option was to move the water from its original position and temporarily store it in two near-by locations, allowing access to the underlying fissure.

The water has been returned from its temporary storage locations to its original position. This technical option was chosen as it would be the least environmentally impactful and provide the best approach to contain the entire fissure. You can find weekly photographs documenting this process on our corporate website, at www.cnrl.com.

The best regulatory option to do this work in a timely manner was through an Environmental Protection Order (EPO-2013-33/NR), which we requested and then received on September 24, 2013. The requirement to conduct this work prior to freeze-up was also an essential component of pursuing this regulatory option. Monthly progress reports can be on our corporate website, at www.cnrl.com.

Our efforts to date focused on ensuring each surface location is secured, and that recovery and reclamation activities progress. In August 2013, we began applying for approvals to advance our investigation and requested an Enforcement Order. On October 21, 2013 we received the Enforcement Order (EO-2013/05-NR) that allows us to continue mitigation and investigation activities.

Canadian Natural's plan consists of eight separate plans requiring AESRD and AER approval prior to any earthworks or drilling activity, as described below.

2 Summary of Activities to Date

2.1. Surface Site Containment, Delineation and Remediation Plan

This plan covers site containment, delineation and remediation plans for each site.

- The bitumen surface releases at all sites are fully contained within clay berms.
- Clean-up is complete on all 4 FTS sites.
- Bitumen emulsion recovered to date: 1,181m3 as of June 23, 2014.
- Current seepage rate: less than 1m3/month from all sites.

Status at each site:

2.1.1 2-22 (Terrestrial Site)

- Discovered June 8, 2013.
- Clean up is complete and 7,396 tonnes of impacted material were removed for disposal at the Tervita Class II landfill in Bonnyville, Alberta.
- Bitumen emulsion impacted area is 0.31 hectares.
- Under the Enforcement Order we have been approved to conduct investigative activities in a 26 hectare area. We may not use the entire area, and as of June 30, 2014 we have developed on 14.876 hectares.
- 99m3 of bitumen emulsion has been recovered as June 23, 2014.
- Bitumen emulsion seepage from the fissure is too small to measure and is contained within clay berms.
- Construction of the fissure containment structure and drilling pad is complete.

2.1.2 10-1 (Terrestrial Site)

- Discovered May 20, 2013.
- Clean up is complete and 25,394 tonnes of impacted material have been removed for disposal at the Tervita Class II landfill in Bonnyville, Alberta.
- Bitumen emulsion impacted area is 0.55 hectares.
- Under the Enforcement Order we have been approved to conduct investigative activities in an 8 hectare area. We may not use the entire area, and as of June 30, 2014, we have developed on 4.23 hectares.
- 350 m3 of bitumen emulsion has been recovered as of June 23, 2014.
- Bitumen emulsion seepage from the fissure is too small to measure and is contained within clay berms.
- Construction of the fissure containment structure and drilling pad is complete.

2.1.3 10-2 (Terrestrial Site)

- Discovered May 20, 2013.
- Clean-up is complete and 17,410 tonnes of impacted material were removed for disposal at the Tervita Class II landfill in Bonnyville, Alberta.
- Bitumen emulsion impacted area is 0.57 hectares.
- Under the Enforcement Order we have been approved to conduct investigative activities in a 37 hectares area. We may not use the entire area, and as of June 30, 2014 we have developed on 12. 672 hectares.
- 559 m3 of bitumen emulsion has been recovered as of June 23, 2014.
- Bitumen emulsion seepage from the fissure is too small to measure and is contained within clay berms.
- Construction of the fissure containment structure and drilling pad is complete.

2.1.4 9-21 (Water Body Site)

- Discovered June 24, 2013.
- On September 24, 2013 we received an Environmental Protection Order for the 9-21 site to allow us to isolate, excavate and contain the fissure below the water body.
- To facilitate this work, the water from the area was removed and stored in two near-by, temporary storage areas.
- Under the Enforcement Order we have been approved to conduct investigative activities in a 28 hectare area. We may not use the entire area, and as of June 30, 2014 we have developed on 11.431 hectares.
- 174 m3 of bitumen emulsion has been recovered as of June 23, 2014.
- Bitumen emulsion seepage from the fissure is too small to measure and is contained within clay berms and a retaining wall.
- Pumping of the water back into the water body was completed on May 16.
- Construction of the fissure containment system is complete.
- Fencing and berms around the 9-21 site are inspected weekly.

2.2. Geology and Regional Ground Water Delineation, Monitoring and Remediation Plan

This plan covers ground water delineation, monitoring and remediation in and around the FTS sites.

- The plan was approved by AESRD December 9, 2013.
- A multi stage groundwater drilling investigation is planned for all 4 sites.
- Construction of the fissure containment structures and drilling pads on the 3 terrestrial sites is complete.
- We currently have 64 monitoring wells amongst the 4 FTS sites.
- The wells are being sampled regularly and analyzed by a certified accredited lab. All data collected and work summaries are shared with the AER.

2.3. Source/Flow Pathways Investigation Plan

This plan outlines the investigation activities that will be undertaken at and around the four FTS sites and may be adapted depending on the outcome of the investigation activities.

- The objectives of the plan are to locate and delineate the FTS flow path from its source in the Clearwater, and identifying the root cause(s) of FTS.
- The plan was approved by AESRD December 9, 2013.
- To date, we have drilled 53 Cretaceous investigation wells on the four sites.
- Construction of the fissure containment structures and drilling pads on the terrestrial sites is complete.
- Primrose Flow to Surface Causations Report has been submitted to AER and posted on our corporate website

2.4. Surface Water Management and Monitoring Plan

This plan covers site surface water management and monitoring plans for the FTS sites. In general, surface water was managed and monitored at the FTS sites through the following measures:

- Precipitation between April 22 and May 19, 2014 occurred as rain and snow. Rainfall amounts were less than 20 mm on any given day so no surface water quality sampling was undertaken.
- The fissure containment structures and drilling pads act as effective barriers to potential contact with surface water.
- If water is again encountered, it will be tested and hauled away for disposal or pumped into the borrow pit adjacent to the 9-21 water body.

2.5. Wildlife Management Plan

This plan addresses wildlife deterrents, capture and treatment of impacted wildlife and rehabilitation/release options.

- Wildlife activity in the vicinity of the FTS sites continues to be minimal.
- Winter tracking surveys have been completed at all 4 FTS sites and there is no indication of Caribou in the areas.
- Wildlife monitoring crews will monitor the water body as required.

- Spring wildlife deterrents for use at the 9-21 site have been installed.
- Canadian Natural will comply with all federal and provincial legislation that apply to the conservation and management of wildlife.

2.6. Waste Management Plan

This plan outlines the waste management activities that will be undertaken by Canadian Natural at the 4 FTS sites. The Waste Management activities may be adapted as the needs of the investigation and clean-up change, which will be shared with AESRD and AER.

It is Canadian Natural's goal to manage the waste resulting from this bitumen release in a manner that will mitigate environmental impact, minimize waste volumes and utilize recycling opportunities where possible.

Drilling waste from investigation drilling is being managed using remote sumps in accordance with Directive 50.

2.7. Reclamation Plan

While the final reclamation plan will not be submitted to AESRD/AER until June 2014 (in accordance with Enforcement Order EO-2013/05-NR), the initial plan covers Pre-Disturbance Assessments (PDA) and Conservation and Reclamation plan. The purpose of the PDA and C & R plan is to identify:

- Annual reclamation procedures and progress reporting will begin November 1, 2014 and continue annually until advised otherwise by AESRD.
- Reclamation plan has been submitted to AER and AESRD

2.8. Communications Plan

This plan summarizes our planned weekly and monthly communication with stakeholders, regulators, Government officials and the general public.

- Canadian Natural's website will be updated on a regular basis.
- We will continue to address government, media and public inquiries.
- We will provide written summaries and meet with stakeholders as needed to provide updates.

3 Summary

Significant progress on the surface clean-up and investigative drilling has been made at all four sites. While the surface clean-up can mitigate the environmental impact of these events, there are also issues that need to be investigated in the subsurface.

Canadian Natural's efforts to investigate and mitigate these events in the subsurface require access to suitable surface locations. To minimize the environmental impact associated with the investigation, Canadian Natural intends to complete activities on existing leases and previously disturbed lands wherever possible.