



**Canadian Natural**

**CANADIAN NATURAL RESOURCES LIMITED**

**UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDED MARCH 31, 2023 AND 2022**

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**MAY 3, 2023**

# INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONSOLIDATED BALANCE SHEETS

As at (millions of Canadian dollars, unaudited)	Note	Mar 31 2023	Dec 31 2022
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		\$ 92	\$ 920
Accounts receivable		3,402	3,555
Inventory		1,920	1,815
Prepays and other		242	215
Investments	6	484	491
Current portion of other long-term assets	7	65	61
		6,205	7,057
<b>Exploration and evaluation assets</b>	3	2,244	2,226
<b>Property, plant and equipment</b>	4	64,744	64,859
<b>Lease assets</b>	5	1,439	1,447
<b>Other long-term assets</b>	7	628	553
		\$ 75,260	\$ 76,142
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable		\$ 1,220	\$ 1,341
Accrued liabilities		3,817	4,209
Current income taxes payable		100	1,324
Current portion of long-term debt	8	992	404
Current portion of other long-term liabilities	5,9	1,375	1,373
		7,504	8,651
<b>Long-term debt</b>	8	11,032	11,041
<b>Other long-term liabilities</b>	5,9	7,995	8,161
<b>Deferred income taxes</b>		10,144	10,114
		36,675	37,967
<b>SHAREHOLDERS' EQUITY</b>			
<b>Share capital</b>	11	10,496	10,294
<b>Retained earnings</b>		27,882	27,672
<b>Accumulated other comprehensive income</b>	12	207	209
		38,585	38,175
		\$ 75,260	\$ 76,142

Commitments and contingencies (note 16).

Approved by the Board of Directors on May 3, 2023.

## CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian dollars, except per common share amounts, unaudited)	Note	Three Months Ended	
		Mar 31 2023	Mar 31 2022
Product sales	17	\$ 9,548	\$ 12,132
Less: royalties		(918)	(1,455)
<b>Revenue</b>		<b>8,630</b>	<b>10,677</b>
<b>Expenses</b>			
Production		2,164	2,040
Transportation, blending and feedstock		2,334	2,455
Depletion, depreciation and amortization	4,5	1,418	1,407
Administration		106	116
Share-based compensation	9	66	534
Asset retirement obligation accretion	9	92	59
Interest and other financing expense		154	163
Risk management activities	15	21	58
Foreign exchange gain		(14)	(146)
Loss (gain) from investments	6	1	(86)
		<b>6,342</b>	<b>6,600</b>
<b>Earnings before taxes</b>		<b>2,288</b>	<b>4,077</b>
Current income tax expense	10	459	851
Deferred income tax expense	10	30	125
<b>Net earnings</b>		<b>\$ 1,799</b>	<b>\$ 3,101</b>
<b>Net earnings per common share</b>			
Basic	14	\$ 1.63	\$ 2.66
Diluted	14	\$ 1.62	\$ 2.63

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian dollars, unaudited)	Three Months Ended	
	Mar 31 2023	Mar 31 2022
<b>Net earnings</b>	<b>\$ 1,799</b>	<b>\$ 3,101</b>
<b>Items that may be reclassified subsequently to net earnings</b>		
<b>Net change in derivative financial instruments designated as cash flow hedges</b>		
Unrealized income during the period, net of taxes of \$nil (2022 – \$1 million)	—	3
Reclassification to net earnings, net of taxes of \$nil (2022 – \$1 million)	(1)	(3)
	(1)	—
<b>Foreign currency translation adjustment</b>		
Translation of net investment	(1)	(37)
<b>Other comprehensive loss, net of taxes</b>	<b>(2)</b>	<b>(37)</b>
<b>Comprehensive income</b>	<b>\$ 1,797</b>	<b>\$ 3,064</b>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian dollars, unaudited)	Note	Three Months Ended	
		Mar 31 2023	Mar 31 2022
<b>Share capital</b>	11		
Balance – beginning of period		\$ 10,294	\$ 10,168
Issued upon exercise of stock options		143	252
Previously recognized liability on stock options exercised for common shares		143	184
Purchase of common shares under Normal Course Issuer Bid		(84)	(140)
Balance – end of period		10,496	10,464
<b>Retained earnings</b>			
Balance – beginning of period		27,672	26,778
Net earnings		1,799	3,101
Dividends on common shares	11	(988)	(872)
Purchase of common shares under Normal Course Issuer Bid	11	(601)	(943)
Balance – end of period		27,882	28,064
<b>Accumulated other comprehensive income (loss)</b>	12		
Balance – beginning of period		209	(1)
Other comprehensive loss, net of taxes		(2)	(37)
Balance – end of period		207	(38)
<b>Shareholders' equity</b>		\$ 38,585	\$ 38,490

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars, unaudited)	Note	Three Months Ended	
		Mar 31 2023	Mar 31 2022
<b>Operating activities</b>			
Net earnings		\$ 1,799	\$ 3,101
Non-cash items			
Depletion, depreciation and amortization		1,418	1,407
Share-based compensation		66	534
Asset retirement obligation accretion		92	59
Unrealized risk management loss		20	26
Unrealized foreign exchange gain		(3)	(156)
Loss (gain) from investments	6	7	(83)
Deferred income tax expense		30	125
Other		(89)	(115)
Abandonment expenditures		(137)	(105)
Net change in non-cash working capital		(1,908)	(1,940)
Cash flows from operating activities		1,295	2,853
<b>Financing activities</b>			
Issue of bank credit facilities and commercial paper, net	8	588	348
Repayment of medium-term notes	8	(11)	(1,000)
Payment of lease liabilities	5,9	(67)	(49)
Issue of common shares on exercise of stock options	11	143	252
Dividends on common shares		(938)	(689)
Purchase of common shares under Normal Course Issuer Bid	11	(685)	(1,083)
Cash flows used in financing activities		(970)	(2,221)
<b>Investing activities</b>			
Net expenditures on exploration and evaluation assets	3,17	(28)	(19)
Net expenditures on property, plant and equipment	4,17	(1,229)	(1,369)
Net change in non-cash working capital		104	137
Cash flows used in investing activities		(1,153)	(1,251)
<b>Decrease in cash and cash equivalents</b>		<b>(828)</b>	<b>(619)</b>
<b>Cash and cash equivalents – beginning of period</b>		<b>920</b>	<b>744</b>
<b>Cash and cash equivalents – end of period</b>		<b>\$ 92</b>	<b>\$ 125</b>
<b>Interest paid on long-term debt, net</b>		<b>\$ 168</b>	<b>\$ 184</b>
<b>Income taxes paid, net</b>		<b>\$ 1,556</b>	<b>\$ 1,759</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(tabular amounts in millions of Canadian dollars, unless otherwise stated, unaudited)*

### 1. ACCOUNTING POLICIES

Canadian Natural Resources Limited (the "Company") is a senior independent crude oil and natural gas exploration, development and production company. The Company's exploration and production operations are focused in North America, largely in Western Canada; the United Kingdom portion of the North Sea; and Côte d'Ivoire and South Africa in Offshore Africa.

The Oil Sands Mining and Upgrading segment produces synthetic crude oil through bitumen mining and upgrading operations at Horizon Oil Sands ("Horizon") and through the Company's direct and indirect interest in the Athabasca Oil Sands Project ("AOSP").

Within Western Canada in the Midstream and Refining segment, the Company maintains certain activities that include pipeline operations, an electricity co-generation system and an investment in the North West Redwater Partnership ("NWRP"), a general partnership formed to upgrade and refine bitumen in the Province of Alberta.

The Company was incorporated in Alberta, Canada. The address of its registered office is 2100, 855 - 2 Street S.W., Calgary, Alberta, Canada.

These interim consolidated financial statements and the related notes have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34 "Interim Financial Reporting", following the same accounting policies as the audited consolidated financial statements of the Company as at December 31, 2022, except as disclosed in note 2. These interim consolidated financial statements contain disclosures that are supplemental to the Company's annual audited consolidated financial statements. Certain disclosures normally required to be included in the notes to the annual audited consolidated financial statements have been condensed. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended December 31, 2022.

#### Critical Accounting Estimates and Judgements

The Company has made estimates, assumptions and judgements regarding certain assets, liabilities, revenues and expenses in the preparation of these interim consolidated financial statements, primarily related to unsettled transactions and events as of the date of these interim consolidated financial statements. Accordingly, actual results may differ from estimated amounts, and those differences may be material.

### 2. CHANGE IN ACCOUNTING POLICIES

In May 2021, the IASB issued amendments to IAS 12 "Income Taxes" to require companies to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. The amendments were adopted on January 1, 2023 and did not have a significant impact on the Company's interim consolidated financial statements.

In February 2021, the IASB issued amendments to IAS 1 to require entities to disclose their material accounting policy information rather than their significant accounting policies. To support this amendment the IASB also amended IFRS Practice Statement 2 "Making Materiality Judgements". The amendments were adopted on January 1, 2023 and did not have a significant impact on the Company's interim consolidated financial statements.

### 3. EXPLORATION AND EVALUATION ASSETS

	Exploration and Production			Oil Sands Mining and Upgrading	Total
	North America	North Sea	Offshore Africa		
<b>Cost</b>					
At December 31, 2022	\$ 2,026	\$ —	\$ 98	\$ 102	\$ 2,226
Additions	28	—	—	—	28
Transfers to property, plant and equipment	(10)	—	—	—	(10)
At March 31, 2023	\$ 2,044	\$ —	\$ 98	\$ 102	\$ 2,244

### 4. PROPERTY, PLANT AND EQUIPMENT

	Exploration and Production			Oil Sands Mining and Upgrading	Midstream and Refining	Head Office	Total
	North America	North Sea	Offshore Africa				
<b>Cost</b>							
At December 31, 2022	\$ 81,075	\$ 8,258	\$ 4,332	\$ 47,732	\$ 474	\$ 536	\$ 142,407
Additions/Acquisitions	865	3	23	336	3	8	1,238
Transfers from exploration & evaluation assets	10	—	—	—	—	—	10
Derecognitions <sup>(1)</sup>	(208)	—	—	(50)	—	—	(258)
Foreign exchange adjustments and other	—	(3)	(2)	—	—	—	(5)
At March 31, 2023	\$ 81,742	\$ 8,258	\$ 4,353	\$ 48,018	\$ 477	\$ 544	\$ 143,392
<b>Accumulated depletion and depreciation</b>							
At December 31, 2022	\$ 55,835	\$ 8,106	\$ 3,277	\$ 9,712	\$ 198	\$ 420	\$ 77,548
Expense	867	—	29	449	4	6	1,355
Derecognitions <sup>(1)</sup>	(208)	—	—	(50)	—	—	(258)
Foreign exchange adjustments and other	(5)	5	11	(8)	—	—	3
At March 31, 2023	\$ 56,489	\$ 8,111	\$ 3,317	\$ 10,103	\$ 202	\$ 426	\$ 78,648
<b>Net book value</b>							
At March 31, 2023	\$ 25,253	\$ 147	\$ 1,036	\$ 37,915	\$ 275	\$ 118	\$ 64,744
At December 31, 2022	\$ 25,240	\$ 152	\$ 1,055	\$ 38,020	\$ 276	\$ 116	\$ 64,859

(1) An asset is derecognized when no future economic benefits are expected to arise from its continued use or disposal.

## 5. LEASES

### Lease assets

	Product transportation and storage	Field equipment and power	Offshore vessels and equipment	Office leases and other	Total
At December 31, 2022	\$ 912	\$ 377	\$ 97	\$ 61	1,447
Additions	17	34	9	—	60
Depreciation	(25)	(27)	(6)	(5)	(63)
Foreign exchange adjustments and other	—	—	(5)	—	(5)
At March 31, 2023	\$ 904	\$ 384	\$ 95	\$ 56	1,439

### Lease liabilities

The Company measures its lease liabilities at the discounted value of its lease payments during the lease term. Lease liabilities at March 31, 2023 were as follows:

	Mar 31 2023	Dec 31 2022
Lease liabilities	\$ 1,535	\$ 1,540
Less: current portion	244	244
	\$ 1,291	\$ 1,296

Total cash outflows for leases for the three months ended March 31, 2023, including payments related to short-term leases not reported as lease assets, were \$337 million (three months ended March 31, 2022 – \$267 million). Interest expense on leases for the three months ended March 31, 2023 was \$16 million (three months ended March 31, 2022 – \$15 million).

## 6. INVESTMENTS

As at March 31, 2023, the Company had the following investment:

	Mar 31 2023	Dec 31 2022
Investment in PrairieSky Royalty Ltd.	\$ 484	\$ 491

The loss (gain) from investments was comprised as follows:

	Three Months Ended	
	Mar 31 2023	Mar 31 2022
Loss (gain) from investments	\$ 7	\$ (83)
Dividend income	(6)	(3)
	\$ 1	\$ (86)

The Company's 22.6 million share investment in PrairieSky Royalty Ltd. does not constitute significant influence, and is accounted for at fair value through profit or loss, measured at each reporting date. As at March 31, 2023, the market price per common share was \$21.40 (December 31, 2022 – \$21.70; March 31, 2022 – \$17.29).

## 7. OTHER LONG-TERM ASSETS

	Mar 31 2023	Dec 31 2022
Prepaid cost of service tolls	\$ 195	\$ 199
Long-term inventory	138	137
Risk management (note 15)	1	9
Long-term contracts, prepayments and other <sup>(1)</sup>	359	269
	<b>693</b>	614
Less: current portion	65	61
	<b>\$ 628</b>	<b>\$ 553</b>

(1) Includes physical product sales contracts, accrued interest on the deferred PRT recovery, and the unamortized portion of the Company's share bonus program.

The Company has a 50% equity investment in NWRP. NWRP operates a 50,000 barrels per day bitumen upgrader and refinery that processes approximately 12,500 barrels per day (25% toll payer) of bitumen feedstock for the Company and 37,500 barrels per day (75% toll payer) of bitumen feedstock for the Alberta Petroleum Marketing Commission, an agent of the Government of Alberta. The Company is unconditionally obligated to pay its 25% pro rata share of the debt component of the monthly fee-for-service toll over the 40-year tolling period until 2058 (note 16). Sales of diesel and refined products and associated refining tolls are recognized in the Midstream and Refining segment (note 17).

The carrying value of the Company's interest in NWRP is \$nil, and as at March 31, 2023, the cumulative unrecognized share of the equity loss and partnership distributions from NWRP was \$567 million (December 31, 2022 – \$551 million). For the three months ended March 31, 2023, the unrecognized share of the equity loss was \$16 million (three months ended March 31, 2022 – unrecognized equity loss of \$10 million).

## 8. LONG-TERM DEBT

	Mar 31 2023	Dec 31 2022
<b>Canadian dollar denominated debt, unsecured</b>		
Medium-term notes	\$ 1,691	\$ 1,702
<b>US dollar denominated debt, unsecured</b>		
Commercial paper (March 31, 2023 – US\$436 million; December 31, 2022 – US\$nil)	588	—
US dollar debt securities (March 31, 2023 – US\$7,250 million; December 31, 2022 – US\$7,250 million)	9,811	9,812
	<b>10,399</b>	9,812
Long-term debt before transaction costs and original issue discounts, net	<b>12,090</b>	11,514
Less: original issue discounts, net <sup>(1)</sup>	12	13
transaction costs <sup>(1) (2)</sup>	54	56
	<b>12,024</b>	11,445
Less: current portion of commercial paper	588	—
current portion of other long-term debt <sup>(1) (2)</sup>	404	404
	<b>\$ 11,032</b>	<b>\$ 11,041</b>

(1) The Company has included unamortized original issue discounts and premiums, and directly attributable transaction costs in the carrying amount of the outstanding debt.

(2) Transaction costs primarily represent underwriting commissions charged as a percentage of the related debt offerings, as well as legal, rating agency and other professional fees.

## Bank Credit Facilities and Commercial Paper

As at March 31, 2023, the Company had undrawn revolving bank credit facilities of \$5,520 million. Details of these facilities are described below. The Company also has certain other dedicated credit facilities supporting letters of credit. At March 31, 2023, the Company had \$588 million drawn under its commercial paper program, and reserves capacity under its revolving bank credit facilities for amounts outstanding under this program.

- a \$100 million demand credit facility;
- a \$500 million revolving credit facility, maturing February 2024;
- a \$2,425 million revolving syndicated credit facility, maturing June 2024; and
- a \$2,495 million revolving syndicated credit facility, with \$70 million maturing June 2023, and \$2,425 million maturing June 2025.

Borrowings under the Company's revolving credit facilities may be made by way of pricing referenced to Canadian dollar bankers' acceptances, US dollar bankers' acceptances, LIBOR, SOFR, US base rate or Canadian prime rate.

The Company's borrowings under its US commercial paper program are authorized up to a maximum of US\$2,500 million.

The Company's weighted average interest rate on bank credit facilities and commercial paper outstanding as at March 31, 2023 was 5.3% (March 31, 2022 – 1.4%), and on total long-term debt outstanding for the three months ended March 31, 2023 was 4.7% (three months ended March 31, 2022 – 4.0%).

As at March 31, 2023, letters of credit and guarantees aggregating to \$553 million were outstanding.

## Medium-Term Notes

In July 2021, the Company filed a base shelf prospectus that allows for the offer for sale from time to time of up to \$3,000 million of medium-term notes in Canada, which expires in August 2023. If issued, these securities may be offered in amounts and at prices, including interest rates, to be determined based on market conditions at the time of issuance.

## US Dollar Debt Securities

In July 2021, the Company filed a base shelf prospectus that allows for the offer for sale from time to time of up to US\$3,000 million of debt securities in the United States, which expires in August 2023. If issued, these securities may be offered in amounts and at prices, including interest rates, to be determined based on market conditions at the time of issuance.

## 9. OTHER LONG-TERM LIABILITIES

	Mar 31 2023	Dec 31 2022
Asset retirement obligations	\$ 6,872	\$ 6,908
Lease liabilities (note 5)	1,535	1,540
Share-based compensation	752	832
Transportation and processing contracts	139	159
Risk management (note 15)	9	3
Other	63	92
	9,370	9,534
Less: current portion	1,375	1,373
	\$ 7,995	\$ 8,161

## Asset Retirement Obligations

The Company's asset retirement obligations are expected to be settled on an ongoing basis over a period of approximately 60 years and discounted using a weighted average discount rate of 5.6% (December 31, 2022 – 5.6%) and inflation rates of up to 2% (December 31, 2022 – up to 2%). Reconciliations of the discounted asset retirement obligations were as follows:

	Mar 31 2023	Dec 31 2022
Balance – beginning of period	\$ 6,908	\$ 6,806
Liabilities incurred	9	20
Liabilities acquired, net	—	11
Liabilities settled	(137)	(449)
Asset retirement obligation accretion	92	281
Revision of cost, inflation and timing estimates <sup>(1)</sup>	—	897
Impact of regulatory changes <sup>(2)</sup>	—	982
Change in discount rates	—	(1,698)
Foreign exchange adjustments	—	58
Balance – end of period	6,872	6,908
Less: current portion	485	495
	\$ 6,387	\$ 6,413

(1) Includes normal course revisions of cost, inflation and timing estimates, as well as revisions related to the acceleration of abandonment of Ninian field assets in the North Sea at December 31, 2022.

(2) Reflects changes to the estimated timing of settlement of the Company's asset retirement obligations due to provincial regulatory changes in Alberta, British Columbia, and Saskatchewan in 2022.

## Share-Based Compensation

The liability for share-based compensation includes costs incurred under the Company's Stock Option Plan and Performance Share Unit ("PSU") plan. The Company's Stock Option Plan provides current employees with the right to elect to receive common shares or a cash payment in exchange for stock options surrendered. The PSU plan provides certain executive employees of the Company with the right to receive a cash payment, the amount of which is determined by individual employee performance and the extent to which certain other performance measures are met.

The Company recognizes a liability for potential cash settlements under these plans. The current portion of the liability represents the maximum amount of the liability payable within the next twelve month period if all vested stock options and PSUs are settled in cash.

	Mar 31 2023	Dec 31 2022
Balance – beginning of period	\$ 832	\$ 489
Share-based compensation expense	66	804
Cash payment for stock options surrendered and PSUs vested	(4)	(79)
Transferred to common shares	(143)	(387)
Other	1	5
Balance – end of period	752	832
Less: current portion	575	559
	\$ 177	\$ 273

## 10. INCOME TAXES

The provision for income tax was as follows:

Expense (recovery)	Three Months Ended	
	Mar 31 2023	Mar 31 2022
Current corporate income tax – North America <sup>(1)</sup>	\$ 480	\$ 834
Current corporate income tax – North Sea	6	7
Current corporate income tax – Offshore Africa	10	12
Current PRT <sup>(2)</sup> – North Sea	(40)	(7)
Other taxes	3	5
Current income tax	459	851
Deferred corporate income tax	23	125
Deferred PRT <sup>(2)</sup> – North Sea	7	—
Deferred income tax	30	125
Income tax	\$ 489	\$ 976

(1) Includes North America Exploration and Production, Oil Sands Mining and Upgrading, and Midstream and Refining segments.

(2) Petroleum Revenue Tax.

## 11. SHARE CAPITAL

### Authorized

Preferred shares issuable in a series.

Unlimited number of common shares without par value.

Issued common shares	Three Months Ended Mar 31, 2023	
	Number of shares (thousands)	Amount
Balance – beginning of period	1,102,636	\$ 10,294
Issued upon exercise of stock options	3,654	143
Previously recognized liability on stock options exercised for common shares	—	143
Purchase of common shares under Normal Course Issuer Bid	(8,900)	(84)
Balance – end of period	1,097,390	\$ 10,496

### Dividend Policy

The Company has paid regular quarterly dividends in each year since 2001. The dividend policy undergoes periodic review by the Board of Directors and is subject to change.

On March 1, 2023, the Board of Directors approved a 6% increase in the quarterly dividend to \$0.90 per common share, beginning with the dividend paid on April 5, 2023. On November 2, 2022, the Board of Directors approved a 13% increase in the quarterly dividend to \$0.85 per common share. On August 3, 2022, the Board of Directors approved a special dividend of \$1.50 per common share. On March 2, 2022, the Board of Directors approved a 28% increase in the quarterly dividend to \$0.75 per common share, from \$0.5875 per common share.

### Normal Course Issuer Bid

On March 8, 2023, the Company's application was approved for a Normal Course Issuer Bid to purchase through the facilities of the Toronto Stock Exchange, alternative Canadian trading platforms, and the New York Stock Exchange, up to 92,296,006 common shares, representing 10% of the public float, over a 12-month period commencing March 13, 2023 and ending March 12, 2024.

For the three months ended March 31, 2023, the Company purchased 8,900,000 common shares at a weighted average price of \$76.96 per common share for a total cost of \$685 million. Retained earnings were reduced by \$601 million, representing the excess of the purchase price of common shares over their average carrying value. Subsequent to March 31, 2023, the Company purchased 2,100,000 common shares at a weighted average price of \$80.60 per common share for a total cost of \$169 million.

### Share-Based Compensation – Stock Options

The following table summarizes information relating to stock options outstanding at March 31, 2023:

	Three Months Ended Mar 31, 2023	
	Stock options (thousands)	Weighted average exercise price
Outstanding – beginning of period	31,150	\$ 42.37
Granted	5,829	\$ 79.74
Exercised for common shares	(3,654)	\$ 39.03
Surrendered for cash settlement	(92)	\$ 39.20
Forfeited	(600)	\$ 50.25
Outstanding – end of period	32,633	\$ 49.28
Exercisable – end of period	6,043	\$ 37.66

The Stock Option Plan is a "rolling 7%" plan, whereby the aggregate number of common shares that may be reserved for issuance under the plan shall not exceed 7% of the common shares outstanding from time to time.

### 12. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The components of accumulated other comprehensive income (loss), net of taxes, were as follows:

	Mar 31 2023	Mar 31 2022
Derivative financial instruments designated as cash flow hedges	\$ 74	\$ 77
Foreign currency translation adjustment	133	(115)
	\$ 207	\$ (38)

### 13. CAPITAL DISCLOSURES

The Company has defined its capital to mean its long-term debt and consolidated shareholders' equity, as determined at each reporting date.

The Company's objectives when managing its capital structure are to maintain financial flexibility and balance, enabling the Company to access capital markets to sustain its on-going operations and growth strategies. The Company primarily monitors capital on the basis of an internally derived financial measure referred to as its "debt to book capitalization ratio", which is the ratio of current and long-term debt less cash and cash equivalents divided by the sum of the carrying value of shareholders' equity plus current and long-term debt less cash and cash equivalents. The Company's internal targeted range for its debt to book capitalization ratio is 25% to 45%. This range may be exceeded in periods when a combination of capital projects, acquisitions, or lower commodity prices occurs. The Company may be below the low end of the targeted range when cash flow from operating activities is greater than current investment activities. As at March 31, 2023, the ratio was below the target range at 23.6%.

Readers are cautioned that the debt to book capitalization ratio is not defined by IFRS and this financial measure may not be comparable to similar measures presented by other companies. Further, there are no assurances that the Company will continue to use this measure to monitor capital or will not alter the method of calculation of this measure in the future.

	<b>Mar 31 2023</b>	Dec 31 2022
Long-term debt	\$ 12,024	\$ 11,445
Less: cash and cash equivalents	92	920
Long-term debt, net	\$ 11,932	\$ 10,525
Total shareholders' equity	\$ 38,585	\$ 38,175
Debt to book capitalization	23.6%	21.6%

The Company is subject to a financial covenant that requires debt to book capitalization as defined in its credit facility agreements to not exceed 65%. As at March 31, 2023, the Company was in compliance with this covenant.

### 14. NET EARNINGS PER COMMON SHARE

	Three Months Ended	
	<b>Mar 31 2023</b>	Mar 31 2022
Weighted average common shares outstanding – basic (thousands of shares)	1,100,463	1,164,793
Effect of dilutive stock options (thousands of shares)	11,579	15,557
Weighted average common shares outstanding – diluted (thousands of shares)	1,112,042	1,180,350
Net earnings	\$ 1,799	\$ 3,101
Net earnings per common share – basic	\$ 1.63	\$ 2.66
– diluted	\$ 1.62	\$ 2.63

## 15. FINANCIAL INSTRUMENTS

The Company's financial instruments are comprised of cash and cash equivalents, accounts receivable, investments, risk management assets and liabilities, accounts payable, accrued liabilities, lease liabilities and long-term debt. These financial instruments, with the exception of investments and risk management assets and liabilities, are classified as financial assets and liabilities at amortized cost. Investments are classified as financial assets at fair value through profit or loss. Risk management assets and liabilities are classified as derivatives held for trading or as cash flow hedges.

The estimated fair values of derivative financial instruments in Level 2 at each measurement date have been determined based on appropriate internal valuation methodologies and/or third party indications, including quoted forward prices for commodities, foreign exchange rates, interest yield curves and other volatility factors.

The changes in estimated fair values of derivative financial instruments included in the risk management asset (liability) were recognized in the financial statements as follows:

<b>Asset (liability)</b>	<b>Mar 31 2023</b>	<b>Dec 31 2022</b>
Balance – beginning of period	\$ 6	\$ 55
Net change in fair value of outstanding derivative financial instruments recognized in:		
Risk management activities <sup>(1)</sup>	(14)	70
Foreign exchange	—	(119)
Balance – end of period	(8)	6
Less: current portion	(8)	—
	\$ —	\$ 6

(1) Risk management assets and liabilities are disclosed in note 7 and note 9, respectively.

The net loss from risk management activities was as follows:

	Three Months Ended	
	<b>Mar 31 2023</b>	<b>Mar 31 2022</b>
Net realized risk management loss	\$ 1	\$ 32
Net unrealized risk management loss	20	26
	\$ 21	\$ 58

The carrying amounts of the Company's financial instruments approximated their fair value, except for fixed rate long-term debt. The Company's financial instruments are categorized as Level 1 with the exception of risk management assets and liabilities which are categorized as Level 2. There were no transfers between Level 1, 2 and 3 financial instruments. The fair value of the Company's fixed rate long-term debt is outlined below:

<b>Asset (liability)</b>	<b>Mar 31, 2023</b>	
	<b>Carrying amount</b>	<b>Level 1 Fair value</b>
Fixed rate long-term debt <sup>(1) (2)</sup>	\$ (11,436)	\$ (11,276)

(1) The fair value of fixed rate long-term debt has been determined based on quoted market prices.

(2) Includes the current portion of fixed rate long-term debt.

## **Financial Risk Factors**

The Company's financial risks are consistent with those discussed in notes 1, 4 and 19 of the Company's audited financial statements for the year ended December 31, 2022.

### **a) Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company's market risk is comprised of commodity price risk, interest rate risk, and foreign currency exchange rate risk.

#### **Commodity price risk management**

The Company periodically uses commodity derivative financial instruments to manage its exposure to commodity price risk associated with the sale of its future crude oil and natural gas production and with natural gas purchases.

#### **Interest rate risk management**

The Company is exposed to interest rate price risk on its fixed rate long-term debt and to interest rate cash flow risk on its floating rate long-term debt. At March 31, 2023, the Company had no significant interest rate swap contracts outstanding.

#### **Foreign currency exchange rate risk management**

The Company is exposed to foreign currency exchange rate risk in Canada primarily related to its US dollar denominated long-term debt, commercial paper and working capital. The Company is also exposed to foreign currency exchange rate risk on transactions conducted in other currencies and in the carrying value of its foreign subsidiaries.

As at March 31, 2023, the Company had US\$1,446 million of foreign currency forward contracts outstanding (December 31, 2022 - US\$1,017 million), with original terms of up to 90 days, of which US\$1,010 million were designated as derivatives held for trading (December 31, 2022 - US\$1,017 million) and US\$436 million were designated as cash flow hedges (December 31, 2022 - US\$nil).

### **b) Credit risk**

Credit risk is the risk that a party to a financial instrument will cause a financial loss to the Company by failing to discharge an obligation.

#### **Counterparty credit risk management**

The Company's accounts receivable are mainly with customers in the crude oil and natural gas industry and are subject to normal industry credit risks. The Company manages these risks by reviewing its exposure to individual companies on a regular basis and where appropriate, ensures that parental guarantees or letters of credit are in place to minimize the impact in the event of default. At March 31, 2023, substantially all of the Company's accounts receivable were due within normal trade terms.

The Company is also exposed to possible losses in the event of nonperformance by counterparties to derivative financial instruments; however, the Company manages this credit risk by entering into agreements with counterparties that are substantially all investment grade financial institutions. At March 31, 2023, the Company had net risk management assets of \$nil with specific counterparties related to derivative financial instruments (December 31, 2022 - \$7 million). The carrying amount of financial assets approximates the maximum credit exposure.

### **c) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities.

Management of liquidity risk requires the Company to maintain sufficient cash and cash equivalents, along with other sources of capital, consisting primarily of cash flow from operating activities, available credit facilities, commercial paper and access to debt capital markets, to meet obligations as they become due. The Company believes it has adequate bank credit facilities to provide liquidity to manage fluctuations in the timing of the receipt and/or disbursement of operating cash flows.

As at March 31, 2023, the maturity dates of the Company's financial liabilities were as follows:

		Less than 1 year	1 to less than 2 years	2 to less than 5 years	Thereafter
Accounts payable	\$	1,220	\$ —	\$ —	\$ —
Accrued liabilities	\$	3,817	\$ —	\$ —	\$ —
Long-term debt <sup>(1)</sup>	\$	992	\$ 1,809	\$ 3,168	\$ 6,121
Other long-term liabilities <sup>(2)</sup>	\$	253	\$ 158	\$ 413	\$ 720
Interest and other financing expense <sup>(3)</sup>	\$	629	\$ 589	\$ 1,400	\$ 3,664

(1) Long-term debt represents principal repayments only and does not reflect interest, original issue discounts and premiums or transaction costs.

(2) Lease payments included within other long-term liabilities reflect principal payments only and are as follows; less than one year, \$244 million; one to less than two years, \$158 million; two to less than five years, \$413 million; and thereafter, \$720 million.

(3) Includes interest and other financing expense on long-term debt and other long-term liabilities. Payments were estimated based upon applicable interest and foreign exchange rates at March 31, 2023.

## 16. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Company has committed to certain payments. The following table summarizes the Company's commitments as at March 31, 2023:

	Remaining 2023	2024	2025	2026	2027	Thereafter
Product transportation and processing <sup>(1)</sup>	\$ 892	\$ 1,387	\$ 1,238	\$ 1,147	\$ 1,096	\$ 11,273
North West Redwater Partnership service toll <sup>(2)</sup>	\$ 114	\$ 154	\$ 153	\$ 135	\$ 120	\$ 4,952
Offshore vessels and equipment	\$ 31	\$ 35	\$ —	\$ —	\$ —	\$ —
Field equipment and power	\$ 30	\$ 28	\$ 26	\$ 23	\$ 22	\$ 215
Other	\$ 18	\$ 24	\$ 22	\$ 16	\$ —	\$ —

(1) Includes commitments pertaining to a 20-year product transportation agreement on the Trans Mountain Pipeline Expansion.

(2) Pursuant to the processing agreements, the Company pays its 25% pro rata share of the debt component of the monthly fee-for-service toll. Included in the toll is \$2,913 million of interest payable over the 40-year tolling period, ending in 2058 (note 7).

In addition to the commitments disclosed above, the Company has entered into various agreements related to the engineering, procurement and construction of its various development projects. These contracts can be cancelled by the Company upon notice without penalty, subject to the costs incurred up to and in respect of the cancellation.

The Company is defendant and plaintiff in a number of legal actions arising in the normal course of business. In addition, the Company is subject to certain contractor construction claims. The Company believes that any liabilities that might arise pertaining to any such matters would not have a material effect on its consolidated financial position.

## 17. SEGMENTED INFORMATION

(millions of Canadian dollars, unaudited)	North America		North Sea		Offshore Africa		Total Exploration and Production	
	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	
	Mar 31		Mar 31		Mar 31		Mar 31	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Segmented product sales</b>								
Crude oil and NGLs	3,749	5,539	—	127	92	217	3,841	5,883
Natural gas	807	930	3	5	12	14	822	949
Other income and revenue <sup>(1)</sup>	11	70	—	1	2	2	13	73
<b>Total segmented product sales</b>	<b>4,567</b>	<b>6,539</b>	<b>3</b>	<b>133</b>	<b>106</b>	<b>233</b>	<b>4,676</b>	<b>6,905</b>
Less: royalties	(491)	(907)	—	—	(10)	(11)	(501)	(918)
<b>Segmented revenue</b>	<b>4,076</b>	<b>5,632</b>	<b>3</b>	<b>133</b>	<b>96</b>	<b>222</b>	<b>4,175</b>	<b>5,987</b>
<b>Segmented expenses</b>								
Production	1,002	887	3	67	27	28	1,032	982
Transportation, blending and feedstock	1,546	1,752	—	2	—	—	1,546	1,754
Depletion, depreciation and amortization	890	878	1	29	35	51	926	958
Asset retirement obligation accretion	59	35	11	7	2	2	72	44
Risk management activities (commodity derivatives)	20	49	—	—	—	—	20	49
<b>Total segmented expenses</b>	<b>3,517</b>	<b>3,601</b>	<b>15</b>	<b>105</b>	<b>64</b>	<b>81</b>	<b>3,596</b>	<b>3,787</b>
<b>Segmented earnings (loss)</b>	<b>559</b>	<b>2,031</b>	<b>(12)</b>	<b>28</b>	<b>32</b>	<b>141</b>	<b>579</b>	<b>2,200</b>
<b>Non-segmented expenses</b>								
Administration								
Share-based compensation								
Interest and other financing expense								
Risk management activities (other)								
Foreign exchange gain								
Loss (gain) from investments								
<b>Total non-segmented expenses</b>								
<b>Earnings before taxes</b>								
Current income tax								
Deferred income tax								
<b>Net earnings</b>								

(millions of Canadian dollars, unaudited)	Oil Sands Mining and Upgrading		Midstream and Refining		Inter-segment elimination and other		Total	
	Three Months Ended		Three Months Ended		Three Months Ended		Three Months Ended	
	Mar 31		Mar 31		Mar 31		Mar 31	
	2023	2022	2023	2022	2023	2022	2023	2022
<b>Segmented product sales</b>								
Crude oil and NGLs <sup>(2)</sup>	4,482	4,851	21	20	68	19	8,412	10,773
Natural gas	—	—	—	—	29	53	851	1,002
Other income and revenue <sup>(1)</sup>	19	35	250	249	3	—	285	357
<b>Total segmented product sales</b>	<b>4,501</b>	<b>4,886</b>	<b>271</b>	<b>269</b>	<b>100</b>	<b>72</b>	<b>9,548</b>	<b>12,132</b>
Less: royalties	(417)	(537)	—	—	—	—	(918)	(1,455)
<b>Segmented revenue</b>	<b>4,084</b>	<b>4,349</b>	<b>271</b>	<b>269</b>	<b>100</b>	<b>72</b>	<b>8,630</b>	<b>10,677</b>
<b>Segmented expenses</b>								
Production	1,042	977	78	66	12	15	2,164	2,040
Transportation, blending and feedstock <sup>(2)</sup>	550	463	153	179	85	59	2,334	2,455
Depletion, depreciation and amortization	488	445	4	4	—	—	1,418	1,407
Asset retirement obligation accretion	20	15	—	—	—	—	92	59
Risk management activities (commodity derivatives)	—	—	—	—	—	—	20	49
<b>Total segmented expenses</b>	<b>2,100</b>	<b>1,900</b>	<b>235</b>	<b>249</b>	<b>97</b>	<b>74</b>	<b>6,028</b>	<b>6,010</b>
<b>Segmented earnings (loss)</b>	<b>1,984</b>	<b>2,449</b>	<b>36</b>	<b>20</b>	<b>3</b>	<b>(2)</b>	<b>2,602</b>	<b>4,667</b>
<b>Non-segmented expenses</b>								
Administration							106	116
Share-based compensation							66	534
Interest and other financing expense							154	163
Risk management activities (other)							1	9
Foreign exchange gain							(14)	(146)
Loss (gain) from investments							1	(86)
<b>Total non-segmented expenses</b>							<b>314</b>	<b>590</b>
<b>Earnings before taxes</b>							<b>2,288</b>	<b>4,077</b>
Current income tax							459	851
Deferred income tax							30	125
<b>Net earnings</b>							<b>1,799</b>	<b>3,101</b>

(1) Includes the sale of diesel and other refined products in the Midstream and Refining segment, and other income.

(2) Includes blending and feedstock costs associated with the processing of third party bitumen and other purchased feedstock in the Oil Sands Mining and Upgrading segment.

## Capital Expenditures <sup>(1)</sup>

	Three Months Ended					
	Mar 31, 2023			Mar 31, 2022		
	Net expenditures	Non-cash and fair value changes <sup>(2)</sup>	Capitalized costs	Net expenditures	Non-cash and fair value changes <sup>(2)</sup>	Capitalized costs
<b>Exploration and evaluation assets</b>						
Exploration and Production						
North America	\$ 28	\$ (10)	\$ 18	\$ 18	\$ (1)	\$ 17
Offshore Africa	—	—	—	1	—	1
	<b>28</b>	<b>(10)</b>	<b>18</b>	<b>19</b>	<b>(1)</b>	<b>18</b>
<b>Property, plant and equipment</b>						
Exploration and Production						
North America	856	(189)	667	1,027	(69)	958
North Sea	3	—	3	11	—	11
Offshore Africa	23	—	23	12	—	12
	<b>882</b>	<b>(189)</b>	<b>693</b>	<b>1,050</b>	<b>(69)</b>	<b>981</b>
Oil Sands Mining and Upgrading	336	(50)	286	312	(73)	239
Midstream and Refining	3	—	3	2	—	2
Head office	8	—	8	5	—	5
	<b>1,229</b>	<b>(239)</b>	<b>990</b>	<b>1,369</b>	<b>(142)</b>	<b>1,227</b>
	<b>\$ 1,257</b>	<b>\$ (249)</b>	<b>\$ 1,008</b>	<b>\$ 1,388</b>	<b>\$ (143)</b>	<b>\$ 1,245</b>

(1) This table provides a reconciliation of capitalized costs, reported in note 3 and note 4, to net expenditures reported in the investing activities section of the statements of cash flows. The reconciliation excludes the impact of foreign exchange adjustments.

(2) Derecognitions, asset retirement obligations, transfer of exploration and evaluation assets, and other fair value adjustments.

## Segmented Assets

	Mar 31 2023	Dec 31 2022
Exploration and Production		
North America	\$ 30,294	\$ 31,135
North Sea	407	378
Offshore Africa	1,341	1,322
Other	69	54
Oil Sands Mining and Upgrading	42,026	42,102
Midstream and Refining	949	979
Head office	174	172
	<b>\$ 75,260</b>	<b>\$ 76,142</b>

## SUPPLEMENTARY INFORMATION

### INTEREST COVERAGE RATIOS

The following financial ratios are provided in connection with the Company's continuous offering of medium-term notes pursuant to the short form prospectus dated July 2021. These ratios are based on the Company's interim consolidated financial statements that are prepared in accordance with accounting principles generally accepted in Canada.

Interest coverage ratios for the twelve month period ended March 31, 2023:

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Interest coverage (times)	
Net earnings <sup>(1)</sup>	23.1x
Adjusted funds flow <sup>(2)</sup>	39.4x

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(1) *Net earnings plus income taxes and interest expense; divided by interest expense.*

(2) *Adjusted funds flow plus current income taxes and interest expense; divided by interest expense.*