FIRST QUARTER REPORT

THREE MONTHS ENDED MARCH 31, 2022 TSX & NYSE: CNQ

CANADIAN NATURAL RESOURCES LIMITED
2022 FIRST QUARTER RESULTS

Commenting on the Company's first quarter 2022 results, Tim McKay, President of Canadian Natural, stated "Our world class asset base is one of our key strengths, which is strategically balanced across commodity types so we can capture opportunities throughout the commodity price cycle. This drove total corporate quarterly production of approximately 1,280 MBOE/d in Q1/22, including record natural gas production of over 2.0 Bcf/d, an increase of approximately 0.4 Bcf/d from Q1/21 levels. Financially we delivered strong quarterly free cash flow of approximately $3.4 billion, after dividends of approximately $0.7 billion and net capital expenditures of approximately $0.8 billion, excluding acquisitions and strategic growth capital.

Our unique, diverse, long life low decline asset base with large, low risk, high value reserves is a differentiating factor that makes Canadian Natural a truly unique energy company. We have an industry leading WTI break-even in the mid-US$30s per barrel, which covers base maintenance capital requirements and dividend commitments and when combined with our top tier cost structure and effective and efficient operations we are resilient through the commodity price cycle while generating substantial returns in today's environment.

Canadian Natural is a leader on Environmental, Social and Governance ("ESG") and has made it a priority to work together in collaboration with industry peers, including the Pathways initiative. By working together, we have developed an actionable plan that can help us collectively be more effective and efficient from a time and cost perspective for Carbon Capture, Utilization and Storage ("CCUS") projects. We are taking positive steps forward in our efforts to help Canada achieve its climate and economic growth objectives."

Canadian Natural's Chief Financial Officer, Mark Stainthorpe, added "At Canadian Natural our culture of continuous improvement has created a sense of ownership and enables our teams to create significant value for our shareholders. Our effective and nimble capital allocation to our four pillars; returns to shareholders, balance sheet strength, resource value growth and opportunistic acquisitions continues to deliver robust financial results. In Q1/22 net earnings and adjusted funds flow were strong at approximately $3.1 billion and approximately $5.0 billion respectively, and our balance sheet continued to strengthen. So far in 2022 up to and including May 4, 2022, returns to shareholders have been significant as we have returned a total of approximately $3.1 billion through dividends and share repurchases. This includes the increase to our sustainable and growing quarterly dividend in March 2022 by 28% to $0.75 per share, up from $0.5875 per share, marking 2022 as the 22nd consecutive year of dividend increases. The increasing dividend demonstrates the confidence that the Board of Directors has in the Company’s world class assets and its ability to generate significant and sustainable free cash flow through the commodity price cycle.

In addition, the Company's Board of Directors has decided to further enhance the Company's free cash flow allocation policy by stating that when the Company's net debt reaches $8 billion, which the Board sees as a base level of corporate debt, the Company will allocate additional free cash flow as incremental returns to shareholders.

When you combine our leading financial results with our top tier asset base, this provides unique competitive advantages in terms of capital efficiencies, flexibility and sustainability, all of which drive material free cash flow generation and return of capital."

QUARTERLY HIGHLIGHTS

($ millions, except per common share amounts)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Net earnings	**$ 3,101**	$ 2,534	$ 1,377
Per common share – basic	**$ 2.66**	$ 2.16	$ 1.16
– diluted	**$ 2.63**	$ 2.14	$ 1.16
Adjusted net earnings from operations (1)	**$ 3,376**	$ 2,626	$ 1,219
Per common share – basic (2)	**$ 2.90**	$ 2.24	$ 1.03
– diluted (2)	**$ 2.86**	$ 2.21	$ 1.03
Cash flows from operating activities	**$ 2,853**	$ 4,712	$ 2,536
Adjusted funds flow (1)	**$ 4,975**	$ 4,338	$ 2,712
Per common share – basic (2)	**$ 4.27**	$ 3.69	$ 2.29
– diluted (2)	**$ 4.21**	$ 3.66	$ 2.28
Cash flows used in investing activities	**$ 1,251**	$ 1,615	$ 648
Net capital expenditures (1), excluding net acquisition costs and strategic growth capital (3)	**$ 844**	$ 837	$ 808
Net capital expenditures (1)	**$ 1,455**	$ 1,804	$ 808
Daily production, before royalties			
Natural gas (MMcf/d)	**2,006**	1,857	1,598
Crude oil and NGLs (bbl/d)	**945,809**	1,004,425	979,352
Equivalent production (BOE/d) (4)	**1,280,180**	1,313,900	1,245,703

(1) Non-GAAP Financial Measure. Refer to the "Non-GAAP and Other Financial Measures" section of this press release and the "Non-GAAP and Other Financial Measures" section of the Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022.

(2) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this press release and the "Non-GAAP and Other Financial Measures" section of the Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022.

(3) Net capital expenditures, excluding net acquisition costs and strategic growth capital, is defined as base capital expenditures.

(4) A barrel of oil equivalent ("BOE") is derived by converting six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of crude oil (6 Mcf:1 bbl). This conversion may be misleading, particularly if used in isolation, or to compare the value ratio using current crude oil and natural gas prices since the 6 Mcf:1 bbl ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

QUARTERLY HIGHLIGHTS

- Canadian Natural delivered net earnings of approximately $3.1 billion and adjusted net earnings from operations of approximately $3.4 billion in Q1/22.
- Cash flows from operating activities were approximately $2.9 billion in Q1/22.
- Canadian Natural generated strong quarterly adjusted funds flow of approximately $5.0 billion in Q1/22, an increase of approximately $2.3 billion from Q1/21 levels.
- The strength of the Company's asset base, supported by safe, effective and efficient operations generates significant free cash flow(1) over the long-term, making Canadian Natural's business unique, robust and sustainable.
  - Effective and efficient operations combined with our high quality, long life low decline asset base generated substantial quarterly free cash flow of approximately $3.4 billion after dividend payments of approximately $0.7 billion and net capital expenditures of approximately $0.8 billion (excluding net acquisitions and strategic growth capital as per the Company's free cash flow allocation policy).
  - Direct returns to shareholders in Q1/22 were strong, totaling approximately $1.8 billion, comprised of approximately $0.7 billion of dividends and approximately $1.1 billion of share repurchases.

- ◦ Canadian Natural increased its sustainable and growing quarterly dividend in March 2022 by 28% to $0.75 per share, up from $0.5875 per share, marking 2022 as the 22nd consecutive year of dividend increases.
    - ◦ The Company repurchased a total of approximately 15.8 million common shares for cancellation at a weighted average price of $68.78 per share in Q1/22 for a total of approximately $1.1 billion.
    - ◦ In March 2022, the Board of Directors approved the renewal and increase of our Normal Course Issuer Bid ("NCIB") so that Canadian Natural can repurchase for cancellation up to 10% of the public float during the 12 month period commencing March 11, 2022 and ending March 10, 2023.
  - Year-to-date up to and including May 4, 2022, the Company has returned approximately $3.1 billion to shareholders through approximately $1.6 billion in dividends and $1.5 billion from the repurchase and cancellation of 21.5 million common shares.
    - ◦ Subsequent to quarter end, the Company declared a quarterly dividend of $0.75 per share, payable on July 5, 2022.
- ▪ During Q1/22, the Company continued to strengthen our financial position and flexibility.
  - Repaid $1.0 billion of 3.31% medium-term notes.
  - Repaid $0.5 billion of the $1.15 billion non-revolving term credit facility, reducing the outstanding balance to $0.65 billion.
  - Amended the $1.0 billion non-revolving term credit facility to a $0.5 billion non-revolving facility and a $0.5 billion revolving facility; both maturing February 2023.
  - Strengthened the balance sheet by reducing Q1/22 ending net debt to $13.8 billion.
  - Undrawn revolving bank credit facilities totaling approximately $5.6 billion were available at March 31, 2022. Including cash and cash equivalents and short-term investments, the Company had significant liquidity(1) of approximately $6.1 billion.
- ▪ Subsequent to quarter end on April 21, 2022, Moody's Investors Service ("Moody's") upgraded Canadian Natural's senior unsecured investment grade credit ratings to Baa1 from Baa2, with a stable rating outlook.
- ▪ In Q1/22, the Company continued its focus on safe, effective and efficient operations, driving average quarterly production volumes of 1,280,180 BOE/d, an increase of 3% over Q1/21 levels.
  - The Company delivered record average natural gas production of 2,006 MMcf/d in Q1/22, a significant increase of more than 400 MMcf/d or 26% over Q1/21 levels. The increase over Q1/21 primarily reflects strong drilling results and production volumes from acquisitions, partially offset by natural field declines.
    - ◦ Corporate natural gas operating costs(2) averaged $1.31/Mcf in Q1/22, an increase of 3% over Q1/21 levels, primarily reflecting higher energy related costs.
  - Quarterly liquids production averaged 945,809 bbl/d in Q1/22, a decrease of 3% from Q1/21 levels, primarily due to facility restrictions at the non-operated Scotford Upgrader ("Scotford") and the commencement of the planned turnaround, partially offset by strong light crude oil and NGL volumes.
    - ◦ Canadian Natural's North America E&P liquids production, including thermal in situ, averaged 484,280 bbl/d during Q1/22, comparable to Q1/21 levels.
      - – North America E&P liquids production, excluding thermal in situ, averaged 222,537 bbl/d in Q1/22, an increase of 5% over Q1/21 levels. The increase over Q1/21 levels primarily reflects strong drilling results and production volumes from acquisitions, partially offset by natural field declines.
- ▪ In Q1/22 the Company completed a number of strategic acquisitions in our core areas which will add long term value to our shareholders, two of which are highlighted below. These strategic premium assets enhance the Company’s long term growth opportunities, while not impacting share repurchases as per the Company's free cash flow policy.
  - In the Jackfish and Kirby areas the Company acquired the remaining 50% working interest in the Pike lands. As a result the Company will be able to cost effectively develop these lands through both the Jackfish and Kirby facilities, that will lower costs to develop and improve timelines to first oil.

- In the Wembley Area, premium liquids rich Montney lands were acquired, which are essentially surrounded by the Company's development plans. The value in these lands will be further enhanced by leveraging the Company's plans in the area. The Company is targeting 8 wells this year on these lands, which is incorporated in the Company’s 2022 capital budget.

- The Company's 2022 capital budget remains on track with targeted base capital[3] of approximately $3.6 billion that delivers targeted production of approximately 1,270,000 BOE/d to 1,320,000 BOE/d, resulting in disciplined year over year near-term growth of approximately 60,000 BOE/d derived primarily from conventional E&P operations.
- Budgeted strategic growth capital[3] in 2022 of approximately $0.7 billion is allocated to our long life low decline assets, which targets to add incremental annual production growth starting in 2023 and beyond of approximately 63,000 bbl/d by 2025.

(1) Non-GAAP Financial Measure. Refer to the "Non-GAAP and Other Financial Measures" section of this press release and the "Non-GAAP and Other Financial Measures" section of the Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022.

(2) Calculated as production expense divided by respective sales volumes. Natural gas and natural gas liquids production volumes approximate sales volumes.

(3) Item is a component of net capital expenditures. Refer to the "Non-GAAP and Other Financial Measures" section of Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022 for more details on net capital expenditures.

OPERATIONS REVIEW AND CAPITAL ALLOCATION

Canadian Natural has a balanced and diverse portfolio of assets, primarily Canadian-based, with international exposure in the UK section of the North Sea and Offshore Africa. Canadian Natural's production is well balanced between light crude oil, medium crude oil, primary heavy crude oil, Pelican Lake heavy crude oil, bitumen (thermal oil) and Synthetic Crude Oil ("SCO") (herein collectively referred to as "crude oil") and natural gas and NGLs. This balance provides optionality for capital investments, maximizing value for the Company's shareholders.

Underpinning this asset base is the Company's long life low decline production, representing approximately 79% of total liquids production in Q1/22, the majority of which is zero decline high value SCO production from the Company's world class Oil Sands Mining and Upgrading assets. The remaining balance of long life low decline production comes from Canadian Natural's top tier thermal in situ oil sands operations and the Company's Pelican Lake heavy crude oil assets. The combination of these long life low decline assets, low reserves replacement costs, and effective and efficient operations results in substantial and sustainable adjusted funds flow throughout the commodity price cycle.

In addition, Canadian Natural maintains a substantial inventory of low capital exposure projects within the Company's conventional asset base. These projects can be executed quickly and, in the right economic conditions, provide excellent returns and maximize value for our shareholders. Supporting these projects is the Company's undeveloped land base which enables large, repeatable drilling programs that can be optimized over time. Additionally, by owning and operating most of the related infrastructure, Canadian Natural is able to control major components of the Company's operating costs and minimize production commitments. Low capital exposure projects can be quickly stopped or started depending upon success, market conditions or corporate needs.

Canadian Natural's balanced portfolio, built with both long life low decline assets and low capital exposure assets, enables effective capital allocation, production growth and value creation.

Drilling Activity [(1)]	Three Months Ended Mar 31			
	2022		2021	
(number of wells)	**Gross**	**Net**	Gross	Net
Crude oil	**57**	**56**	46	44
Natural gas	**39**	**23**	27	22
Total	**96**	**79**	73	66
Success rate (excluding stratigraphic test / service wells)		**100%**		100%

(1) In addition, in Q1/22, on a net basis, the Company drilled 351 stratigraphic wells and 3 service wells in Oil Sands Mining and Upgrading, as well as 18 stratigraphic and 21 service wells in the Company's thermal oil projects.

- The Company's total crude oil and natural gas drilling program of 79 net wells for the three months ended March 31, 2022, represents an increase of 13 net wells from the three months ended March 31, 2021.

North America Exploration and Production

Crude oil and NGLs – excluding Thermal In Situ Oil Sands

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs production (bbl/d)	**222,537**	215,628	211,206
Net wells targeting crude oil	**44**	20	39
Net successful wells drilled	**44**	20	39
Success rate	**100%**	100%	100%

- North America E&P liquids, excluding thermal in situ, production averaged 222,537 bbl/d in Q1/22, an increase of 5% over Q1/21 levels. The increase over Q1/21 levels primarily reflects strong drilling results and production volumes from acquisitions, partially offset by natural field declines.
  - Primary heavy crude oil production averaged 63,068 bbl/d in Q1/22, comparable with Q1/21 levels as a result of strong drilling results that completely offset natural field declines.

  - Operating costs in the Company's primary heavy crude oil operations averaged $22.00/bbl (US$17.38/bbl) in Q1/22, an increase of 16% compared to Q1/21 levels, primarily due to higher energy related costs.
  - At the Company's Clearwater play at Smith, 7 net horizontal multilateral wells were completed on time in the quarter with early production rates totaling approximately 2,100 bbl/d, resulting in a strong capital efficiency(1) of approximately $7,600/bbl/d as budgeted.
  - The 2022 capital budget remains on track with targeted drilling of approximately 11 wells per quarter through a level loaded schedule that drives cost efficiencies.
- Pelican Lake production averaged 51,991 bbl/d in Q1/22, a decrease of 6% from Q1/21 levels. The modest production decrease reflects the low decline nature of this long life asset and the continued success of the Company's world class polymer flood.
  - Effective and efficient operations and the Company's continued focus on cost control drove strong operating costs at Pelican Lake that averaged $7.48/bbl (US$5.91/bbl) in Q1/22, comparable with Q1/21 levels of $7.38/bbl.
- North America light crude oil and NGL production averaged 107,478 bbl/d in Q1/22, an increase of 16% over Q1/21 levels. The increase over Q1/21 primarily reflects strong drilling results and production volumes from acquisitions, partially offset by natural field declines.
  - Operating costs in the Company's North America light crude oil and NGL areas averaged $15.24/bbl (US$12.04/bbl) in Q1/22, a decrease of 5% from Q1/21 levels, primarily as a result of increased production volumes and the Company's continued focus on cost control.
  - At Gold Creek, a 2 net well light crude oil pad is on stream in Q1/22 with strong production totaling approximately 1,750 bbl/d of liquids and 5 MMcf/d of natural gas. Production is exceeding budgeted liquids by approximately 750 bbl/d and is on budget for natural gas.

(1) Supplementary financial measure. Refer to the "Non-GAAP and Other Financial Measures" section of this press release.

Thermal In Situ Oil Sands

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Bitumen production (bbl/d)	**261,743**	263,110	267,530
Net wells targeting bitumen	**12**	1	3
Net successful wells drilled	**12**	1	3
Success rate	**100%**	100%	100%

- The Company's thermal in situ assets achieved average production of 261,743 bbl/d in Q1/22, a decrease of 2% from Q1/21 levels. Our long life low decline Thermal in situ operations continue to be strong as Q1/22 production was above our 2021 average annual production of approximately 259,300 bbl/d.
  - Thermal in situ operating costs averaged $14.35/bbl (US$11.34/bbl) in Q1/22, an increase of 26% over Q1/21 levels. The increase in operating costs was primarily due to higher energy costs.
- Drilling within our Thermal in situ assets has commenced in Q1/22 and is currently on track as budgeted.
  - At Kirby, drilling has commenced on the first of three Steam Assisted Gravity Drainage ("SAGD") pads to be drilled. This pad at Kirby South is targeted to come on stream in mid-2023 at a targeted average SAGD capital efficiency of approximately $8,000/bbl/d.
  - At Primrose, drilling has commenced on the first of two Cyclic Steam Stimulation ("CSS") pads targeted to be drilled. This pad is targeted to come on stream in mid-2023 at a targeted average capital efficiency of approximately $10,000/bbl/d.
  - Solvent enhanced oil recovery technology is being piloted by the Company with an objective to increase bitumen production, reduce the Steam to Oil Ratio ("SOR"), reduce greenhouse gas ("GHG") intensity and realize high solvent recovery. This technology has the potential for application throughout the Company's extensive thermal in situ asset base.

- Canadian Natural's second pilot in the steam flood area of Primrose progressed in Q1/22 with early positive results, including SOR reductions of approximately 50%. The pilot consists of 9 net wells, 5 producers and 4 injectors and is targeted to operate for two years with targeted SOR and GHG intensity reductions of 40% to 45% and solvent recoveries of greater than 70%.
- Canadian Natural is progressing with engineering and design of a commercial scale solvent SAGD pad development at Kirby North and targets to commence solvent injection in early 2024.

North America Natural Gas

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Natural gas production (MMcf/d)	**1,988**	1,841	1,585
Net wells targeting natural gas	**23**	9	22
Net successful wells drilled	**23**	9	22
Success rate	**100%**	100%	100%

- North America natural gas achieved record quarterly production in Q1/22, averaging approximately 1,988 MMcf/d, an increase of more than 400 MMcf/d or 25% over Q1/21 levels. The increase primarily reflects strong drilling results and acquired production volumes, partially offset by natural field declines.
  - North America natural gas operating costs averaged $1.28/Mcf in Q1/22, an increase of 3% over Q1/21 levels, primarily reflecting higher energy related costs.
- Within the Company's liquids-rich Montney areas, we continue to utilize our low cost, high value drill-to-fill strategy that maximizes liquids rich natural gas production volumes.
  - At Septimus, strong performance continued as targeted, with average natural gas production of approximately 160 MMcf/d in Q1/22 and low operating costs averaging $0.31/Mcfe.
  - In North East British Columbia, 7.5 net wells (10 gross) recently drilled are on stream with strong production levels totaling approximately 59 MMcf/d of natural gas and 4,200 bbl/d of liquids. Production has exceeded budgeted levels resulting in top tier capital efficiency of approximately $3,100/BOE/d.
- Within our liquids rich Deep Basin core area, 6 net wells came on stream at strong production levels totaling approximately 78 MMcf/d of natural gas and 2,700 bbl/d of liquids. Production has exceeded budgeted levels resulting in a top tier capital efficiency of $2,800/BOE/d.

International Exploration and Production

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil production (bbl/d)	**31,703**	32,281	31,813
Natural gas production (MMcf/d)	**18**	16	13
Net wells targeting crude oil	**—**	1.0	2.0
Net successful wells drilled	**—**	1.0	2.0
Success rate	**—%**	100%	100%

- International E&P crude oil production volumes averaged 31,703 bbl/d in Q1/22, comparable with Q1/21 levels.

North America Oil Sands Mining and Upgrading

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Synthetic crude oil production (bbl/d) (1)(2)	**429,826**	493,406	468,803

(1) SCO production before royalties and excludes SCO consumed internally as diesel.

(2) Consists of heavy and light synthetic crude oil products.

- The Company's world class Oil Sands Mining and Upgrading assets continue to deliver safe and reliable production which has resulted in Horizon reaching payout in April 2022. Quarterly production averaged 429,826 bbl/d of SCO in Q1/22, a decrease of 8% from Q1/21 levels, primarily due to facility restrictions at the non-operated Scotford Upgrader which led to decreased mined production at the Athabasca Oil Sands Project ("AOSP") of approximately 31,000 bbl/d in the quarter, together with decreased production of approximately 15,000 bbl/d due to the commencement of the planned turnaround at Scotford.
  - Operating costs remain top tier, averaging $24.60/bbl (US$19.43/bbl) of SCO in Q1/22, an increase of 24% over Q1/21 levels, primarily as a result of lower production volumes at Scotford, together with higher energy costs, turnaround and maintenance related costs.
  - As previously announced, the Company's targeted turnaround schedule for its Oil Sands Mining and Upgrading operations in 2022 includes:
    - The planned turnaround at the non-operated Scotford Upgrader began on March 15, 2022 and is currently trending 5 to 10 days longer than the original target of 65 days.
    - The planned turnaround at Horizon is targeted to begin on May 17, 2022 and is targeting a full plant outage of approximately 32 days with an impact of approximately 23,000 bbl/d to 2022 annual production.
  - At Horizon, the reliability enhancement project is progressing as planned, with tie-in activities targeted during the turnaround in May 2022 as part of the ongoing installation of an additional Vacuum Distillation Unit ("VDU") furnace.
    - This project is part of the 2022 budgeted strategic growth capital and is targeted to extend the major maintenance cycle from once per year to once every second year, increasing the capacity of zero decline, high value production by approximately 5,000 bbl/d of SCO in 2023, increasing to approximately 14,000 bbl/d of SCO in 2025.
  - As a part of the 2022 capital budget, front end engineering for the In-Pit Extraction Plant ("IPEP") demonstration plant is progressing as planned and is targeted to be completed by the end of Q3/22.

MARKETING

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs pricing			
WTI benchmark price (US$/bbl) (1)	**$ 94.38**	$ 77.17	$ 57.80
WCS heavy differential as a percentage of WTI (%) (2)	**15%**	19%	21%
SCO price (US$/bbl)	**$ 93.05**	$ 75.39	$ 54.30
Condensate benchmark price (US$/bbl)	**$ 96.16**	$ 79.10	$ 57.99
Average realized pricing before risk management (C$/bbl) (3)(4)	**$ 93.54**	$ 72.81	$ 52.68
Natural gas pricing			
AECO benchmark price (C$/GJ)	**$ 4.35**	$ 4.67	$ 2.77
Average realized pricing before risk management (C$/Mcf)	**$ 5.26**	$ 5.35	$ 3.42

(1) West Texas Intermediate ("WTI").

(2) Western Canadian Select ("WCS").

(3) Average crude oil and NGL pricing excludes SCO. Pricing is net of blending costs and excluding risk management activities.

(4) Non-GAAP ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this press release and the "Non-GAAP and Other Financial Measures" section of the Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022.

- Crude oil prices continued to improve in Q1/22 with WTI averaging US$94.38/bbl, an increase of 22% from Q4/21 levels. The increase in WTI pricing in Q1/22 from prior periods primarily reflects the impact of the Russia's invasion of Ukraine and the OPEC+ decision to adhere to previously agreed upon production cut agreements. Additionally, global demand for crude oil continued to increase due to improved economic conditions as a result of the lessening of earlier COVID-19 restrictions.
- Natural gas prices continued to be strong with AECO averaging $4.35/GJ in Q1/22. Strong natural gas prices primarily reflect the global impact of the Russian invasion of Ukraine, increased North American demand, and increased US Liquefied Natural Gas exports.
- Market egress improved in 2021 as Enbridge's Line 3 pipeline replacement began operations on October 1, 2021, increasing incremental transportation by approximately 370,000 bbl/d.
- Increased market egress from western Canada has resulted in a more balanced market for heavy crude oil leading to less pricing volatility and stronger WCS pricing.
  - The WCS heavy oil differential as a percentage of WTI averaged 15% in Q1/22, stronger than the historical range reflecting the positive impact of improved western Canadian egress on heavy oil pricing.
- Strong performance at the North West Redwater ("NWR") Refinery continues to increase local demand for heavy crude oil, with production of ultra-low sulphur diesel and other refined products averaging 71,975 BOE/d (17,994 BOE/d to the Company) in Q1/22.
- As per the public update provided by Trans Mountain Corporation on February 18, 2022, construction of the 590,000 bbl/d Trans Mountain Pipeline Expansion, on which Canadian Natural has committed 94,000 bbl/d, now targets mechanical completion in Q4/23.

FINANCIAL REVIEW

The Company continues to implement proven strategies including its disciplined approach to capital allocation. As a result, the financial position of Canadian Natural remains strong. Canadian Natural's adjusted funds flow generation, credit facilities, US commercial paper program, access to capital markets, diverse asset base and related flexible capital expenditure program, all support a strong financial position and provide the appropriate financial resources for the near-, mid- and long-term.

- Effective and efficient operations combined with our high quality, long life low decline asset base generated substantial quarterly free cash flow of approximately $3.4 billion after dividend payments of approximately $0.7 billion and net capital expenditures of approximately $0.8 billion (excluding net acquisitions and strategic growth capital as per the Company's free cash flow allocation policy).
- Direct returns to shareholders in Q1/22 were strong, totaling approximately $1.8 billion, comprised of approximately $0.7 billion of dividends and approximately $1.1 billion of share repurchases.
    - Canadian Natural increased its sustainable and growing quarterly dividend in March 2022 by 28% to $0.75 per share, up from $0.5875 per share, marking 2022 as the 22nd consecutive year of dividend increases.
    - The Company repurchased a total of approximately 15.8 million common shares for cancellation at a weighted average price of $68.78 per share in Q1/22 for a total of approximately $1.1 billion.
    - In March 2022, the Board of Directors approved the renewal and increase of our NCIB so that Canadian Natural can repurchase for cancellation up to 10% of the public float during the 12 month period commencing March 11, 2022 and ending March 10, 2023.
- Year-to-date up to and including May 4, 2022, the Company has returned approximately $3.1 billion to shareholders through approximately $1.6 billion in dividends and $1.5 billion from the repurchase and cancellation of 21.5 million common shares.
    - Subsequent to quarter end, the Company declared a quarterly dividend of $0.75 per share, payable on July 5, 2022.
- During Q1/22, the Company executed on a number of strategic initiatives to further strengthen our financial flexibility.
    - Repaid $1.0 billion of 3.31% medium-term notes.
    - Repaid $0.5 billion of the $1.15 billion non-revolving term credit facility, reducing the outstanding balance to $0.65 billion.
    - Amended the $1.0 billion non-revolving term credit facility to a $0.5 billion non-revolving facility and a $0.5 billion revolving facility; both maturing February 2023.
    - Strengthened the balance sheet by reducing Q1/22 ending net debt to $13.8 billion.
    - Undrawn revolving bank credit facilities totaling approximately $5.6 billion were available at March 31, 2022. Including cash and cash equivalents and short-term investments, the Company had significant liquidity of approximately $6.1 billion. At March 31, 2022, the Company had $0.3 billion drawn under its commercial paper program, and reserves capacity under its revolving bank credit facilities for amounts outstanding under this program.
- Subsequent to quarter end on April 21, 2022, Moody's upgraded Canadian Natural's senior unsecured investment grade credit ratings to Baa1 from Baa2, with a stable rating outlook.
- Effective July 1, 2021, Canadian Natural enhanced its free cash flow allocation policy that states when net debt levels are below $15 billion, the Company will target to allocate 50% of free cash flow to share repurchases and 50% of free cash flow to the balance sheet. To the extent net debt is below $15 billion, such amount will be made available for strategic growth / acquisition opportunities.
- In addition, the Company's Board of Directors has decided to further enhance the Company's free cash flow allocation policy by stating that when the Company's net debt reaches $8 billion, which the Board sees as a base level of corporate debt, the Company will allocate additional free cash flow as incremental returns to shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE HIGHLIGHTS

Canada and Canadian Natural are well positioned to deliver responsibly produced energy that the world needs through leading ESG performance. Canadian Natural's culture of continuous improvement provides a significant advantage and results in ongoing enhancements to the Company's environmental performance.

Government Support for Carbon Capture, Utilization and Storage ("CCUS")

The Government of Canada's 2022 budget was released on April 7, 2022, which included an investment tax credit for CCUS projects for industries across Canada. This announcement is a positive step forward in the Company and industry's efforts to work collaboratively with governments to support Canada in achieving its climate and economic growth objectives. Canadian Natural is a leader in CCUS and GHG reduction projects and sees many opportunities for industry to advance investments in CCUS projects. Implementation details of the investment tax credit are important and the Company looks forward to understanding how it can be applied to Canadian Natural's projects.

Sustainability Reporting

Canadian Natural has been producing its sustainability report, the Stewardship Report to Stakeholders, since 2004 to report on our ongoing commitment to environmental performance, social responsibility and continuous improvement. This report provides a performance overview across the full range of Canadian Natural's operations in Western Canada, the UK portion of the North Sea and Offshore Africa.

The Company aligns its reporting with recommendations from the Task Force on Climate-related Financial Disclosures and the reporting framework from the Sustainability Accounting Standards Board. Canadian Natural targets to publish its 2021 Stewardship Report to Stakeholders in Q3/22. Canadian Natural's 2021 report will include third-party independent "reasonable assurance" on its scope 1 and 2 emissions (including methane emissions) and "limited assurance" on its scope 3 emissions.

Additionally, Canadian Natural will continue to outline its pathway to lower carbon emissions and its journey to achieve its goal of net zero GHG emissions in the oil sands. The report will display how Canadian Natural leverages technology and innovation to reduce its environmental footprint while ensuring safe, reliable, effective and efficient operations.

Oil Sands Pathway to Net Zero Initiative

In 2021, Canadian Natural together with oil sands industry participants formed the Oil Sands Pathways to Net Zero initiative ("Pathways"). Canadian Natural and these companies operate approximately 95% of Canada's oil sands production. The goal of this unique alliance, working collectively with the federal and Alberta governments, is to achieve net zero GHG emissions from oil sands operations by 2050 to help Canada meet its climate goals, including its Paris Agreement commitments and 2050 net zero aspirations.

- The Pathways vision is anchored by a major CCUS trunkline connected to a carbon sequestration hub to enable multi-sector 'tie-in' projects for expanded emissions reductions. The proposed CCUS system will involve significant collaboration between industry and government, which is similar to the Longship/Northern Lights project in Norway as well as other CCUS projects in the Netherlands, UK and USA.
- The companies involved look forward to continuing to work with governments and to engage with Indigenous and local communities in northern Alberta, to make this ambitious, major emissions-reduction vision a reality so those communities can continue to benefit from Canadian resource development.
- As part of securing carbon sequestration tenure for the Pathways foundational project, a project proposal was submitted by the Pathways alliance to the Government of Alberta for a proposed carbon storage hub located in the Cold Lake region.
- Through the Company's participation in the Pathways initiative with our industry partners and collaboration with the federal and Alberta governments, Canadian Natural is further refining its goal by targeting to achieve net zero emissions in its oil sands operations by 2050.

ENVIRONMENTAL TARGETS

- As previously announced, Canadian Natural has committed to environmental targets as follows:
  - 50% reduction in North America E&P, including thermal in situ, methane emissions by 2030, from a 2016 baseline.
  - 40% reduction in thermal in situ fresh water usage intensity by 2026, from a 2017 baseline.
  - 40% reduction in mining fresh river water usage intensity by 2026, from a 2017 baseline.

ADVISORY

Special Note Regarding non-GAAP and Other Financial Measures

This press release includes references to non-GAAP and other financial measures as defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure. These financial measures are used by the Company to evaluate its financial performance, financial position or cash flow and include non-GAAP financial measures, non-GAAP ratios, total of segments measures, capital management measures, and supplementary financial measures. These financial measures are not defined by IFRS and therefore are referred to as non-GAAP and other financial measures. The non-GAAP and other financial measures used by the Company may not be comparable to similar measures presented by other companies, and should not be considered an alternative to or more meaningful than the most directly comparable financial measure presented in the Company's financial statements, as applicable, as an indication of the Company's performance. Descriptions of the Company’s non-GAAP and other financial measures included in this press release, and reconciliations to the most directly comparable GAAP measure, as applicable, are provided below as well as in the “Non-GAAP and Other Financial Measures” section of the Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that represents adjusted funds flow adjusted for base capital expenditures and dividends on common shares. The Company considers free cash flow a key measure in demonstrating the Company’s ability to generate cash flow to fund future growth through capital investment, pay returns to shareholders and to repay debt.

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Adjusted funds flow [1]	**$ 4,975**	$ 4,338	$ 2,712
Less: Base capital expenditures [2]	**844**	837	808
Dividends on common shares	**689**	552	503
Free cash flow	**$ 3,442**	$ 2,949	$ 1,401

(1) Refer to the descriptions and reconciliations to the most directly comparable GAAP measure, which are provided in the “Non-GAAP and Other Financial Measures” section of the Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022.

(2) Item is a component of net capital expenditures. Refer to the "Non-GAAP and Other Financial Measures" section of Company's MD&A for the three months ended March 31, 2022, dated May 4, 2022 for more details on net capital expenditures.

Capital Budget

Capital budget is a forward looking non-GAAP financial measure. The capital budget is based on net capital expenditures (Non-GAAP Financial Measure) and excludes net acquisition costs. Refer to the "Non-GAAP and Other Financial Measures" section of the Company's MD&A for more details on net capital expenditures.

Long-term Debt, net

Long-term debt, net (also referred to as net debt) is a capital management measure that is calculated as current and long-term debt less cash and cash equivalents. Refer to the "Non-GAAP and Other Financial Measures" section of the Company's MD&A for more details.

Capital Efficiency

Capital efficiency is a supplementary financial measure that represents the capital investment required to add new or incremental production divided by the 12 month average rate of the new or incremental production. It is expressed as a dollar amount per flowing volume of a product ($/bbl/d, $/Mcf/d or $/BOE/d). The Company considers capital efficiency a key measure in evaluating its performance, as it demonstrates the efficiency of the Company's capital investments.

Break-even WTI Price

The break-even WTI price is a supplementary financial measure that represents the equivalent US dollar WTI price per barrel where the Company's adjusted funds flow is equal to the sum of maintenance capital and dividends. The Company considers the break-even WTI price a key measure in evaluating its performance, as it demonstrates the efficiency and profitability of the Company's activities. The break-even WTI price incorporates the non-GAAP financial measure adjusted funds flow as reconciled in the "Non-GAAP and Other Financial Measures" section of the Company's MD&A. Maintenance capital is a supplementary financial measure that represents the capital required to maintain annual production at prior period levels.

This Page Left Intentionally Blank

ADVISORY

Special Note Regarding Forward-Looking Statements

Certain statements relating to Canadian Natural Resources Limited (the "Company") in this document or documents incorporated herein by reference constitute forward-looking statements or information (collectively referred to herein as "forward-looking statements") within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words "believe", "anticipate", "expect", "plan", "estimate", "target", "continue", "could", "intend", "may", "potential", "predict", "should", "will", "objective", "project", "forecast", "goal", "guidance", "outlook", "effort", "seeks", "schedule", "proposed", "aspiration" or expressions of a similar nature suggesting future outcome or statements regarding an outlook. Disclosure related to expected future commodity pricing, forecast or anticipated production volumes, royalties, production expenses, capital expenditures, income tax expenses, and other targets provided throughout this Management's Discussion and Analysis ("MD&A") of the financial condition and results of operations of the Company, constitute forward-looking statements. Disclosure of plans relating to and expected results of existing and future developments, including, without limitation, those in relation to: the Company's assets at Horizon Oil Sands ("Horizon"), the Athabasca Oil Sands Project ("AOSP"), the Primrose thermal oil projects, the Pelican Lake water and polymer flood projects, the Kirby Thermal Oil Sands Project, the Jackfish Thermal Oil Sands Project and the North West Redwater bitumen upgrader and refinery; construction by third parties of new, or expansion of existing, pipeline capacity or other means of transportation of bitumen, crude oil, natural gas, natural gas liquids ("NGLs") or synthetic crude oil ("SCO") that the Company may be reliant upon to transport its products to market; the development and deployment of technology and technological innovations; the financial capacity of the Company to complete its growth projects and responsibly and sustainably grow in the long-term; and the timing and impact of the Oil Sands Pathways to Net Zero ("Pathways") initiative, government support for Pathways and the ability to achieve net zero emissions from oil production, also constitute forward-looking statements. These forward-looking statements are based on annual budgets and multi-year forecasts, and are reviewed and revised throughout the year as necessary in the context of targeted financial ratios, project returns, product pricing expectations and balance in project risk and time horizons. These statements are not guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on these forward-looking statements as there can be no assurances that the plans, initiatives or expectations upon which they are based will occur.

In addition, statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment based on certain estimates and assumptions that the reserves described can be profitably produced in the future. There are numerous uncertainties inherent in estimating quantities of proved and proved plus probable crude oil, natural gas and NGLs reserves and in projecting future rates of production and the timing of development expenditures. The total amount or timing of actual future production may vary significantly from reserves and production estimates.

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry in which the Company operates, which speak only as of the earlier of the date such statements were made or as of the date of the report or document in which they are contained, and are subject to known and unknown risks and uncertainties that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions (including as a result of effects of the novel coronavirus ("COVID-19") pandemic and the actions of the Organization of the Petroleum Exporting Countries Plus ("OPEC+")) which may impact, among other things, demand and supply for and market prices of the Company's products, and the availability and cost of resources required by the Company's operations; volatility of and assumptions regarding crude oil and natural gas and NGLs prices including due to actions of OPEC+ taken in response to COVID-19 or otherwise; fluctuations in currency and interest rates; assumptions on which the Company's current targets are based; economic conditions in the countries and regions in which the Company conducts business; political uncertainty, including actions of or against terrorists, insurgent groups or other conflict including conflict between states; industry capacity; ability of the Company to implement its business strategy, including exploration and development activities; impact of competition; the Company's defense of lawsuits; availability and cost of seismic, drilling and other equipment; ability of the Company and its subsidiaries to complete capital programs; the Company's and its subsidiaries' ability to secure adequate transportation for its products; unexpected disruptions or delays in the mining, extracting or upgrading of the Company's bitumen products; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; ability of the Company to attract the necessary labour required to build, maintain, and operate its thermal and oil sands mining projects; operating hazards and other difficulties inherent in the exploration for and production and sale of crude oil and natural gas and in mining, extracting or upgrading the Company's bitumen products; availability and cost of financing; the Company's and its subsidiaries' success of exploration and development activities and its ability to replace and expand crude oil and natural gas reserves; the Company's ability to meet its targeted production levels; timing and success of integrating the business and operations of acquired companies and assets; production levels; imprecision of reserves estimates and estimates of recoverable quantities of crude oil, natural gas and NGLs not currently classified as proved; actions by governmental authorities (including any production curtailments mandated by the Government of Alberta); government regulations and the expenditures required to comply with them (especially safety and environmental laws and regulations and the impact of climate change initiatives on capital expenditures and production expenses); asset retirement obligations; the sufficiency of the Company's liquidity to support its growth strategy and to sustain its operations in the short, medium, and long-term; the strength of the Company's balance sheet; the flexibility of the Company's capital structure; the adequacy of the Company's provision for taxes; and other circumstances affecting revenues and expenses.

The Company's operations have been, and in the future may be, affected by political developments and by national, federal, provincial, state and local laws and regulations such as restrictions on production, changes in taxes, royalties and other amounts payable to governments or governmental agencies, price or gathering rate controls and environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent upon other factors, and the Company's course of action would depend upon its assessment of the future considering all information then available.

Readers are cautioned that the foregoing list of factors is not exhaustive. Unpredictable or unknown factors not discussed in this MD&A could also have adverse effects on forward-looking statements. Although the Company believes that the expectations conveyed by the forward-looking statements are reasonable based on information available to it on the date such forward-looking statements are made, no assurances can be given as to future results, levels of activity and achievements. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements. Except as required by applicable law, the Company assumes no obligation to update forward-looking statements in this MD&A, whether as a result of new information, future events or other factors, or the foregoing factors affecting this information, should circumstances or the Company’s estimates or opinions change.

Special Note Regarding Non-GAAP and Other Financial Measures

This MD&A includes references to non-GAAP measures, which include non-GAAP and other financial measures as defined in National Instrument 52-112 – Non-GAAP and Other Financial Measures Disclosure ("NI 52-112"). Non-GAAP measures are used by the Company to evaluate its financial performance, financial position or cash flow. Descriptions of the Company’s non-GAAP and other financial measures included in this MD&A, and reconciliations to the most directly comparable GAAP measure, as applicable, are provided in the “Non-GAAP and Other Financial Measures” section of this MD&A.

Special Note Regarding Currency, Financial Information and Production

This MD&A should be read in conjunction with the Company's unaudited interim consolidated financial statements (the "financial statements") for the three months ended March 31, 2022 and the Company's MD&A and audited consolidated financial statements for the year ended December 31, 2021. All dollar amounts are referenced in millions of Canadian dollars, except where noted otherwise. The Company’s financial statements for the three months ended March 31, 2022 and this MD&A have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

Production volumes and per unit statistics are presented throughout this MD&A on a "before royalties" or "company gross" basis, and realized prices are net of blending and feedstock costs and exclude the effect of risk management activities. In addition, reference is made to crude oil and natural gas in common units called barrel of oil equivalent ("BOE"). A BOE is derived by converting six thousand cubic feet ("Mcf") of natural gas to one barrel ("bbl") of crude oil (6 Mcf:1 bbl). This conversion may be misleading, particularly if used in isolation, since the 6 Mcf:1 bbl ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In comparing the value ratio using current crude oil prices relative to natural gas prices, the 6 Mcf:1 bbl conversion ratio may be misleading as an indication of value. In addition, for the purposes of this MD&A, crude oil is defined to include the following commodities: light and medium crude oil, primary heavy crude oil, Pelican Lake heavy crude oil, bitumen (thermal oil), and SCO. Production on an "after royalties" or "company net" basis is also presented for information purposes only.

The following discussion and analysis refers primarily to the Company's financial results for the three months ended March 31, 2022 in relation to the first quarter of 2021 and the fourth quarter of 2021. The accompanying tables form an integral part of this MD&A. Additional information relating to the Company, including its Annual Information Form for the year ended December 31, 2021, is available on SEDAR at www.sedar.com, and on EDGAR at www.sec.gov. Information on the Company's website does not form part of and is not incorporated by reference in this MD&A. This MD&A is dated May 4, 2022.

FINANCIAL HIGHLIGHTS

($ millions, except per common share amounts)	Three Months Ended Mar 31 2022	Dec 31 2021	Mar 31 2021
Product sales (1)	**$ 12,132**	$ 10,190	$ 7,019
Crude oil and NGLs	**$ 10,773**	$ 8,979	$ 6,288
Natural gas	**$ 1,002**	$ 958	$ 555
Net earnings	**$ 3,101**	$ 2,534	$ 1,377
Per common share – basic	**$ 2.66**	$ 2.16	$ 1.16
– diluted	**$ 2.63**	$ 2.14	$ 1.16
Adjusted net earnings from operations (2)	**$ 3,376**	$ 2,626	$ 1,219
Per common share – basic (3)	**$ 2.90**	$ 2.24	$ 1.03
– diluted (3)	**$ 2.86**	$ 2.21	$ 1.03
Cash flows from operating activities	**$ 2,853**	$ 4,712	$ 2,536
Adjusted funds flow (2)	**$ 4,975**	$ 4,338	$ 2,712
Per common share – basic (3)	**$ 4.27**	$ 3.69	$ 2.29
– diluted (3)	**$ 4.21**	$ 3.66	$ 2.28
Cash flows used in investing activities	**$ 1,251**	$ 1,615	$ 648
Net capital expenditures (2)	**$ 1,455**	$ 1,804	$ 808

(1) Further details related to product sales are disclosed in note 17 to the financial statements.

(2) Non-GAAP Financial Measure. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

(3) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

SUMMARY OF FINANCIAL HIGHLIGHTS

Consolidated Net Earnings and Adjusted Net Earnings from Operations

Net earnings for the first quarter of 2022 were $3,101 million compared with $1,377 million for the first quarter of 2021 and $2,534 million for the fourth quarter of 2021. Net earnings for the first quarter of 2022 included non-operating items, net of tax, of $275 million compared with $158 million for the first quarter of 2021 and $92 million for the fourth quarter of 2021 related to the effects of share-based compensation, risk management activities, fluctuations in foreign exchange rates, the gain from investments, and government grant income under the provincial well-site rehabilitation programs. Excluding these items, adjusted net earnings from operations for the first quarter of 2022 were $3,376 million compared with $1,219 million for the first quarter of 2021 and $2,626 million for the fourth quarter of 2021.

The increase in net earnings and adjusted net earnings from operations for the first quarter of 2022 from the comparable periods primarily reflected:

- higher crude oil and NGLs netbacks [1] in the Exploration and Production segments;
- higher realized SCO sales price [1] in the Oil Sands Mining and Upgrading segment;
- higher natural gas netbacks in the Exploration and Production segments compared to the first quarter of 2021; and
- higher natural gas sales volumes in the North America segment;

partially offset by:

- lower SCO sales volumes in the Oil Sands Mining and Upgrading segment.

The impacts of share-based compensation, risk management activities, fluctuations in foreign exchange rates, and the gain from investments, also contributed to the movements in net earnings from the comparable periods. These items are discussed in detail in the relevant sections of this MD&A.

(1) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

Cash Flows from Operating Activities and Adjusted Funds Flow

Cash flows from operating activities for the first quarter of 2022 were $2,853 million compared with $2,536 million for the first quarter of 2021 and $4,712 million for the fourth quarter of 2021. The fluctuations in cash flows from operating activities from the comparable periods were primarily due the impact of changes in non-cash working capital, together with the factors previously noted related to the fluctuations in adjusted net earnings from operations.

Adjusted funds flow for the first quarter of 2022 was $4,975 million compared with $2,712 million for the first quarter of 2021 and $4,338 million for the fourth quarter of 2021. The fluctuations in adjusted funds flow from the comparable periods were primarily due to the factors noted above related to the fluctuations in cash flows from operating activities excluding the impact of the net change in non-cash working capital, abandonment expenditures excluding the impact of government grant income under the provincial well-site rehabilitation programs, and movements in other long-term assets, including the unamortized cost of the share bonus program.

Production Volumes

Crude oil and NGLs production before royalties for the first quarter of 2022 decreased 3% to 945,809 bbl/d, from 979,352 bbl/d for the first quarter of 2021 and decreased 6% from 1,004,425 bbl/d for the fourth quarter of 2021. Natural gas production before royalties for the first quarter of 2022 increased 26% to 2,006 MMcf/d from 1,598 MMcf/d for the first quarter of 2021 and increased 8% from 1,857 MMcf/d for the fourth quarter of 2021. Total production before royalties for the first quarter of 2022 of 1,280,180 BOE/d was comparable with 1,245,703 BOE/d for the first quarter of 2021 and 1,313,900 BOE/d for the fourth quarter of 2021. Crude oil and NGLs and natural gas production volumes are discussed in detail in the "Daily Production, before royalties" section of this MD&A.

Product Prices

In the Company's Exploration and Production segments, realized crude oil and NGLs prices [(1)] averaged $93.54 per bbl for the first quarter of 2022, an increase of 78% compared with $52.68 per bbl for the first quarter of 2021, and an increase of 28% from $72.81 per bbl for the fourth quarter of 2021. The realized natural gas price [(1)] increased 54% to average $5.26 per Mcf for the first quarter of 2022 from $3.42 per Mcf for the first quarter of 2021, and was comparable with $5.35 per Mcf for the fourth quarter of 2021. In the Oil Sands Mining and Upgrading segment, the Company's realized SCO sales price increased 73% to average $112.05 per bbl for the first quarter of 2022 from $64.60 per bbl for the first quarter of 2021, and increased 27% from $88.48 per bbl for the fourth quarter of 2021. The Company's realized pricing reflects prevailing benchmark pricing. Crude oil and NGLs and natural gas prices are discussed in detail in the "Business Environment", "Realized Product Prices – Exploration and Production", and the "Oil Sands Mining and Upgrading" sections of this MD&A.

Production Expense

In the Company's Exploration and Production segments, crude oil and NGLs production expense [(2)] averaged $15.80 per bbl for the first quarter of 2022, an increase of 9% from $14.56 per bbl for the first quarter of 2021, and comparable with $15.70 per bbl for the fourth quarter of 2021. Natural gas production expense [(2)] averaged $1.31 per Mcf for the first quarter of 2022, comparable with $1.27 per Mcf for the first quarter of 2021 and an increase of 17% from $1.12 per Mcf for the fourth quarter of 2021. In the Oil Sands Mining and Upgrading segment, production costs [(2)] averaged $24.60 per bbl for the first quarter of 2022, an increase of 24% from $19.82 per bbl for the first quarter of 2021, and an increase of 26% from $19.55 per bbl for the fourth quarter of 2021. Crude oil and NGLs and natural gas production expense is discussed in detail in the "Production Expense – Exploration and Production" and the "Oil Sands Mining and Upgrading" sections of this MD&A.

(1) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

(2) Calculated as respective production expense divided by respective sales volumes.

SUMMARY OF QUARTERLY FINANCIAL RESULTS

The following is a summary of the Company's quarterly financial results for the eight most recently completed quarters:

($ millions, except per common share amounts)		**Mar 31 2022**		Dec 31 2021		Sep 30 2021		Jun 30 2021
Product sales (1)	**$**	**12,132**	$	10,190	$	8,521	$	7,124
Crude oil and NGLs	**$**	**10,773**	$	8,979	$	7,607	$	6,382
Natural gas	**$**	**1,002**	$	958	$	694	$	509
Net earnings	**$**	**3,101**	$	2,534	$	2,202	$	1,551
Net earnings per common share								
– basic	**$**	**2.66**	$	2.16	$	1.87	$	1.31
– diluted	**$**	**2.63**	$	2.14	$	1.86	$	1.30

($ millions, except per common share amounts)		Mar 31 2021		Dec 31 2020		Sep 30 2020		Jun 30 2020
Product sales (1)	$	7,019	$	5,219	$	4,676	$	2,944
Crude oil and NGLs	$	6,288	$	4,592	$	4,202	$	2,462
Natural gas	$	555	$	496	$	338	$	307
Net earnings (loss)	$	1,377	$	749	$	408	$	(310)
Net earnings (loss) per common share								
– basic	$	1.16	$	0.63	$	0.35	$	(0.26)
– diluted	$	1.16	$	0.63	$	0.35	$	(0.26)

(1) Further details related to product sales for the three months ended March 31, 2022 and 2021 are disclosed in note 17 to the financial statements.

Volatility in the quarterly net earnings (loss) over the eight most recently completed quarters was primarily due to:

- **Crude oil pricing** – Fluctuating global supply/demand including crude oil production levels from OPEC+ and its impact on world supply; the impact of geopolitical and market uncertainties, including those due to COVID-19 and in connection with governmental responses to COVID-19, and the impact of the Russian invasion of Ukraine, on worldwide benchmark pricing; the impact of shale oil production in North America; the impact of the Western Canadian Select ("WCS") Heavy Differential from the West Texas Intermediate reference location at Cushing, Oklahoma ("WTI") in North America; the impact of the differential between WTI and Dated Brent ("Brent") benchmark pricing in the International segments; and the impact of production curtailments mandated by the Government of Alberta that were suspended effective December 1, 2020.
- **Natural gas pricing** – The impact of fluctuations in both the demand for natural gas and inventory storage levels, third-party pipeline maintenance and outages, the impact of geopolitical and market uncertainties, the impact of seasonal conditions, and the impact of shale gas production in the US.
- **Crude oil and NGLs sales volumes** – Fluctuations in production from the Kirby and Jackfish Thermal Oil Sands Projects, fluctuations in production due to the cyclic nature of the Primrose thermal oil projects, fluctuations in the Company's drilling program in North America and the International segments, the impact of turnarounds and pitstops in the Oil Sands Mining and Upgrading segment, production curtailments mandated by the Government of Alberta that were suspended effective December 1, 2020, and the impact of shut-in production due to lower demand during COVID-19. Sales volumes also reflected fluctuations due to timing of liftings and maintenance activities in the International segments.
- **Natural gas sales volumes** – Fluctuations in production due to the Company's drilling program in North America and the International segments, natural decline rates, the temporary shut-down and subsequent reinstatement of the Pine River Gas Plant during 2021, and the impact and timing of acquisitions.
- **Production expense** – Fluctuations primarily due to the impact of the demand and cost for services, fluctuations in product mix and production volumes, the impact of seasonal conditions, the impact of increased carbon tax and energy costs, cost optimizations across all segments, the impact and timing of acquisitions, the impact of turnarounds and pitstops in the Oil Sands Mining and Upgrading segment, and maintenance activities in the International segments.

- **Transportation, blending, and feedstock expense** – Fluctuations due to the provision recognized relating to the cancellation of the Keystone XL pipeline project in the fourth quarter of 2020.
- **Depletion, depreciation and amortization expense** – Fluctuations due to changes in sales volumes including the impact and timing of acquisitions and dispositions, proved reserves, asset retirement obligations, finding and development costs associated with crude oil and natural gas exploration, estimated future costs to develop the Company's proved undeveloped reserves, fluctuations in International sales volumes subject to higher depletion rates, and the impact of turnarounds and pitstops in the Oil Sands Mining and Upgrading segment.
- **Share-based compensation** – Fluctuations due to the measurement of fair market value of the Company's share-based compensation liability.
- **Risk management** – Fluctuations due to the recognition of gains and losses from the mark-to-market and subsequent settlement of the Company's risk management activities.
- **Interest expense** – Fluctuations due to changing long-term debt levels, and the impact of movements in benchmark interest rates on outstanding floating rate long-term debt.
- **Foreign exchange** – Fluctuations in the Canadian dollar relative to the US dollar, which impact the realized price the Company receives for its crude oil and natural gas sales, as sales prices are based predominantly on US dollar denominated benchmarks. Fluctuations in realized and unrealized foreign exchange gains and losses were also recorded with respect to US dollar denominated debt, partially offset by the impact of cross currency swap hedges.
- **Gain on acquisitions, gain (loss) from investments and income from North West Redwater Partnership ("NWRP")** – Fluctuations due to the recognition of gains on acquisitions, gain (loss) from the investments in PrairieSky Royalty Ltd. and Inter Pipeline Ltd. shares, and the distribution from NWRP in the second quarter of 2021.

BUSINESS ENVIRONMENT

Global benchmark crude oil prices increased significantly in the first quarter of 2022, primarily in response to the impact of the Russian invasion of Ukraine and the OPEC+ decision to adhere to previously agreed upon production cut agreements. Additionally, global economic conditions and outlook continued to improve as the effects of COVID-19 became less impactful on the global economy.

Liquidity

As at March 31, 2022, the Company had undrawn revolving bank credit facilities of $5,590 million. Including cash and cash equivalents and short-term investments, the Company had approximately $6,107 million in liquidity [1]. The Company also has certain other dedicated credit facilities supporting letters of credit.

The Company remains committed to maintaining a strong balance sheet, adequate available liquidity and a flexible capital structure. Refer to the "Liquidity and Capital Resources" section of this MD&A for further details.

Risks and Uncertainties

COVID-19, including variants of concern, continues to have the potential to further disrupt the Company’s operations, projects, and financial condition, through the disruption of the local or global supply chain and transportation services, rising inflation, or the loss of manpower resulting from quarantines that affect the Company’s labour pools in their local communities, workforce camps or operating sites or that are instituted by local health authorities as a precautionary measure, any of which may require the Company to temporarily reduce or shutdown its operations depending on their extent and severity.

(1) Non-GAAP Financial Measure. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

Benchmark Commodity Prices

	Three Months Ended		
(Average for the period)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
WTI benchmark price (US$/bbl)	**$ 94.38**	$ 77.17	$ 57.80
Dated Brent benchmark price (US$/bbl)	**$ 99.17**	$ 79.55	$ 60.58
WCS Heavy Differential from WTI (US$/bbl)	**$ 14.60**	$ 14.65	$ 12.42
SCO price (US$/bbl)	**$ 93.05**	$ 75.39	$ 54.30
Condensate benchmark price (US$/bbl)	**$ 96.16**	$ 79.10	$ 57.99
Condensate Differential from WTI (US$/bbl)	**$ (1.78)**	$ (1.93)	$ (0.19)
NYMEX benchmark price (US$/MMBtu)	**$ 4.91**	$ 5.83	$ 2.69
AECO benchmark price (C$/GJ)	**$ 4.35**	$ 4.67	$ 2.77
US/Canadian dollar average exchange rate (US$)	**$ 0.7899**	$ 0.7937	$ 0.7900

Substantially all of the Company's production is sold based on US dollar benchmark pricing. Specifically, crude oil is marketed based on WTI and Brent indices. Canadian natural gas pricing is primarily based on AECO reference pricing, which is derived from the NYMEX reference pricing and adjusted for its basis or location differential to the NYMEX delivery point at Henry Hub. The Company's realized prices are directly impacted by fluctuations in foreign exchange rates. Product revenue continued to be impacted by the volatility of the Canadian dollar as the Canadian dollar sales price the Company received for its crude oil and natural gas sales is based on US dollar denominated benchmarks.

Crude oil sales contracts in the North America segment are typically based on WTI benchmark pricing. WTI averaged US$94.38 per bbl for the first quarter of 2022, an increase of 63% from US$57.80 per bbl for the first quarter of 2021, and an increase of 22% from US$77.17 per bbl for the fourth quarter of 2021.

Crude oil sales contracts for the Company's International segments are typically based on Brent pricing, which is representative of international markets and overall world supply and demand. Brent averaged US$99.17 per bbl for the first quarter of 2022, an increase of 64% from US$60.58 per bbl for the first quarter of 2021, and an increase of 25% from US$79.55 per bbl for the fourth quarter of 2021.

The increase in WTI and Brent pricing for the first quarter of 2022 from the comparable periods primarily reflected the impact of the Russian invasion of Ukraine and the OPEC+ decision to adhere to the previously agreed upon production cut agreements. Additionally, global demand for crude oil continued to increase due to improved economic conditions as a result of the lessening of earlier COVID-19 restrictions.

The WCS Heavy Differential averaged US$14.60 per bbl for the first quarter of 2022, a widening of 18% from US$12.42 per bbl for the first quarter of 2021, and comparable with US$14.65 per bbl for the fourth quarter of 2021. The widening of the WCS Heavy Differential for the first quarter of 2022 from the first quarter of 2021, primarily reflected the increase in WTI benchmark pricing and the widening of US Gulf Coast heavy oil pricing.

The SCO price averaged US$93.05 per bbl for the first quarter of 2022, an increase of 71% from US$54.30 per bbl for the first quarter of 2021, and an increase of 23% from US$75.39 per bbl for the fourth quarter of 2021. The increase in SCO pricing for the first quarter of 2022 from the comparable periods primarily reflected the increase in WTI benchmark pricing.

NYMEX natural gas prices averaged US$4.91 per MMBtu for the first quarter of 2022, an increase of 83% from US$2.69 per MMBtu for the first quarter of 2021, and a decrease of 16% from US$5.83 per MMBtu for the fourth quarter of 2021. The increase in NYMEX natural gas prices for the first quarter of 2022 from the first quarter of 2021 primarily reflected the impact of the Russian invasion of Ukraine, increased North American demand, and increased US Liquefied Natural Gas exports. The decrease in NYMEX natural gas prices for the first quarter of 2022 from the fourth quarter of 2021 primarily reflected lower than expected demand in North America due to weather.

AECO natural gas prices averaged $4.35 per GJ for the first quarter of 2022, an increase of 57% from $2.77 per GJ for the first quarter of 2021, and a decrease of 7% from $4.67 per GJ for the fourth quarter of 2021. The increase in AECO natural gas prices for the first quarter of 2022 from the first quarter of 2021 primarily reflected lower storage levels and the increase in NYMEX benchmark pricing. The decrease in AECO natural gas prices for the first quarter of 2022 from the fourth quarter of 2021 primarily reflected the decrease in NYMEX benchmark pricing.

DAILY PRODUCTION, before royalties

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs (bbl/d)			
North America – Exploration and Production	**484,280**	478,738	478,736
North America – Oil Sands Mining and Upgrading [1]	**429,826**	493,406	468,803
International – Exploration and Production			
North Sea	**15,961**	17,860	19,959
Offshore Africa	**15,742**	14,421	11,854
Total International [2]	**31,703**	32,281	31,813
Total Crude oil and NGLs	**945,809**	1,004,425	979,352
Natural gas (MMcf/d) [3]			
North America	**1,988**	1,841	1,585
International			
North Sea	**3**	3	4
Offshore Africa	**15**	13	9
Total International	**18**	16	13
Total Natural gas	**2,006**	1,857	1,598
Total Barrels of oil equivalent (BOE/d)	**1,280,180**	1,313,900	1,245,703
Product mix			
Light and medium crude oil and NGLs	**11%**	10%	10%
Pelican Lake heavy crude oil	**4%**	4%	4%
Primary heavy crude oil	**5%**	5%	5%
Bitumen (thermal oil)	**20%**	20%	22%
Synthetic crude oil [1]	**34%**	38%	38%
Natural gas	**26%**	23%	21%
Percentage of gross revenue [1] [4] (excluding Midstream and Refining revenue)			
Crude oil and NGLs	**91%**	90%	92%
Natural gas	**9%**	10%	8%

(1) SCO production before royalties excludes SCO consumed internally as diesel.

(2) "International" includes North Sea and Offshore Africa Exploration and Production segments in all instances used.

(3) Natural gas production volumes approximate sales volumes.

(4) Net of blending costs and excluding risk management activities.

DAILY PRODUCTION, net of royalties

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs (bbl/d)			
North America – Exploration and Production	**386,621**	403,305	422,124
North America – Oil Sands Mining and Upgrading	**376,984**	440,492	448,315
International – Exploration and Production			
North Sea	**15,908**	17,825	19,927
Offshore Africa	**15,010**	13,638	11,325
Total International	**30,918**	31,463	31,252
Total Crude oil and NGLs	**794,523**	875,260	901,691
Natural gas (MMcf/d)			
North America	**1,829**	1,721	1,508
International			
North Sea	**3**	3	4
Offshore Africa	**14**	12	9
Total International	**17**	15	13
Total Natural gas	**1,846**	1,736	1,521
Total Barrels of oil equivalent (BOE/d)	**1,102,221**	1,164,613	1,155,220

The Company's business approach is to maintain large project inventories and production diversification among each of the commodities it produces; namely light and medium crude oil and NGLs, primary heavy crude oil, Pelican Lake heavy crude oil, bitumen (thermal oil), SCO and natural gas.

Crude oil and NGLs production before royalties for the first quarter of 2022 averaged 945,809 bbl/d, a decrease of 3% from 979,352 bbl/d for the first quarter of 2021, and a decrease of 6% from 1,004,425 bbl/d for the fourth quarter of 2021. The decrease in crude oil and NGLs production for the first quarter of 2022 from the comparable periods primarily reflected facility restrictions at the non-operated Scotford Upgrader ("Scotford") and the commencement of the planned turnaround, which impacted production for the quarter by approximately 46,000 bbl/d.

Annual crude oil and NGLs production for 2022 is targeted to average between 940,000 bbl/d and 982,000 bbl/d. Production targets constitute forward-looking statements. Refer to the "Advisory" section of this MD&A for further details on forward-looking statements.

Record natural gas production before royalties for the first quarter of 2022 of 2,006 MMcf/d increased 26% from 1,598 MMcf/d for the first quarter of 2021, and increased 8% from 1,857 MMcf/d for the fourth quarter of 2021. The increase in natural gas production for the first quarter of 2022 from the comparable periods primarily reflected strong drilling results and production volumes from acquisitions, partially offset by natural field declines.

Annual natural gas production for 2022 is targeted to average between 1,980 MMcf/d and 2,030 MMcf/d. Production targets constitute forward-looking statements. Refer to the "Advisory" section of this MD&A for further details on forward-looking statements.

North America – Exploration and Production

North America crude oil and NGLs production before royalties for the first quarter of 2022 of 484,280 bbl/d was comparable with 478,736 bbl/d for the first quarter of 2021 and 478,738 bbl/d for the fourth quarter of 2021. Crude oil and NGLs production for the first quarter of 2022 from the comparable periods primarily reflected strong drilling results and production volumes from acquisitions, partially offset by natural field declines.

The Company's thermal in situ assets continued to demonstrate long life low decline production before royalties, averaging 261,743 bbl/d for the first quarter of 2022, comparable with 267,530 bbl/d for the first quarter of 2021 and 263,110 bbl/d for the fourth quarter of 2021, through strong field optimization activities.

Pelican Lake heavy crude oil production before royalties averaged 51,991 bbl/d for the first quarter of 2022, a decrease of 6% from 55,498 bbl/d for the first quarter of 2021, and comparable with 52,963 bbl/d for the fourth quarter of 2021, demonstrating Pelican Lake's long life low decline production.

Record natural gas production before royalties for the first quarter of 2022 averaged 1,988 MMcf/d, an increase of 25% from 1,585 MMcf/d for the first quarter of 2021, and an increase of 8% from 1,841 MMcf/d for the fourth quarter of 2021. The increase in natural gas production for the first quarter of 2022 from the comparable periods primarily reflected strong drilling results and production volumes from acquisitions, partially offset by natural field declines.

North America – Oil Sands Mining and Upgrading

SCO production before royalties for the first quarter of 2022 of 429,826 bbl/d decreased 8% from 468,803 bbl/d for the first quarter of 2021 and decreased 13% from 493,406 bbl/d for the fourth quarter of 2021. The decrease in SCO production for the first quarter of 2022 from the comparable periods primarily reflected facility restrictions at Scotford and the commencement of the planned turnaround, which impacted production for the quarter by approximately 46,000 bbl/d.

International – Exploration and Production

International crude oil production before royalties for the first quarter of 2022 of 31,703 bbl/d was comparable with 31,813 bbl/d for the first quarter of 2021 and 32,281 bbl/d for the fourth quarter of 2021.

International Crude Oil Inventory Volumes

The Company recognizes revenue on its crude oil production when control of the product passes to the customer and delivery has taken place. Revenue has not been recognized in the International segments on crude oil volumes held in various storage facilities or FPSOs, as follows:

(bbl)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
International	**872,196**	727,439	612,242

OPERATING HIGHLIGHTS – EXPLORATION AND PRODUCTION

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs ($/bbl) (1)			
Realized price (2)	**$ 93.54**	$ 72.81	$ 52.68
Transportation (2)	**4.18**	3.93	3.56
Realized price, net of transportation (2)	**89.36**	68.88	49.12
Royalties (3)	**17.80**	10.67	5.69
Production expense (4)	**15.80**	15.70	14.56
Netback (2)	**$ 55.76**	$ 42.51	$ 28.87
Natural gas ($/Mcf) (1)			
Realized price (5)	**$ 5.26**	$ 5.35	$ 3.42
Transportation (6)	**0.50**	0.42	0.46
Realized price, net of transportation	**4.76**	4.93	2.96
Royalties (3)	**0.42**	0.35	0.16
Production expense (4)	**1.31**	1.12	1.27
Netback (2)	**$ 3.03**	$ 3.46	$ 1.53
Barrels of oil equivalent ($/BOE) (1)			
Realized price (2)	**$ 69.66**	$ 57.72	$ 41.80
Transportation (2)	**3.72**	3.40	3.29
Realized price, net of transportation (2)	**65.94**	54.32	38.51
Royalties (3)	**11.88**	7.48	4.10
Production expense (4)	**12.70**	12.33	12.20
Netback (2)	**$ 41.36**	$ 34.51	$ 22.21

(1) For crude oil and NGLs and BOE sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. For natural gas sales volumes, refer to the "Daily Production, before royalties" section of this MD&A.

(2) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

(3) Calculated as royalties divided by respective sales volumes.

(4) Calculated as production expense divided by respective sales volumes.

(5) Calculated as natural gas sales divided by natural gas sales volumes.

(6) Calculated as natural gas transportation expense divided by natural gas sales volumes.

REALIZED PRODUCT PRICES – EXPLORATION AND PRODUCTION

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs ($/bbl) (1)			
North America (2)	**$ 91.44**	$ 71.57	$ 50.67
International average (3)	**$ 128.35**	$ 95.23	$ 76.45
North Sea (3)	**$ 125.20**	$ 100.45	$ 75.16
Offshore Africa (3)	**$ 130.25**	$ 75.42	$ 80.00
Crude oil and NGLs average (2)	**$ 93.54**	$ 72.81	$ 52.68
Natural gas ($/Mcf) (1) (3)			
North America	**$ 5.20**	$ 5.33	$ 3.41
International average	**$ 11.32**	$ 7.77	$ 5.11
North Sea	**$ 20.68**	$ 3.20	$ 2.57
Offshore Africa	**$ 9.57**	$ 9.00	$ 6.09
Natural gas average	**$ 5.26**	$ 5.35	$ 3.42
Average ($/BOE) (1) (2)	**$ 69.66**	$ 57.72	$ 41.80

(1) For crude oil and NGLs and BOE sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. For natural gas sales volumes, refer to the "Daily Production, before royalties" section of this MD&A.

(2) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

(3) Calculated as crude oil and NGLs sales and natural gas sales divided by respective sales volumes.

North America

North America realized crude oil and NGLs prices increased 80% to average $91.44 per bbl for the first quarter of 2022 from $50.67 per bbl for the first quarter of 2021, and increased 28% from $71.57 per bbl for the fourth quarter of 2021. The increase in realized crude oil and NGLs prices for the first quarter of 2022 from the comparable periods was primarily due to higher WTI benchmark pricing. The Company continues to focus on its crude oil blending marketing strategy and in the first quarter of 2022 contributed approximately 185,000 bbl/d of heavy crude oil blends to the WCS stream.

North America realized natural gas prices increased 52% to average $5.20 per Mcf for the first quarter of 2022 from $3.41 per Mcf for the first quarter of 2021, and was comparable with $5.33 per Mcf for the fourth quarter of 2021. The increase in realized natural gas prices for the first quarter of 2022 from the first quarter of 2021 primarily reflected lower storage levels and increased benchmark pricing.

Comparisons of the prices received in North America Exploration and Production by product type were as follows:

	Three Months Ended		
(Quarterly average)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Wellhead Price (1)			
Light and medium crude oil and NGLs ($/bbl)	**$ 88.63**	$ 74.41	$ 50.54
Pelican Lake heavy crude oil ($/bbl)	**$ 97.73**	$ 77.40	$ 55.26
Primary heavy crude oil ($/bbl)	**$ 97.21**	$ 75.47	$ 54.24
Bitumen (thermal oil) ($/bbl)	**$ 89.93**	$ 68.45	$ 48.92
Natural gas ($/Mcf)	**$ 5.20**	$ 5.33	$ 3.41

(1) Amounts expressed on a per unit basis are based on sales volumes of the respective product type.

International

International realized crude oil and NGLs prices increased 68% to average $128.35 per bbl for the first quarter of 2022 from $76.45 per bbl for the first quarter of 2021 and increased 35% from $95.23 per bbl for the fourth quarter of 2021. Realized crude oil and NGLs prices per barrel in any particular period are dependent on the terms of the various sales contracts, the frequency and timing of liftings from each field, and prevailing crude oil prices and foreign exchange rates at the time of lifting. The fluctuations in realized crude oil and NGLs prices for the first quarter of 2022 from the comparable periods reflected prevailing Brent benchmark pricing at the time of liftings, together with the impact of movements in the Canadian dollar.

ROYALTIES – EXPLORATION AND PRODUCTION

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs ($/bbl) (1)			
North America	**$ 18.64**	$ 11.21	$ 6.09
International average	**$ 3.93**	$ 1.01	$ 1.05
North Sea	**$ 0.41**	$ 0.19	$ 0.12
Offshore Africa	**$ 6.06**	$ 4.10	$ 3.57
Crude oil and NGLs average	**$ 17.80**	$ 10.67	$ 5.69
Natural gas ($/Mcf) (1)			
North America	**$ 0.41**	$ 0.35	$ 0.16
Offshore Africa	**$ 0.98**	$ 0.41	$ 0.28
Natural gas average	**$ 0.42**	$ 0.35	$ 0.16
Average ($/BOE) (1)	**$ 11.88**	$ 7.48	$ 4.10

(1) Calculated as royalties divided by respective sales volumes. For crude oil and NGLs and BOE sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. For natural gas sales volumes, refer to the "Daily Production, before royalties" section of this MD&A.

North America

North America crude oil and NGLs and natural gas royalties for the first quarter of 2022 and the comparable periods reflected movements in benchmark commodity prices. North America crude oil royalties also reflected fluctuations in the WCS Heavy Differential and changes in the production mix between high and low royalty rate product types.

Crude oil and NGLs royalty rates (1) averaged approximately 20% of product sales for the first quarter of 2022 compared with 12% for the first quarter of 2021 and 16% for the fourth quarter of 2021. The increase in royalty rates for the first quarter of 2022 from the comparable periods was primarily due to higher benchmark prices together with fluctuations in the WCS Heavy Differential.

Natural gas royalty rates averaged approximately 8% of product sales for the first quarter of 2022 compared with 5% for the first quarter of 2021 and 7% for the fourth quarter of 2021. The increase in royalty rates for the first quarter of 2022 from the first quarter of 2021 was primarily due to higher benchmark prices. The increase in royalty rates for the first quarter of 2022 from the fourth quarter of 2021 was primarily due to royalty adjustments in the first quarter of 2022.

Offshore Africa

Under the terms of the various Production Sharing Contracts royalty rates fluctuate based on realized commodity pricing, capital expenditures and production expenses, the status of payouts, and the timing of liftings from each field.

Royalty rates as a percentage of product sales averaged approximately 5% for the first quarter of 2022 compared with 4% of product sales for the first quarter of 2021 and 5% for the fourth quarter of 2021. Royalty rates as a percentage of product sales reflected the timing of liftings and the status of payout in the various fields.

(1) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

PRODUCTION EXPENSE – EXPLORATION AND PRODUCTION

	Three Months Ended		
	Mar 31 2022	Dec 31 2021	Mar 31 2021
Crude oil and NGLs ($/bbl) (1)			
North America	**$ 14.79**	$ 13.55	$ 12.80
International average	**$ 32.58**	$ 54.91	$ 35.35
North Sea	**$ 64.24**	$ 64.96	$ 42.24
Offshore Africa	**$ 13.38**	$ 16.75	$ 16.57
Crude oil and NGLs average	**$ 15.80**	$ 15.70	$ 14.56
Natural gas ($/Mcf) (1)			
North America	**$ 1.28**	$ 1.08	$ 1.24
International average	**$ 4.61**	$ 5.51	$ 4.95
North Sea	**$ 8.21**	$ 9.19	$ 4.85
Offshore Africa	**$ 3.93**	$ 4.52	$ 4.99
Natural gas average	**$ 1.31**	$ 1.12	$ 1.27
Average ($/BOE) (1)	**$ 12.70**	$ 12.33	$ 12.20

(1) Calculated as production expense divided by respective sales volumes. For crude oil and NGLs and BOE sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A. For natural gas sales volumes, refer to the "Daily Production, before royalties" section of this MD&A.

North America

North America crude oil and NGLs production expense for the first quarter of 2022 of $14.79 per bbl increased 16% from $12.80 per bbl for the first quarter of 2021 and increased 9% from $13.55 per bbl for the fourth quarter of 2021. The increase in crude oil and NGLs production expense per bbl for the first quarter of 2022 from the comparable periods primarily reflected increased energy costs.

North America natural gas production expense for the first quarter of 2022 of $1.28 per Mcf was comparable with $1.24 per Mcf for the first quarter of 2021 and increased 19% from $1.08 per Mcf for the fourth quarter of 2021. The increase in natural gas production expense per Mcf for the first quarter of 2022 from the fourth quarter of 2021 primarily reflected seasonal conditions.

International

International crude oil production expense for the first quarter of 2022 of $32.58 per bbl decreased 8% from $35.35 per bbl for the first quarter of 2021 and decreased 41% from $54.91 per bbl for the fourth quarter of 2021. The fluctuations in crude oil production expense per barrel for the first quarter of 2022 from the comparable periods primarily reflected the timing of liftings from the Company's various fields in the North Sea and Offshore Africa that have different cost structures. International production expense also reflected fluctuations in the Canadian dollar.

DEPLETION, DEPRECIATION AND AMORTIZATION – EXPLORATION AND PRODUCTION

($ millions, except per BOE amounts)	Three Months Ended Mar 31 2022	Dec 31 2021	Mar 31 2021
North America	**$ 878**	$ 939	$ 868
North Sea	**29**	33	68
Offshore Africa	**51**	19	31
Depletion, Depreciation and Amortization	**$ 958**	$ 991	$ 967
$/BOE (1)	**$ 12.40**	$ 13.03	$ 13.70

(1) Calculated as depletion, depreciation and amortization expense divided by sales volumes. For sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

Depletion, depreciation and amortization expense for the first quarter of 2022 of $12.40 per BOE decreased 9% from $13.70 per BOE for the first quarter of 2021 and decreased 5% from $13.03 per BOE for the fourth quarter of 2021. The decrease in depletion, depreciation and amortization expense per BOE for the first quarter of 2022 from the comparable periods primarily reflected lower depletion rates, primarily due to increases to the Company's North America Exploration and Production reserve estimates at December 31, 2021, including the impact of the acquisitions completed during the prior year.

Depletion, depreciation and amortization expense on an absolute and per BOE basis also reflects the impact of the timing of liftings from each field in the North Sea and Offshore Africa.

ASSET RETIREMENT OBLIGATION ACCRETION – EXPLORATION AND PRODUCTION

($ millions, except per BOE amounts)	Three Months Ended Mar 31 2022	Dec 31 2021	Mar 31 2021
North America	**$ 35**	$ 25	$ 25
North Sea	**7**	5	5
Offshore Africa	**2**	2	1
Asset Retirement Obligation Accretion	**$ 44**	$ 32	$ 31
$/BOE (1)	**$ 0.56**	$ 0.42	$ 0.45

(1) Calculated as asset retirement obligation accretion divided by sales volumes. For sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

Asset retirement obligation accretion expense represents the increase in the carrying amount of the asset retirement obligation due to the passage of time.

Asset retirement obligation accretion expense for the first quarter of 2022 of $0.56 per BOE increased 24% from $0.45 per BOE for the first quarter of 2021 and increased 33% from $0.42 per BOE for the fourth quarter of 2021. The increase in asset retirement obligation accretion expense on a per BOE basis primarily reflected the revision of cost estimates made to the asset retirement obligation in the fourth quarter of 2021.

OPERATING HIGHLIGHTS – OIL SANDS MINING AND UPGRADING

The Company continues to focus on safe, reliable and efficient operations and leveraging its technical expertise across the Horizon and AOSP sites. SCO production in the first quarter of 2022 of 429,826 bbl/d decreased from the comparable periods, primarily reflecting facility restrictions at Scotford and the commencement of the planned turnaround, which impacted production for the quarter by approximately 46,000 bbl/d.

The Company incurred production costs of $977 million for the first quarter of 2022, a 17% increase from $838 million for the first quarter of 2021, and a 12% increase from $871 million for the fourth quarter of 2021, primarily reflecting higher energy, turnaround, and maintenance related costs.

REALIZED PRODUCT PRICES, ROYALTIES AND TRANSPORTATION – OIL SANDS MINING AND UPGRADING

	Three Months Ended		
($/bbl)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Realized SCO sales price [1]	**$ 112.05**	$ 88.48	$ 64.60
Bitumen value for royalty purposes [2]	**$ 85.75**	$ 65.80	$ 46.39
Bitumen royalties [3]	**$ 13.51**	$ 9.16	$ 2.88
Transportation [1]	**$ 1.55**	$ 1.33	$ 1.10

(1) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

(2) Calculated as the quarterly average of the bitumen methodology price.

(3) Calculated as royalties divided by sales volumes. For SCO sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

The realized SCO sales price averaged $112.05 per bbl for the first quarter of 2022, an increase of 73% from $64.60 per bbl for the first quarter of 2021 and an increase of 27% from $88.48 per bbl for the fourth quarter of 2021. The increase in the realized SCO sales price for the first quarter of 2022 from the comparable periods primarily reflected the increase in WTI benchmark pricing.

The increase in bitumen royalties per bbl for the first quarter of 2022 from the comparable periods primarily reflected the impact of higher prevailing bitumen pricing. The increase from the first quarter of 2021 also reflected the impact of AOSP reaching full payout.

Transportation expense averaged $1.55 per bbl for the first quarter of 2022, an increase of 41% from $1.10 per bbl for the first quarter of 2021 and an increase of 17% from $1.33 per bbl for the fourth quarter of 2021. The increase in transportation expense per bbl for the first quarter of 2022 from comparable periods primarily reflected the impact of lower production volumes in the first quarter of 2022.

PRODUCTION COSTS – OIL SANDS MINING AND UPGRADING

The following tables are reconciled to the Oil Sands Mining and Upgrading production costs disclosed in note 17 to the financial statements.

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Production costs, excluding natural gas costs	**$ 896**	$ 796	$ 779
Natural gas costs	**81**	75	59
Production costs	**$ 977**	$ 871	$ 838

($/bbl)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Production costs, excluding natural gas costs (1)	**$ 22.57**	$ 17.86	$ 18.42
Natural gas costs (2)	**2.03**	1.69	1.40
Production costs (3)	**$ 24.60**	$ 19.55	$ 19.82
Sales volumes (bbl/d)	**441,324**	483,972	469,953

(1) Calculated as production costs, excluding natural gas costs divided by sales volumes.

(2) Calculated as natural gas costs divided by sales volumes.

(3) Calculated as production costs divided by sales volumes.

Production costs for the first quarter of 2022 averaged $24.60 per bbl, an increase of 24% from $19.82 per bbl for the first quarter of 2021 and an increase of 26% from $19.55 per bbl for the fourth quarter of 2021. The increase in production costs per bbl for the first quarter of 2022 from the comparable periods primarily reflected the impact of lower production volumes at Scotford, together with higher energy, turnaround, and maintenance related costs.

DEPLETION, DEPRECIATION AND AMORTIZATION – OIL SANDS MINING AND UPGRADING

($ millions, except per bbl amounts)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Depletion, depreciation and amortization	**$ 445**	$ 478	$ 450
$/bbl (1)	**$ 11.20**	$ 10.73	$ 10.64

(1) Calculated as depletion, depreciation and amortization divided by sales volumes. For SCO sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

Depletion, depreciation and amortization expense for the first quarter of 2022 of $11.20 per bbl increased 5% from $10.64 per bbl for the first quarter of 2021, and increased 4% from $10.73 per bbl for the fourth quarter of 2021. The increase in depletion, depreciation and amortization on a per barrel basis for the first quarter of 2022 from the comparable periods primarily reflected the impact of lower volumes from underlying operations.

ASSET RETIREMENT OBLIGATION ACCRETION – OIL SANDS MINING AND UPGRADING

($ millions, except per bbl amounts)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Asset retirement obligation accretion	**$ 15**	$ 14	$ 15
$/bbl (1)	**$ 0.39**	$ 0.32	$ 0.34

(1) Calculated as asset retirement obligation accretion divided by sales volumes. For SCO sales volumes, refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

Asset retirement obligation accretion expense represents the increase in the carrying amount of the asset retirement obligation due to the passage of time.

Asset retirement obligation accretion expense of $0.39 per bbl for the first quarter of 2022 increased 15% from $0.34 per bbl for the first quarter of 2021 and increased 22% from $0.32 per bbl for the fourth quarter of 2021. The increase in asset retirement obligation accretion from comparable periods primarily reflected the impact of lower sales volumes.

MIDSTREAM AND REFINING

($ millions)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Product sales			
Midstream activities	**$ 20**	$ 17	$ 19
NWRP, refined product sales and other	**249**	200	131
Segmented revenue	**269**	217	150
Less:			
NWRP, refining toll	**61**	37	58
Midstream activities	**5**	5	5
Production expense	**66**	42	63
NWRP, transportation and feedstock costs	**179**	165	105
Depreciation	**4**	4	4
Segmented earnings (loss)	**$ 20**	$ 6	$ (22)

The Company's Midstream and Refining assets consist of two crude oil pipeline systems, a 50% working interest in an 84-megawatt cogeneration plant at Primrose and the Company's 50% equity investment in NWRP.

NWRP operates a 50,000 bbl/d bitumen upgrader and refinery that processes approximately 12,500 bbl/d (25% toll payer) of bitumen feedstock for the Company and 37,500 bbl/d (75% toll payer) of bitumen feedstock for the Alberta Petroleum Marketing Commission ("APMC"), 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. Sales of diesel and refined products and associated refining tolls are recognized in the Midstream and Refining segment. For the first quarter of 2022, production of ultra-low sulphur diesel and other refined products averaged 71,975 BOE/d (17,994 BOE/d to the Company), (three months ended March 31, 2021 – 56,316 BOE/d; 14,079 BOE/d to the Company), reflecting the 25% toll payer commitment.

On June 30, 2021, the equity partners together with the toll payers, agreed to optimize the structure of NWRP to better align the commercial interests of the equity partners and the toll payers (the "Optimization Transaction"). Under the Optimization Transaction, NWRP repaid the Company's and APMC's subordinated debt advances of $555 million each and the Company received a $400 million distribution from NWRP during the second quarter of 2021.

As at March 31, 2022, the cumulative unrecognized share of the equity loss and partnership distributions from NWRP was $572 million (December 31, 2021 – $562 million). For the three months ended March 31, 2022, the unrecognized share of the equity loss was $10 million (three months ended March 31, 2021 – recovery of unrecognized equity losses of $17 million).

ADMINISTRATION EXPENSE

	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Expense ($ millions)	**$ 116**	$ 97	$ 95
$/BOE (1)	**$ 0.99**	$ 0.81	$ 0.84
Sales volumes (BOE/d) (2)	**1,300,300**	1,310,878	1,254,481

(1) Calculated as administration expense divided by sales volumes.

(2) Total Company sales volumes.

Administration expense for the first quarter of 2022 of $0.99 per BOE increased 18% from $0.84 per BOE for the first quarter of 2021 and increased 22% from $0.81 per BOE for the fourth quarter of 2021. The increase in administration expense per BOE for the first quarter of 2022 from the comparable periods was primarily due to higher personnel costs.

SHARE-BASED COMPENSATION

($ millions)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Expense	**$ 534**	$ 191	$ 129

The Company's Stock Option Plan provides employees with the right to receive common shares or a cash payment in exchange for stock options surrendered. The Performance Share Unit ("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 recognized a $534 million share-based compensation expense for the three months ended March 31, 2022, primarily as a result of the measurement of the fair value of outstanding stock options related to the impact of normal course graded vesting of stock options granted in prior periods, the impact of vested stock options exercised or surrendered during the period, and changes in the Company's share price.

INTEREST AND OTHER FINANCING EXPENSE

($ millions, except effective interest rate)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Interest and other financing expense	**$ 163**	$ 171	$ 185
Interest income and other (1)	**4**	2	12
Interest on long-term debt and lease liabilities (1)	**$ 167**	$ 173	$ 197
Average current and long-term debt (2)	**$ 14,950**	$ 16,084	$ 21,306
Average lease liabilities (2)	**1,551**	1,578	1,666
Average long-term debt and lease liabilities (2)	**$ 16,501**	$ 17,662	$ 22,972
Average effective interest rate (3) (4)	**4.0%**	3.9%	3.4%
Interest and other financing expense per $/BOE (5)	**$ 1.40**	$ 1.42	$ 1.64
Sales volumes (BOE/d) (6)	**1,300,300**	1,310,878	1,254,481

(1) Item is a component of interest and other financing expense.

(2) The average of current and long-term debt and lease liabilities outstanding during the respective period.

(3) This is a non-GAAP ratio and may not be comparable to similar measures presented by other companies, and should not be considered an alternative to or more meaningful than the most directly comparable financial measure presented in the financial statements, as applicable, as an indication of the Company's performance.

(4) Calculated as the total of interest on long-term debt and lease liabilities divided by the average long-term debt and lease liabilities balance for the respective period. The Company presents its average effective interest rate for financial statement users to evaluate the Company's average cost of debt borrowings.

(5) Calculated as interest and other financing expense divided by sales volumes.

(6) Total Company sales volumes.

Interest and other financing expense per BOE for the first quarter of 2022 decreased 15% to $1.40 per BOE from $1.64 per BOE for the first quarter of 2021 and was comparable with $1.42 per BOE for the fourth quarter of 2021. The decrease in interest and other financing expense per BOE for the first quarter of 2022 from the first quarter of 2021 was primarily due to lower average debt levels and higher sales volumes, partially offset by lower interest income.

The Company's average effective interest rate for the first quarter of 2022 increased from the first quarter of 2021 primarily due to the repayment of the $1,000 million 3.31% medium-term note and bank credit facilities.

RISK MANAGEMENT ACTIVITIES

The Company utilizes various derivative financial instruments to manage its commodity price, interest rate and foreign currency exposures. These derivative financial instruments are not intended for trading or speculative purposes.

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Foreign currency contracts	**$ 22**	$ (11)	$ 15
Natural gas financial instruments (1)	**5**	6	(6)
Crude oil and NGLs financial instruments (1)	**5**	(1)	—
Net realized loss (gain)	**32**	(6)	9
Foreign currency contracts	**(13)**	16	(5)
Natural gas financial instruments (1)	**32**	(10)	25
Crude oil and NGLs financial instruments (1)	**7**	2	—
Net unrealized loss	**26**	8	20
Net loss	**$ 58**	$ 2	$ 29

(1) Commodity financial instruments were assumed in the acquisition of Storm Resources Ltd. and Painted Pony Energy Ltd. in the fourth quarter of 2021 and 2020, respectively.

During the first quarter of 2022, net realized risk management losses were related to the settlement of foreign currency contracts, natural gas financial instruments, and crude oil and NGLs financial instruments. The Company recorded a net unrealized loss of $26 million ($17 million after-tax of $9 million) on its risk management activities for the three months ended March 31, 2022 (three months ended December 31, 2021 – unrealized loss of $8 million, $10 million after-tax of $2 million; three months ended March 31, 2021 – unrealized loss of $20 million, $15 million after-tax of $5 million).

Further details related to outstanding derivative financial instruments at March 31, 2022 are disclosed in note 15 to the financial statements.

FOREIGN EXCHANGE

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Net realized loss (gain)	**$ 10**	$ (27)	$ 10
Net unrealized gain	**(156)**	(79)	(172)
Net gain (1)	**$ (146)**	$ (106)	$ (162)

(1) Amounts are reported net of the hedging effect of cross currency swaps.

The net realized foreign exchange loss for the first quarter of 2022 was primarily due to foreign exchange rate fluctuations on settlement of working capital items denominated in US dollars or UK pounds sterling. The net unrealized foreign exchange gain for the first quarter of 2022 was primarily related to the impact of a stronger Canadian dollar with respect to outstanding US dollar debt. The US/Canadian dollar exchange rate at March 31, 2022 was US$0.8010 (December 31, 2021 – US$0.7901, March 31, 2021 – US$0.7954).

INCOME TAXES

($ millions, except effective tax rates)	Three Months Ended Mar 31 2022	Dec 31 2021	Mar 31 2021
North America [1]	**$ 834**	$ 691	$ 285
North Sea	**7**	(3)	11
Offshore Africa	**12**	3	4
PRT [2] – North Sea	**(7)**	(12)	(5)
Other taxes	**5**	4	2
Current income tax	**851**	683	297
Deferred income tax	**125**	193	21
Income tax	**$ 976**	$ 876	$ 318
Earnings before taxes	**$ 4,077**	$ 3,410	$ 1,695
Effective tax rate on net earnings [3]	**24%**	26%	19%
Income tax	**$ 976**	$ 876	$ 318
Tax effect on non-operating items [4]	**8**	—	5
Current PRT - North Sea	**7**	12	5
Other taxes	**(5)**	(4)	(2)
Effective tax on adjusted net earnings	**$ 986**	$ 884	$ 326
Adjusted net earnings from operations [5]	**$ 3,376**	$ 2,626	$ 1,219
Effective tax on adjusted net earnings	**986**	884	326
Adjusted net earnings from operations, before taxes	**$ 4,362**	$ 3,510	$ 1,545
Effective tax rate on adjusted net earnings from operations [6] [7]	**23%**	25%	21%

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

(2) Petroleum Revenue Tax.

(3) Calculated as total of current and deferred income tax divided by earnings before taxes.

(4) Includes the net tax effect of PSUs, unrealized risk management, and abandonment expenditure recovery in adjusted net earnings from operations.

(5) Non-GAAP Financial Measure. Refer to the "Non-GAAP and other Financial Measures" section of this MD&A.

(6) This is a non-GAAP ratio and may not be comparable to similar measures presented by other companies, and should not be considered an alternative to or more meaningful than the most directly comparable financial measure presented in the financial statements, as applicable, as an indication of the Company's performance.

(7) Calculated as effective tax on adjusted net earnings divided by adjusted net earnings from operations, before taxes. The Company presents its effective tax rate on adjusted net earnings from operations for financial statement users to evaluate the Company's effective tax rate on its core business activities.

The effective tax rate on net earnings and adjusted net earnings from operations for the first quarter of 2022 and the comparable periods included the impact of non-taxable items in North America and the North Sea and the impact of differences in jurisdictional income and tax rates in the countries in which the Company operates, in relation to net earnings.

The current corporate income tax and PRT in the North Sea for the first quarter of 2022 and the comparable periods included the impact of carrybacks of abandonment expenditures related to decommissioning activities at the Company's platforms in the North Sea.

The Company files income tax returns in the various jurisdictions in which it operates. These tax returns are subject to periodic examinations in the normal course by the applicable tax authorities. The tax returns as prepared may include filing positions that could be subject to differing interpretations of applicable tax laws and regulations, which may take several years to resolve. The Company does not believe the ultimate resolution of these matters will have a material impact upon the Company's reported results of operations, financial position or liquidity.

NET CAPITAL EXPENDITURES [1] [2]

($ millions)	Three Months Ended **Mar 31 2022**	Dec 31 2021	Mar 31 2021
Exploration and Evaluation			
Net expenditures	**$ 22**	$ 2	$ 4
Net property dispositions	**(3)**	(6)	—
Total Exploration and Evaluation	**19**	(4)	4
Property, Plant and Equipment			
Net property acquisitions	**482**	973	1
Well drilling, completion and equipping	**344**	196	266
Production and related facilities	**211**	180	192
Other	**13**	23	13
Total Property, Plant and Equipment	**1,050**	1,372	472
Total Exploration and Production	**1,069**	1,368	476
Oil Sands Mining and Upgrading			
Project costs	**45**	65	41
Sustaining capital	**206**	270	186
Turnaround costs	**60**	23	29
Other	**1**	1	1
Total Oil Sands Mining and Upgrading	**312**	359	257
Midstream and Refining	**2**	3	2
Head office	**5**	7	6
Abandonments expenditures, net [2]	**67**	67	67
Net capital expenditures	**$ 1,455**	$ 1,804	$ 808
By segment			
North America	**$ 1,045**	$ 1,301	$ 419
North Sea	**11**	48	32
Offshore Africa	**13**	19	25
Oil Sands Mining and Upgrading	**312**	359	257
Midstream and Refining	**2**	3	2
Head office	**5**	7	6
Abandonments expenditures, net [2]	**67**	67	67
Net capital expenditures	**$ 1,455**	$ 1,804	$ 808

(1) Net capital expenditures exclude the impact of lease assets and fair value and revaluation adjustments, and include non-cash transfers of property, plant and equipment to inventory due to change in use.

(2) Non-GAAP Financial Measure. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

The Company's strategy is focused on building a diversified asset base that is balanced among various products. In order to facilitate efficient operations, the Company concentrates its activities in core areas. The Company focuses on maintaining its land inventories to enable the continuous exploitation of play types and geological trends, greatly reducing overall exploration risk. By owning associated infrastructure, the Company is able to maximize utilization of its production facilities, thereby increasing control over production expenses.

Net capital expenditures for the first quarter of 2022 included base capital expenditures [1] of $844 million and strategic growth capital expenditures [1] of $132 million, in accordance with the Company's capital budget. The Company also completed strategic acquisitions [1] of $482 million of property, plant and equipment during the first quarter of 2022. Net capital expenditures were $808 million for the first quarter of 2021 and $1,804 million for the fourth quarter of 2021.

(1) Item is a component of net capital expenditures. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more details on net capital expenditures.

2022 Capital Budget

On January 11, 2022, the Company announced its 2022 base capital budget [1] targeted at approximately $3,645 million. The budget also includes incremental strategic growth capital of approximately $700 million that targets to add future production and capacity in the Company's long life low decline thermal in situ and Oil Sands Mining and Upgrading assets.

The 2022 capital budget constitutes forward-looking statements. Refer to the "Advisory" section of this MD&A for further details on forward-looking statements.

Drilling Activity [(1) (2)]

	Three Months Ended		
(number of net wells)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Net successful natural gas wells	**23**	9	22
Net successful crude oil wells [(3)]	**56**	22	44
Total	**79**	31	66
Success rate	**100%**	100%	100%

(1) Includes drilling activity for North America and International segments.

(2) In addition, in the first quarter of 2022, on a net basis, the Company drilled 351 stratigraphic wells and 3 service wells in the Oil Sands Mining and Upgrading segment, as well as 18 stratigraphic and 21 service wells in the Company's thermal oil projects.

(3) Includes bitumen wells.

North America

During the first quarter of 2022, the Company drilled 23 net natural gas wells, 40 net primary heavy crude oil wells, 12 net bitumen (thermal oil) wells, and 4 net light crude oil wells.

LIQUIDITY AND CAPITAL RESOURCES

($ millions, except ratios)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Adjusted working capital [(1)]	**$ 281**	$ (480)	$ 626
Long-term debt, net [(2)]	**$ 13,782**	$ 13,950	$ 19,843
Shareholders' equity	**$ 38,490**	$ 36,945	$ 33,231
Debt to book capitalization [(2)]	**26.4%**	27.4%	37.4%
After-tax return on average capital employed [(3)]	**18.9%**	15.6%	5.1%

(1) Calculated as current assets less current liabilities, excluding the current portion of long-term debt.

(2) Capital Management Measure. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

(3) Non-GAAP Ratio. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A.

As at March 31, 2022, the Company's capital resources consisted primarily of cash flows from operating activities, available bank credit facilities and access to debt capital markets. Cash flows from operating activities and the Company's ability to renew existing bank credit facilities and raise new debt is dependent on factors discussed in the "Business Environment" section of this MD&A and in the "Risks and Uncertainties" section of the Company's annual MD&A for the year ended December 31, 2021. In addition, the Company's ability to renew existing bank credit facilities and raise new debt reflects current credit ratings as determined by independent rating agencies, and market conditions. The Company continues to believe its internally generated cash flows from operating activities supported by the implementation of its ongoing hedge policy, the flexibility of its capital expenditure programs and multi-year financial plans, its existing bank credit facilities, and its ability to raise new debt on commercially acceptable terms will provide sufficient liquidity to sustain its operations in the short, medium and long-term and support its growth strategy.

(1) Forward looking non-GAAP Financial Measure. The capital budget is based on net capital expenditures (Non-GAAP Financial Measure) and excludes net acquisition costs. Refer to the "Non-GAAP and Other Financial Measures" section of this MD&A for more details on net capital expenditures.

On an ongoing basis the Company continues to focus on its balance sheet strength and available liquidity by:

- Monitoring cash flows from operating activities, which is the primary source of funds;
- Monitoring exposure to individual customers, contractors, suppliers and joint venture partners on a regular basis and when appropriate, ensuring parental guarantees or letters of credit are in place, and as applicable, taking other mitigating actions to minimize the impact in the event of a default;
- Actively managing the allocation of maintenance and growth capital to ensure it is expended in a prudent and appropriate manner with flexibility to adjust to market conditions. The Company continues to exercise its capital flexibility to address commodity price volatility and its impact on operating expenditures, capital commitments and long-term debt;
- Monitoring the Company's ability to fulfill financial obligations as they become due or the ability to monetize assets in a timely manner at a reasonable price;
- Reviewing bank credit facilities and public debt indentures to ensure they are in compliance with applicable covenant packages; and
- Reviewing the Company's borrowing capacity:
    - During the first quarter of 2022, the Company repaid $1,000 million of 3.31% medium-term notes.
    - During the first quarter of 2022, the Company repaid $500 million of the $1,150 million non-revolving term credit facility, reducing the outstanding balance to $650 million.
    - During the fourth quarter of 2021, the $1,000 million non-revolving term credit facility was fully repaid and amended to allow for a re-draw of the full $1,000 million until March 31, 2022. During the first quarter of 2022, $500 million of the non-revolving term credit facility was redrawn and the remaining $500 million was further amended to a revolving facility, both maturing February 2023.
    - During the first quarter of 2022, the Company discontinued its £5 million demand credit facility related to its North Sea operations.
    - Borrowings under the Company's non-revolving and revolving term 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.
    - 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.
    - 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.

As at March 31, 2022, the Company had undrawn revolving bank credit facilities of $5,590 million. Including cash and cash equivalents and short-term investments, the Company had approximately $6,107 million in liquidity. Additionally, the Company had in place fully drawn non-revolving term credit facilities of $1,150 million. The Company also has certain other dedicated credit facilities supporting letters of credit. At March 31, 2022, the Company had $343 million drawn under its commercial paper program, and reserves capacity under its revolving bank credit facilities for amounts outstanding under this program.

As at March 31, 2022, the Company had total US dollar denominated debt with a carrying amount of $11,790 million (US$9,445 million), before transaction costs and original issue discounts. This included $2,178 million (US$1,745 million) hedged by way of a cross currency swap (US$550 million) and foreign currency forwards (US$1,195 million). The fixed repayment amount of these hedging instruments is $2,148 million, resulting in a notional reduction of the carrying amount of the Company’s US dollar denominated debt by approximately $30 million to $11,760 million as at March 31, 2022.

Long-term debt, net was $13,782 million at March 31, 2022, resulting in a debt to book capitalization ratio of 26.4% (December 31, 2021 – 27.4%); this ratio is within the 25% to 45% internal range utilized by management. 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 flows from operating activities are greater than current investment activities. The Company remains committed to maintaining a strong balance sheet, adequate available liquidity and a flexible capital structure. Further details related to the Company's long-term debt at March 31, 2022 are discussed in note 8 to the financial statements.

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, 2022, the Company was in compliance with this covenant.

The Company periodically utilizes commodity derivative financial instruments under its commodity hedge policy to reduce the risk of volatility in commodity prices and to support the Company's cash flow for its capital expenditure programs. This policy currently allows for the hedging of up to 60% of the near 12 months budgeted production and up to 40% of the following 13 to 24 months estimated production. For the purpose of this policy, the purchase of put options is in addition to the above parameters. Further details related to the Company's commodity derivative financial instruments outstanding at March 31, 2022 are discussed in note 15 to the financial statements.

As at March 31, 2022, the maturity dates of long-term debt and other long-term liabilities and related interest payments were as follows:

	Less than 1 year	1 to less than 2 years	2 to less than 5 years	Thereafter
Long-term debt [1]	$ 2,740	$ 500	$ 3,222	$ 7,528
Other long-term liabilities [2]	$ 295	$ 154	$ 422	$ 799
Interest and other financing expense [3]	$ 629	$ 572	$ 1,446	$ 3,793

(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, $190 million; one to less than two years, $149 million; two to less than five years, $418 million; and thereafter, $799 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, 2022.

Share Capital

As at March 31, 2022, there were 1,159,233,000 common shares outstanding (December 31, 2021 – 1,168,369,000 common shares) and 36,794,000 stock options outstanding. As at May 3, 2022, the Company had 1,154,338,000 common shares outstanding and 35,507,000 stock options outstanding.

On March 2, 2022, the Board of Directors approved a 28% increase in the quarterly dividend to $0.75 per common share, beginning with the dividend payable on April 5, 2022. On November 3, 2021, the Board of Directors approved a 25% increase in the quarterly dividend to $0.5875 per common share, from $0.47 per common share. On March 3, 2021, the Board of Directors approved an 11% increase in the quarterly dividend to $0.47 per common share, from $0.425 per common share. The dividend policy undergoes periodic review by the Board of Directors and is subject to change.

On March 8, 2022, 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 101,574,207 common shares, representing 10% of the public float, over a 12-month period commencing March 11, 2022 and ending March 10, 2023.

For the three months ended March 31, 2022, the Company purchased 15,750,000 common shares at a weighted average price of $68.78 per common share for a total cost of $1,083 million. Retained earnings were reduced by $943 million, representing the excess of the purchase price of common shares over their average carrying value. Subsequent to March 31, 2022, the Company purchased 5,750,000 common shares at a weighted average price of $80.81 per common share for a total cost of $465 million.

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, 2022:

($ millions)	Remaining 2022	2023	2024	2025	2026	Thereafter
Product transportation and processing [1]	$ 788	$ 990	$ 1,023	$ 958	$ 899	$ 11,198
North West Redwater Partnership service toll [2]	$ 95	$ 126	$ 125	$ 123	$ 101	$ 3,834
Offshore vessels and equipment	$ 47	$ 32	$ —	$ —	$ —	$ —
Field equipment and power	$ 28	$ 21	$ 21	$ 21	$ 21	$ 225
Other	$ 22	$ 21	$ 22	$ 21	$ 15	$ —

(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 $1,648 million of interest payable over the 40-year tolling period, ending in 2058.

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.

LEGAL PROCEEDINGS AND OTHER CONTINGENCIES

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.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements requires the Company to make estimates, assumptions and judgements in the application of IFRS that have a significant impact on the financial results of the Company. Actual results may differ from estimated amounts, and those differences may be material. A comprehensive discussion of the Company's significant accounting estimates is contained in the Company's annual MD&A and audited consolidated financial statements for the year ended December 31, 2021.

CONTROL ENVIRONMENT

There have been no changes to internal control over financial reporting ("ICFR") during the three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect the Company’s ICFR. Due to inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect misstatements, and even those controls determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

NON-GAAP AND OTHER FINANCIAL MEASURES

This MD&A includes references to non-GAAP and other financial measures as defined in NI 52-112. These financial measures are used by the Company to evaluate its financial performance, financial position or cash flow and include non-GAAP financial measures, non-GAAP ratios, total of segments measures, capital management measures, and supplementary financial measures. These financial measures are not defined by IFRS and therefore are referred to as non-GAAP and other financial measures. The non-GAAP and other financial measures used by the Company may not be comparable to similar measures presented by other companies, and should not be considered an alternative to or more meaningful than the most directly comparable financial measure presented in the financial statements, as applicable, as an indication of the Company's performance. Descriptions of the Company's non-GAAP and other financial measures included in this MD&A, and reconciliations to the most directly comparable GAAP measure, as applicable, are provided below.

Adjusted Net Earnings from Operations

Adjusted net earnings from operations is a non-GAAP financial measure that adjusts net earnings as presented in the Company's consolidated Statements of Earnings, for non-operating items, net of tax. The Company considers adjusted net earnings from operations a key measure in evaluating its performance, as it demonstrates the Company's ability to generate after-tax operating earnings from its core business areas. A reconciliation for adjusted net earnings from operations is presented below.

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Net earnings	**$ 3,101**	$ 2,534	$ 1,377
Share-based compensation, net of tax (1)	**526**	183	126
Unrealized risk management loss, net of tax (2)	**17**	10	15
Unrealized foreign exchange gain, net of tax (3)	**(156)**	(79)	(172)
Gain from investments, net of tax (4)	**(83)**	(3)	(117)
Other, net of tax (5)	**(29)**	(19)	(10)
Non-operating items, net of tax	**275**	92	(158)
Adjusted net earnings from operations	**$ 3,376**	$ 2,626	$ 1,219

(1) Share-based compensation includes costs incurred under the Company's Stock Option Plan and PSU plan. The fair value of the share-based compensation is recognized as a liability on the Company's balance sheets and periodic changes in the fair value are recognized in net earnings. Pre-tax share-based compensation for the three months ended March 31, 2022 was an expense of $534 million (three months ended December 31, 2021 – $191 million expense, three months ended March 31, 2021 – $129 million expense).

(2) Derivative financial instruments are recognized at fair value on the Company's balance sheets, with changes in the fair value of non-designated hedges recognized in net earnings. The amounts ultimately realized may be materially different than those amounts reflected in the financial statements due to changes in prices of the underlying items hedged, primarily natural gas and foreign exchange. Pre-tax unrealized risk management loss for the three months ended March 31, 2022 was $26 million (three months ended December 31, 2021 – $8 million loss, three months ended March 31, 2021 – $20 million loss).

(3) Unrealized foreign exchange gains result primarily from the translation of US dollar denominated long-term debt to period-end exchange rates, partially offset by the impact of cross currency swaps, and are recognized in net earnings. Pre- and after-tax amounts for these unrealized foreign exchange gains are the same.

(4) The Company's investments have been accounted for at fair value through profit and loss and are measured each period with gains recognized in net earnings. There is zero net tax impact on these gains from investments.

(5) Other relates to the impact of government grant income under the provincial well-site rehabilitation programs. Pre-tax other for the three months ended March 31, 2022 was $38 million (three months ended December 31, 2021 – $25 million, three months ended March 31, 2021 – $13 million).

Adjusted Funds Flow

Adjusted funds flow is a non-GAAP financial measure that represents cash flows from operating activities as presented in the Company's consolidated Statements of Cash Flows, adjusted for the net change in non-cash working capital, abandonment expenditures excluding the impact of government grant income under the provincial well-site rehabilitation programs, and movements in other long-term assets. The Company considers adjusted funds flow a key measure in evaluating its performance, as it demonstrates the Company’s ability to generate the cash flow necessary to fund future growth through capital investment and to repay debt. A reconciliation for adjusted funds flow, from cash flows from operating activities is presented below.

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Cash flows from operating activities	**$ 2,853**	$ 4,712	$ 2,536
Net change in non-cash working capital	**1,940**	(420)	10
Abandonment expenditures, net (1)	**67**	67	67
Movements in other long-term assets (2)	**115**	(21)	99
Adjusted funds flow	**$ 4,975**	$ 4,338	$ 2,712

(1) Non-GAAP Financial Measure. A reconciliation of abandonment expenditures, net is presented in the “Abandonment Expenditures, net” section below.

(2) Includes the unamortized cost of the share bonus program.

Adjusted Net Earnings from Operations and Adjusted Funds Flow, Per Share (Basic and Diluted)

Adjusted net earnings from operations and adjusted funds flow, per share (basic and diluted), are non-GAAP ratios that represent those non-GAAP measures divided by the weighted average number of basic and diluted common shares outstanding for the period, respectively, as presented in note 14 to the financial statements.

Abandonment Expenditures, net

Abandonment expenditures, net, is a non-GAAP financial measure that represents the abandonment expenditures to settle asset retirement obligations as reflected in the Company’s annual capital budget. Abandonment expenditures, net is calculated as abandonment expenditures, as presented in the Company's consolidated Statements of Cash Flows, adjusted for the impact of government grant income under the provincial well-site rehabilitation programs. A reconciliation of abandonment expenditures, net is presented below.

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Abandonment expenditures	**$ 105**	$ 92	$ 80
Government grants for abandonment expenditures	**(38)**	(25)	(13)
Abandonment expenditures, net	**$ 67**	$ 67	$ 67

Netback

Netback is a non-GAAP ratio that represents net cash flows provided from core activities after the impact of all costs associated with bringing a product to market, on a per unit basis. The Company considers netback a key measure in evaluating its performance, as it demonstrates the efficiency and profitability of the Company's activities. Refer to the "Operating Highlights – Exploration and Production" section of this MD&A for the netback calculations on a per unit basis for crude oil and NGLs, natural gas and on a total barrels of oil equivalent basis.

The netback calculations include the non-GAAP financial measures: realized price and transportation, reconciled below to their respective line item in note 17 to the financial statements.

Realized Price ($/bbl and $/BOE) – Exploration and Production

Realized price ($/bbl and $/BOE) is a non-GAAP ratio calculated as realized crude oil and NGLs sales and total realized BOE sales (non-GAAP financial measures) divided by respective sales volumes. Realized crude oil and NGLs sales and total realized BOE sales include the impact of blending costs and other by-product sales. The Company considers realized price a key measure in evaluating its performance, as it demonstrates the realized pricing per unit the Company obtained on the market for its crude oil and NGLs sales volumes and BOE sales volumes.

Reconciliations for Exploration and Production realized crude oil and NGLs sales and BOE sales and the calculations for realized price are presented below.

	Three Months Ended		
($ millions, except bbl/d and $/bbl)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Crude oil and NGLs (bbl/d)			
North America	**494,810**	490,448	477,768
International			
North Sea	**11,245**	21,360	29,566
Offshore Africa	**18,550**	5,624	10,843
Total International	**29,795**	26,984	40,409
Total Sales volumes	**524,605**	517,432	518,177
Crude oil and NGLs sales (1)	**$ 5,883**	$ 4,667	$ 3,373
Less: Blending costs (2)	**1,466**	1,202	916
Realized crude oil and NGLs sales	**$ 4,417**	$ 3,465	$ 2,457
Realized price ($/bbl)	**$ 93.54**	$ 72.81	$ 52.68

(1) Crude oil and NGLs sales in note 17 to the financial statements.

(2) Blending costs are a component of transportation, blending and feedstock expense as reconciled below in the "Transportation – Exploration and Production" section.

	Three Months Ended		
($ millions, except BOE/d and $/BOE)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Barrels of oil equivalent (BOE/d)			
North America	**826,161**	797,185	741,904
International			
North Sea	**11,720**	21,940	30,180
Offshore Africa	**21,095**	7,781	12,444
Total International	**32,815**	29,721	42,624
Total Sales volumes	**858,976**	826,906	784,528
Barrels of oil equivalent sales (1)	**$ 6,832**	$ 5,581	$ 3,865
Less: Blending costs (2)	**1,466**	1,202	916
Less: Sulphur (income) expense	**(19)**	(12)	(2)
Realized barrels of oil equivalent sales	**$ 5,385**	$ 4,391	$ 2,951
Realized price ($/BOE)	**$ 69.66**	$ 57.72	$ 41.80

(1) Barrels of oil equivalent sales includes crude oil and NGLs sales and natural gas sales in note 17 to the financial statements.

(2) Blending costs are a component of transportation, blending and feedstock expense as reconciled below in the "Transportation – Exploration and Production" section.

Transportation – Exploration and Production

Transportation ($/BOE, $/bbl and $/Mcf) is a non-GAAP ratio calculated as transportation (a non-GAAP financial measure) divided by the respective sales volumes. The Company calculates transportation to demonstrate its cost to deliver products to the market excluding the impact of blending costs. A reconciliation for Exploration and Production transportation and the calculations for transportation are presented below.

	Three Months Ended		
($ millions, except $ per unit amounts)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Transportation, blending and feedstock [1]	**$ 1,754**	$ 1,461	$ 1,148
Less: Blending costs	**1,466**	1,202	916
Transportation	**$ 288**	$ 259	$ 232
Transportation ($/BOE)	**$ 3.72**	$ 3.40	$ 3.29
Amounts attributed to crude oil and NGLs	**$ 197**	$ 187	$ 166
Transportation ($/bbl)	**$ 4.18**	$ 3.93	$ 3.56
Amounts attributed to natural gas	**$ 91**	$ 72	$ 66
Transportation ($/Mcf)	**$ 0.50**	$ 0.42	$ 0.46

(1) Transportation, blending and feedstock in note 17 to the financial statements.

North America – Realized Product Prices and Royalties

Realized crude oil and NGLs price ($/bbl) is a non-GAAP ratio calculated as realized crude oil and NGLs sales (non-GAAP financial measure) divided by sales volumes. Realized crude oil and NGLs sales include the impact of blending costs. The Company considers the realized crude oil and NGLs price a key measure in evaluating its performance, as it demonstrates the realized pricing per unit that the Company obtained on the market for its crude oil and NGLs sales volumes.

Crude oil and NGLs royalty rate is a non-GAAP ratio that is calculated as crude oil and NGLs royalties divided by realized crude oil and NGLs sales. The Company considers crude oil and NGLs royalty rate a key measure in evaluating its performance, as it describes the Company's royalties for crude oil and NGLs sales volumes on a per unit basis.

A reconciliation for North America realized crude oil and NGLs sales and the calculations for realized crude oil and NGLs prices and the royalty rates are presented below.

	Three Months Ended		
($ millions, except $/bbl and royalty rates)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Crude oil and NGLs sales [1]	**$ 5,539**	$ 4,431	$ 3,095
Less: Blending costs [2]	**1,466**	1,202	916
Realized crude oil and NGLs sales	**$ 4,073**	$ 3,229	$ 2,179
Realized crude oil and NGLs prices ($/bbl)	**$ 91.44**	$ 71.57	$ 50.67
Crude oil and NGLs royalties [3]	**$ 830**	$ 506	$ 262
Crude oil and NGLs royalty rates	**20%**	16%	12%

(1) Crude oil and NGLs sales in note 17 to the financial statements.

(2) Blending costs are a component of transportation, blending and feedstock expense as reconciled above in the "Transportation – Exploration and Production" section.

(3) Item is a component of royalties in note 17 to the financial statements.

Realized Product Prices and Transportation – Oil Sands Mining and Upgrading

Realized SCO sales price ($/bbl) is a non-GAAP ratio calculated as realized SCO sales (non-GAAP financial measure) including the impact of blending and feedstock costs, divided by SCO sales volumes. The Company considers realized SCO sales price a key measure in evaluating its performance, as it demonstrates the realized pricing per unit that the Company obtained on the market for its SCO sales volumes.

Transportation ($/bbl) is a non-GAAP ratio calculated as transportation (a non-GAAP financial measure) divided by SCO sales volumes. The Company calculates transportation to demonstrate its cost to deliver product to the market excluding the impact of blending and feedstock costs.

Reconciliations for Oil Sands Mining and Upgrading realized SCO sales and transportation and the calculations for realized SCO sales price and transportation are presented below.

	Three Months Ended		
($ millions, except for bbl/d and $/bbl)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
SCO sales volumes (bbl/d)	**441,324**	483,972	469,953
Crude oil and NGLs sales (1)	**$ 4,851**	$ 4,408	$ 2,983
Less: Blending and feedstock costs	**401**	468	250
Realized SCO sales	**$ 4,450**	$ 3,940	$ 2,733
Realized SCO sales price ($/bbl)	**$ 112.05**	$ 88.48	$ 64.60
Transportation, blending and feedstock (2)	**$ 463**	$ 527	$ 297
Less: Blending and feedstock costs	**401**	468	250
Transportation	**$ 62**	$ 59	$ 47
Transportation ($/bbl)	**$ 1.55**	$ 1.33	$ 1.10

(1) Crude oil and NGLs sales in note 17 to the financial statements.

(2) Transportation, blending and feedstock in note 17 to the financial statements.

Net Capital Expenditures

Net capital expenditures is a non-GAAP financial measure that represents cash flows used in investing activities as presented in the Company's consolidated Statements of Cash Flows, adjusted for the net change in non-cash working capital, abandonment expenditures including the impact of government grant income under the provincial well-site rehabilitation programs, and the settlement of long-term debt assumed in acquisitions. The Company considers net capital expenditures a key measure in evaluating its performance, as it provides an understanding of the Company's capital spending activities in comparison to the Company's annual capital budget. A reconciliation of net capital expenditures is presented below.

	Three Months Ended		
($ millions)	**Mar 31 2022**	Dec 31 2021	Mar 31 2021
Cash flows used in investing activities	**$ 1,251**	$ 1,615	$ 648
Net change in non-cash working capital	**137**	(61)	93
Capital expenditures	**1,388**	1,554	741
Abandonment expenditures, net (1)	**67**	67	67
Settlement of long-term debt acquired (2)	**—**	183	—
Net capital expenditures (3)	**$ 1,455**	$ 1,804	$ 808

(1) Non-GAAP Financial Measure. A reconciliation of abandonment expenditures, net is presented in the "Abandonment Expenditures, net" section above.

(2) Relates to the settlement of long-term debt assumed in the acquisition of Storm Resources Ltd. in the fourth quarter of 2021.

(3) Includes base capital expenditures of $844 million, net property, plant and equipment acquisitions and net exploration and evaluation asset dispositions of $479 million, and strategic growth capital expenditures of $132 million. Strategic growth capital expenditures represent the allocation of the Company's free cash flow that will be directed to strategic capital growth opportunities that target to increase production volumes in future periods and that exceed the Company's base capital expenditures for the current fiscal year, as outlined in the Company's capital budget.

Liquidity

Liquidity is a non-GAAP financial measure that represents the availability of readily available undrawn bank credit facilities, cash and cash equivalents, and other highly liquid assets to meet short-term funding requirements and to assist in assessing the Company's financial position. The following is the Company's calculation of liquidity:

($ millions)		**Mar 31 2022**		Dec 31 2021		Mar 31 2021
Undrawn bank credit facilities	**$**	**5,590**	$	6,098	$	4,959
Cash and cash equivalents		**125**		744		166
Investments		**392**		309		422
Liquidity	**$**	**6,107**	$	7,151	$	5,547

Long-term Debt, net

Long-term debt, net, is a capital management measure that represents long-term debt less cash and cash equivalents, as disclosed in note 13 to the financial statements.

Debt to Book Capitalization

Debt to book capitalization is a capital management measure intended to enable financial statement users to evaluate the Company's capital structure, as disclosed in note 13 to the financial statements.

After-Tax Return on Average Capital Employed

After-tax return on average capital employed as defined by the Company is a non-GAAP ratio. The ratio is calculated as net earnings plus after-tax interest and other financing expense for the twelve month trailing period; as a percentage of average capital employed (defined as current and long-term debt plus shareholders' equity) for the twelve month trailing period. The Company considers this ratio a key measure in evaluating the Company's ability to generate profit and the efficiency with which it employs capital. A reconciliation of the Company's after-tax return on average capital employed is presented below.

($ millions, except ratios)		**Mar 31 2022**		Dec 31 2021		Mar 31 2021
Interest adjusted after-tax return:						
Net earnings, 12 months trailing	**$**	**9,388**	$	7,664	$	2,224
Interest and other financing expense, net of tax, 12 months trailing (1)		**531**		547		559
Interest adjusted after-tax return	**$**	**9,919**	$	8,211	$	2,783
12 months average current portion long-term debt (2)	**$**	**1,762**	$	1,483	$	1,718
12 months average long-term debt (2)		**14,981**		16,769		20,091
12 months average common shareholders' equity (2)		**35,680**		34,458		32,674
12 months average capital employed	**$**	**52,423**	$	52,710	$	54,483
After-tax return on average capital employed		**18.9%**		15.6%		5.1%

(1) The blended tax rate on interest was 23% for March 31, 2022, December 31, 2021, and March 31, 2021.

(2) For the purpose of this non-GAAP ratio, the measurement of average current and long-term debt and common shareholders equity are determined on a consistent basis, as an average of the opening and quarterly period end values for the 12 month trailing period for each of the periods presented.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS

As at (millions of Canadian dollars, unaudited)	Note	**Mar 31 2022**	Dec 31 2021
ASSETS			
Current assets			
Cash and cash equivalents		**$ 125**	$ 744
Accounts receivable		**4,707**	3,111
Inventory		**1,696**	1,548
Prepaids and other		**218**	195
Investments	6	**392**	309
Current portion of other long-term assets	7	**78**	35
		7,216	5,942
Exploration and evaluation assets	3	**2,268**	2,250
Property, plant and equipment	4	**66,425**	66,400
Lease assets	5	**1,475**	1,508
Other long-term assets	7	**628**	565
		$ 78,012	$ 76,665
LIABILITIES			
Current liabilities			
Accounts payable		**$ 964**	$ 803
Accrued liabilities		**4,062**	3,064
Current income taxes payable		**689**	1,607
Current portion of long-term debt	8	**2,736**	1,000
Current portion of other long-term liabilities	5,9	**1,220**	948
		9,671	7,422
Long-term debt	8	**11,171**	13,694
Other long-term liabilities	5,9	**8,342**	8,384
Deferred income taxes		**10,338**	10,220
		39,522	39,720
SHAREHOLDERS' EQUITY			
Share capital	11	**10,464**	10,168
Retained earnings		**28,064**	26,778
Accumulated other comprehensive loss	12	**(38)**	(1)
		38,490	36,945
		$ 78,012	$ 76,665

Commitments and contingencies (note 16).

Approved by the Board of Directors on May 4, 2022.

CONSOLIDATED STATEMENTS OF EARNINGS

(millions of Canadian dollars, except per common share amounts, unaudited)	Note	Three Months Ended **Mar 31 2022**	Mar 31 2021
Product sales	17	**$ 12,132**	$ 7,019
Less: royalties		**(1,455)**	(411)
Revenue		**10,677**	6,608
Expenses			
Production		**2,040**	1,781
Transportation, blending and feedstock		**2,455**	1,508
Depletion, depreciation and amortization	4,5	**1,407**	1,421
Administration		**116**	95
Share-based compensation	9	**534**	129
Asset retirement obligation accretion	9	**59**	46
Interest and other financing expense		**163**	185
Risk management activities	15	**58**	29
Foreign exchange gain		**(146)**	(162)
Gain from investments	6	**(86)**	(119)
		6,600	4,913
Earnings before taxes		**4,077**	1,695
Current income tax expense	10	**851**	297
Deferred income tax expense	10	**125**	21
Net earnings		**$ 3,101**	$ 1,377
Net earnings per common share			
Basic	14	**$ 2.66**	$ 1.16
Diluted	14	**$ 2.63**	$ 1.16

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(millions of Canadian dollars, unaudited)	Three Months Ended **Mar 31 2022**	Mar 31 2021
Net earnings	**$ 3,101**	$ 1,377
Items that may be reclassified subsequently to net earnings		
Net change in derivative financial instruments designated as cash flow hedges		
Unrealized income during the period, net of taxes of $1 million (2021 – $1 million)	**3**	11
Reclassification to net earnings, net of taxes of $1 million (2021 – $1 million)	**(3)**	(4)
	—	7
Foreign currency translation adjustment		
Translation of net investment	**(37)**	(36)
Other comprehensive loss, net of taxes	**(37)**	(29)
Comprehensive income	**$ 3,064**	$ 1,348

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(millions of Canadian dollars, unaudited)	Note	Three Months Ended Mar 31 2022	Mar 31 2021
Share capital	11		
Balance – beginning of period		**$ 10,168**	$ 9,606
Issued upon exercise of stock options		**252**	73
Previously recognized liability on stock options exercised for common shares		**184**	11
Purchase of common shares under Normal Course Issuer Bid		**(140)**	(5)
Balance – end of period		**10,464**	9,685
Retained earnings			
Balance – beginning of period		**26,778**	22,766
Net earnings		**3,101**	1,377
Dividends on common shares	11	**(872)**	(558)
Purchase of common shares under Normal Course Issuer Bid	11	**(943)**	(18)
Balance – end of period		**28,064**	23,567
Accumulated other comprehensive (loss) income	12		
Balance – beginning of period		**(1)**	8
Other comprehensive loss, net of taxes		**(37)**	(29)
Balance – end of period		**(38)**	(21)
Shareholders' equity		**$ 38,490**	$ 33,231

CONSOLIDATED STATEMENTS OF CASH FLOWS

(millions of Canadian dollars, unaudited)	Note	Three Months Ended **Mar 31 2022**	Mar 31 2021
Operating activities			
Net earnings		**$ 3,101**	$ 1,377
Non-cash items			
Depletion, depreciation and amortization		**1,407**	1,421
Share-based compensation		**534**	129
Asset retirement obligation accretion		**59**	46
Unrealized risk management loss		**26**	20
Unrealized foreign exchange gain		**(156)**	(172)
Gain from investments	6	**(83)**	(117)
Deferred income tax expense		**125**	21
Other		**(115)**	(99)
Abandonment expenditures		**(105)**	(80)
Net change in non-cash working capital		**(1,940)**	(10)
Cash flows from operating activities		**2,853**	2,536
Financing activities			
Issue (repayment) of bank credit facilities and commercial paper, net	8	**348**	(1,400)
Repayment of medium-term notes	8	**(1,000)**	—
Payment of lease liabilities	5,9	**(49)**	(53)
Issue of common shares on exercise of stock options	11	**252**	73
Dividends on common shares		**(689)**	(503)
Purchase of common shares under Normal Course Issuer Bid	11	**(1,083)**	(23)
Cash flows used in financing activities		**(2,221)**	(1,906)
Investing activities			
Net expenditures on exploration and evaluation assets	3,17	**(19)**	(4)
Net expenditures on property, plant and equipment	4,17	**(1,369)**	(737)
Net change in non-cash working capital		**137**	93
Cash flows used in investing activities		**(1,251)**	(648)
Decrease in cash and cash equivalents		**(619)**	(18)
Cash and cash equivalents – beginning of period		**744**	184
Cash and cash equivalents – end of period		**$ 125**	$ 166
Interest paid on long-term debt, net		**$ 184**	$ 212
Income taxes paid (received), net		**$ 1,759**	$ (121)

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, 2021, 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, 2021.

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 2020, the IASB issued amendments to IAS 16 “Property, Plant and Equipment” to require proceeds received from selling items produced while the entity is preparing the asset for its intended use to be recognized in net earnings, rather than as a reduction in the cost of the asset. The amendments were adopted January 1, 2022 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		
Cost					
At December 31, 2021	$ 2,057	$ —	$ 91	$ 102	$ 2,250
Additions	**28**	**—**	**1**	**—**	**29**
Transfers to property, plant and equipment	**(11)**	**—**	**—**	**—**	**(11)**
At March 31, 2022	**$ 2,074**	**$ —**	**$ 92**	**$ 102**	**$ 2,268**

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				
Cost							
At December 31, 2021	$ 77,834	$ 7,438	$ 3,980	$ 46,856	$ 466	$ 508	$ 137,082
Additions/Acquisitions	**1,042**	**11**	**12**	**312**	**2**	**5**	**1,384**
Transfers from exploration & evaluation assets	**11**	**—**	**—**	**—**	**—**	**—**	**11**
Derecognitions (1)	**(95)**	**—**	**—**	**(73)**	**—**	**—**	**(168)**
Foreign exchange adjustments and other	**—**	**(101)**	**(54)**	**—**	**—**	**(1)**	**(156)**
At March 31, 2022	**$ 78,792**	**$ 7,348**	**$ 3,938**	**$ 47,095**	**$ 468**	**$ 512**	**$ 138,153**
Accumulated depletion and depreciation							
At December 31, 2021	$ 52,732	$ 5,951	$ 2,923	$ 8,499	$ 183	$ 394	$ 70,682
Expense	**855**	**28**	**43**	**417**	**4**	**5**	**1,352**
Derecognitions (1)	**(95)**	**—**	**—**	**(73)**	**—**	**—**	**(168)**
Foreign exchange adjustments and other	**(13)**	**(71)**	**(44)**	**(10)**	**—**	**—**	**(138)**
At March 31, 2022	**$ 53,479**	**$ 5,908**	**$ 2,922**	**$ 8,833**	**$ 187**	**$ 399**	**$ 71,728**
Net book value							
At March 31, 2022	**$ 25,313**	**$ 1,440**	**$ 1,016**	**$ 38,262**	**$ 281**	**$ 113**	**$ 66,425**
At December 31, 2021	$ 25,102	$ 1,487	$ 1,057	$ 38,357	$ 283	$ 114	$ 66,400

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

During the three months ended March 31, 2022, the Company acquired a number of crude oil and natural gas properties in the North America Exploration and Production segment for net cash consideration of $482 million and assumed associated asset retirement obligations of $11 million. No net deferred income tax liabilities were recognized and no pre-tax gains were recognized on these net transactions.

5. LEASES

Lease assets

	Product transportation and storage	Field equipment and power	Offshore vessels and equipment	Office leases and other	Total
At December 31, 2021	$ 974	$ 354	$ 99	$ 81	$ 1,508
Additions	**—**	**10**	**14**	**—**	**24**
Depreciation	**(27)**	**(15)**	**(8)**	**(5)**	**(55)**
Foreign exchange adjustments and other	**—**	**—**	**(2)**	**—**	**(2)**
At March 31, 2022	**$ 947**	**$ 349**	**$ 103**	**$ 76**	**$ 1,475**

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, 2022 were as follows:

	Mar 31 2022	Dec 31 2021
Lease liabilities	**$ 1,556**	$ 1,584
Less: current portion	**190**	185
	$ 1,366	$ 1,399

Total cash outflows for leases for the three months ended March 31, 2022, including payments related to short-term leases not reported as lease assets, were $267 million (three months ended March 31, 2021 – $288 million). Interest expense on leases for the three months ended March 31, 2022 was $15 million (three months ended March 31, 2021 – $16 million).

6. INVESTMENTS

As at March 31, 2022, the Company had the following investment:

	Mar 31 2022	Dec 31 2021
Investment in PrairieSky Royalty Ltd.	**$ 392**	$ 309

The gain from investments was comprised as follows:

	Three Months Ended	
	Mar 31 2022	Mar 31 2021 (1)
Gain from investments	**$ (83)**	$ (117)
Dividend income	**(3)**	(2)
	$ (86)	$ (119)

(1) Includes the gain and dividend income for the Company's investment in Inter Pipeline Ltd.

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, 2022, the market price per common share was $17.29 (December 31, 2021 – $13.63; March 31, 2021 – $13.55).

7. OTHER LONG-TERM ASSETS

	Mar 31 2022	Dec 31 2021
Prepaid cost of service tolls	$ 155	$ 157
Risk management (note 15)	131	140
Long-term inventory	135	126
Other	285	177
	706	600
Less: current portion	78	35
	$ 628	$ 565

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, 2022, the cumulative unrecognized share of the equity loss and partnership distributions from NWRP was $572 million (December 31, 2021 – $562 million). For the three months ended March 31, 2022, the unrecognized share of the equity loss was $10 million (three months ended March 31, 2021 – recovery of unrecognized equity losses of $17 million).

8. LONG-TERM DEBT

	Mar 31 2022	Dec 31 2021
Canadian dollar denominated debt, unsecured		
Medium-term notes	$ 2,200	$ 3,200
US dollar denominated debt, unsecured		
Bank credit facilities (March 31, 2022 – US$920 million; December 31, 2021 – US$901 million)	1,148	1,140
Commercial paper (March 31, 2022 – US$275 million; December 31, 2021 – US$nil)	343	—
US dollar debt securities (March 31, 2022 – US$8,250 million; December 31, 2021 – US$8,250 million)	10,299	10,441
	11,790	11,581
Long-term debt before transaction costs and original issue discounts, net	13,990	14,781
Less: original issue discounts, net (1)	15	15
transaction costs (1) (2)	68	72
	13,907	14,694
Less: current portion of commercial paper	343	—
current portion of other long-term debt (1) (2)	2,393	1,000
	$ 11,171	$ 13,694

(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, 2022, the Company had undrawn revolving bank credit facilities of $5,590 million. Additionally, the Company had in place fully drawn non-revolving term credit facilities of $1,150 million. Details of these facilities are described below. The Company also has certain other dedicated credit facilities supporting letters of credit. At March 31, 2022, the Company had $343 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 $1,000 million term credit facility, comprised of a $500 million non-revolving facility and a $500 million revolving facility, maturing February 2023;
- a $650 million non-revolving term credit facility maturing February 2023;
- a $2,495 million revolving syndicated credit facility, with $70 million maturing June 2022 and $2,425 million 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.

During the fourth quarter of 2021, the $1,000 million non-revolving term credit facility was fully repaid and amended to allow for a re-draw of the full $1,000 million until March 31, 2022. During the first quarter of 2022, $500 million of the non-revolving term credit facility was redrawn and the remaining $500 million was further amended to a revolving facility, both maturing February 2023.

During the first quarter of 2022, the Company repaid $500 million of the $1,150 million non-revolving term credit facility, reducing the outstanding balance to $650 million.

Borrowings under the Company's non-revolving and revolving term 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.

During the first quarter of 2022, the Company discontinued its £5 million demand credit facility related to its North Sea operations.

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, 2022 was 1.4% (March 31, 2021 – 1.1%), and on total long-term debt outstanding for the three months ended March 31, 2022 was 4.0% (three months ended March 31, 2021 – 3.3%).

As at March 31, 2022, letters of credit and guarantees aggregating to $491 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.

During the first quarter of 2022, the Company repaid $1,000 million of 3.31% medium-term notes.

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 2022		Dec 31 2021
Asset retirement obligations	**$**	**6,761**	$	6,806
Lease liabilities (note 5)		**1,556**		1,584
Share-based compensation		**835**		489
Risk management (note 15)		**90**		85
Transportation and processing contracts		**219**		241
Other [1]		**101**		127
		9,562		9,332
Less: current portion		**1,220**		948
	$	**8,342**	$	8,384

(1) Includes $24 million (December 31, 2021 – $48 million) in deferred purchase consideration payable in the first quarter of 2023.

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 4.0% (December 31, 2021 – 4.0%) and inflation rates of up to 2% (December 31, 2021 – up to 2%). Reconciliations of the discounted asset retirement obligations were as follows:

		Mar 31 2022		Dec 31 2021
Balance – beginning of period	**$**	**6,806**	$	5,861
Liabilities incurred		**4**		5
Liabilities acquired, net		**11**		76
Liabilities settled		**(105)**		(307)
Asset retirement obligation accretion		**59**		185
Revision of cost and timing estimates		**—**		1,716
Change in discount rates		**—**		(723)
Foreign exchange adjustments		**(14)**		(7)
Balance – end of period		**6,761**		6,806
Less: current portion		**248**		249
	$	**6,513**	$	6,557

Share-Based Compensation

The liability for share-based compensation includes costs incurred under the Company's Stock Option Plan and Performance Share Unit ("PSU") plans. 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 2022	Dec 31 2021
Balance – beginning of period	**$ 489**	$ 160
Share-based compensation expense	**534**	514
Cash payment for stock options surrendered and PSUs vested	**(7)**	(48)
Transferred to common shares	**(184)**	(139)
Other	**3**	2
Balance – end of period	**835**	489
Less: current portion	**596**	329
	$ 239	$ 160

10. INCOME TAXES

The provision for income tax was as follows:

	Three Months Ended	
Expense (recovery)	**Mar 31 2022**	Mar 31 2021
Current corporate income tax – North America	**$ 834**	$ 285
Current corporate income tax – North Sea	**7**	11
Current corporate income tax – Offshore Africa	**12**	4
Current PRT [1] – North Sea	**(7)**	(5)
Other taxes	**5**	2
Current income tax	**851**	297
Deferred income tax	**125**	21
Income tax	**$ 976**	$ 318

(1) 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, 2022 Number of shares (thousands)		
			Amount
Balance – beginning of period	**1,168,369**	**$**	**10,168**
Issued upon exercise of stock options	**6,614**		**252**
Previously recognized liability on stock options exercised for common shares	**—**		**184**
Purchase of common shares under Normal Course Issuer Bid	**(15,750)**		**(140)**
Balance – end of period	**1,159,233**	**$**	**10,464**

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 2, 2022, the Board of Directors approved a 28% increase in the quarterly dividend to $0.75 per common share, beginning with the dividend paid on April 5, 2022. On November 3, 2021, the Board of Directors approved a 25% increase in the quarterly dividend to $0.5875 per common share, from $0.47 per common share.

Normal Course Issuer Bid

On March 8, 2022, 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 101,574,207 common shares, representing 10% of the public float, over a 12-month period commencing March 11, 2022 and ending March 10, 2023.

For the three months ended March 31, 2022, the Company purchased 15,750,000 common shares at a weighted average price of $68.78 per common share for a total cost of $1,083 million. Retained earnings were reduced by $943 million, representing the excess of the purchase price of common shares over their average carrying value. Subsequent to March 31, 2022, the Company purchased 5,750,000 common shares at a weighted average price of $80.81 per common share for a total cost of $465 million.

Share-Based Compensation – Stock Options

The following table summarizes information relating to stock options outstanding at March 31, 2022:

	Three Months Ended Mar 31, 2022 Stock options (thousands)		Weighted average exercise price
Outstanding – beginning of period	**38,327**	**$**	**35.88**
Granted	**5,884**	**$**	**66.55**
Exercised for common shares	**(6,614)**	**$**	**38.02**
Surrendered for cash settlement	**(240)**	**$**	**38.21**
Forfeited	**(563)**	**$**	**38.74**
Outstanding – end of period	**36,794**	**$**	**40.34**
Exercisable – end of period	**4,924**	**$**	**36.87**

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 LOSS

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

	Mar 31 2022	Mar 31 2021
Derivative financial instruments designated as cash flow hedges	**$ 77**	$ 76
Foreign currency translation adjustment	**(115)**	(97)
	$ (38)	$ (21)

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 to enable the Company to access capital markets to sustain its on-going operations and to support its 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 arithmetic 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. At March 31, 2022, the ratio was within the target range at 26.4%.

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.

	Mar 31 2022	Dec 31 2021
Long-term debt	**$ 13,907**	$ 14,694
Less: cash and cash equivalents	**125**	744
Long-term debt, net	**$ 13,782**	$ 13,950
Total shareholders' equity	**$ 38,490**	$ 36,945
Debt to book capitalization	**26.4%**	27.4%

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%. At March 31, 2022, the Company was in compliance with this covenant.

14. NET EARNINGS PER COMMON SHARE

		Three Months Ended	
		Mar 31 2022	Mar 31 2021
Weighted average common shares outstanding – basic (thousands of shares)		**1,164,793**	1,185,551
Effect of dilutive stock options (thousands of shares)		**15,557**	1,661
Weighted average common shares outstanding – diluted (thousands of shares)		**1,180,350**	1,187,212
Net earnings		**$ 3,101**	$ 1,377
Net earnings per common share	– basic	**$ 2.66**	$ 1.16
	– diluted	**$ 2.63**	$ 1.16

15. FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial instruments by category were as follows:

	Mar 31, 2022				
Asset (liability)	**Financial assets at amortized cost**	**Fair value through profit or loss**	**Derivatives used for hedging**	**Financial liabilities at amortized cost**	**Total**
Cash and cash equivalents	**$ 125**	**$ —**	**$ —**	**$ —**	**$ 125**
Accounts receivable	**4,707**	**—**	**—**	**—**	**4,707**
Investments	**—**	**392**	**—**	**—**	**392**
Other long-term assets	**—**	**—**	**131**	**—**	**131**
Accounts payable	**—**	**—**	**—**	**(964)**	**(964)**
Accrued liabilities	**—**	**—**	**—**	**(4,062)**	**(4,062)**
Other long-term liabilities (1)	**—**	**(78)**	**(12)**	**(1,580)**	**(1,670)**
Long-term debt (2)	**—**	**—**	**—**	**(13,907)**	**(13,907)**
	$ 4,832	**$ 314**	**$ 119**	**$ (20,513)**	**$ (15,248)**

	Dec 31, 2021				
Asset (liability)	Financial assets at amortized cost	Fair value through profit or loss	Derivatives used for hedging	Financial liabilities at amortized cost	Total
Cash and cash equivalents	$ 744	$ —	$ —	$ —	$ 744
Accounts receivable	3,111	—	—	—	3,111
Investments	—	309	—	—	309
Other long-term assets	—	—	140	—	140
Accounts payable	—	—	—	(803)	(803)
Accrued liabilities	—	—	—	(3,064)	(3,064)
Other long-term liabilities (1)	—	(64)	(21)	(1,632)	(1,717)
Long-term debt (2)	—	—	—	(14,694)	(14,694)
	$ 3,855	$ 245	$ 119	$ (20,193)	$ (15,974)

(1) Includes $1,556 million of lease liabilities (December 31, 2021 – $1,584 million) and $24 million of deferred purchase consideration payable in the first quarter of 2023 (December 31, 2021 – $48 million).

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

The carrying amounts of the Company's financial instruments approximated their fair value, except for fixed rate long-term debt. The fair values of the Company's investments, recurring other long-term assets (liabilities) and fixed rate long-term debt are outlined below:

	Mar 31, 2022			
	Carrying amount	**Fair value**		
Asset (liability) [1] [2]		**Level 1**	**Level 2**	**Level 3** [4]
Investments [3]	**$ 392**	**$ 392**	**$ —**	**$ —**
Other long-term assets	**$ 131**	**$ —**	**$ 131**	**$ —**
Other long-term liabilities	**$ (114)**	**$ —**	**$ (90)**	**$ (24)**
Fixed rate long-term debt [5] [6]	**$ (12,416)**	**$ (13,293)**	**$ —**	**$ —**

	Dec 31, 2021			
	Carrying amount	Fair value		
Asset (liability) [1] [2]		Level 1	Level 2	Level 3 [4]
Investments [3]	$ 309	$ 309	$ —	$ —
Other long-term assets	$ 140	$ —	$ 140	$ —
Other long-term liabilities	$ (133)	$ —	$ (85)	$ (48)
Fixed rate long-term debt [5] [6]	$ (13,554)	$ (15,420)	$ —	$ —

(1) Excludes financial assets and liabilities where the carrying amount approximates fair value due to the short-term nature of the asset or liability (cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities).

(2) There were no transfers between Level 1, 2 and 3 financial instruments.

(3) The fair value of the investments are based on quoted market prices.

(4) The fair value of the deferred purchase consideration included in other long-term liabilities is based on the present value of future cash payments.

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

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

Risk Management

The Company periodically uses derivative financial instruments to manage its commodity price, interest rate and foreign currency exposures. These financial instruments are entered into solely for hedging purposes and are not used for speculative purposes. The following provides a summary of the carrying amounts of derivative financial instruments held and a reconciliation to the Company's consolidated balance sheets.

Asset (liability)	**Mar 31 2022**	Dec 31 2021
Derivatives held for trading		
Natural gas [1]	**$ (65)**	$ (41)
Crude oil and NGLs [1]	**(13)**	(10)
Foreign currency forward contracts	**—**	(13)
Cash flow hedges		
Foreign currency forward contracts	**(12)**	(21)
Cross currency swaps	**131**	140
	$ 41	$ 55
Included within:		
Current portion of other long-term assets	**$ 5**	$ 5
Current portion of other long-term liabilities	**(81)**	(72)
Other long-term assets	**126**	135
Other long-term liabilities	**(9)**	(13)
	$ 41	$ 55

(1) Commodity financial instruments were assumed in the acquisition of Storm Resources Ltd. and Painted Pony Energy Ltd. in the fourth quarter of 2021 and 2020, respectively.

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. Level 2 fair values determined using valuation models require the use of assumptions concerning the amount and timing of future cash flows and discount rates. In determining these assumptions, the Company primarily relied on external, readily-observable quoted market inputs as applicable, including crude oil and natural gas forward benchmark commodity prices and volatility, Canadian and United States interest rate yield curves, and Canadian and United States forward foreign exchange rates, discounted to present value as appropriate. The resulting fair value estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction and these differences may be material.

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:

Asset (liability)	**Mar 31 2022**	Dec 31 2021
Balance – beginning of period	**$ 55**	$ (24)
Net change in fair value of outstanding derivative financial instruments recognized in:		
Risk management activities	**(14)**	(12)
Foreign exchange	**—**	82
Other comprehensive income	**—**	9
Balance – end of period	**41**	55
Less: current portion	**(76)**	(67)
	$ 117	$ 122

Net loss from risk management activities were as follows:

	Three Months Ended	
	Mar 31 2022	Mar 31 2021
Net realized risk management loss	**$ 32**	$ 9
Net unrealized risk management loss	**26**	20
	$ 58	$ 29

Financial Risk Factors

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 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.

The Company's outstanding commodity derivative financial instruments are expected to be settled monthly based on the applicable index pricing for the respective contract month.

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. The Company periodically enters into interest rate swap contracts to manage its fixed to floating interest rate mix on long-term debt. Interest rate swap contracts require the periodic exchange of payments without the exchange of the notional principal amounts on which the payments are based. At March 31, 2022, 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. The Company periodically enters into cross currency swap contracts and foreign currency forward contracts to manage known currency exposure on US dollar denominated long-term debt, commercial paper and working capital. The cross currency swap contract requires the periodic exchange of payments with the exchange at maturity of notional principal amounts on which the payments are based.

As at March 31, 2022, the Company had the following cross currency swap contract outstanding:

	Remaining term	Amount	Exchange rate (US$/C$)	Interest rate (US$)	Interest rate (C$)
Cross Currency Swap	Apr 2022 – Mar 2038	US$550	1.170	6.25 %	5.76 %

The cross currency swap derivative financial instrument was designated as a hedge at March 31, 2022 and was classified as a cash flow hedge.

In addition to the cross currency swap contract noted above, at March 31, 2022, the Company had US$1,761 million of foreign currency forward contracts outstanding, with original terms of up to 90 days, including US$1,195 million designated as cash flow hedges.

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, 2022, 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, 2022, the Company had net risk management assets of $131 million with specific counterparties related to derivative financial instruments (December 31, 2021 – $140 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, 2022, 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	$	964	$	—	$	—	$	—
Accrued liabilities	$	4,062	$	—	$	—	$	—
Long-term debt (1)	$	2,740	$	500	$	3,222	$	7,528
Other long-term liabilities (2)	$	295	$	154	$	422	$	799
Interest and other financing expense (3)	$	629	$	572	$	1,446	$	3,793

(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, $190 million; one to less than two years, $149 million; two to less than five years, $418 million; and thereafter, $799 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, 2022.

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, 2022:

		Remaining 2022		2023		2024		2025		2026		Thereafter
Product transportation and processing (1)	$	788	$	990	$	1,023	$	958	$	899	$	11,198
North West Redwater Partnership service toll (2)	$	95	$	126	$	125	$	123	$	101	$	3,834
Offshore vessels and equipment	$	47	$	32	$	—	$	—	$	—	$	—
Field equipment and power	$	28	$	21	$	21	$	21	$	21	$	225
Other	$	22	$	21	$	22	$	21	$	15	$	—

(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 $1,648 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 Three Months Ended Mar 31 2022	2021	North Sea Three Months Ended Mar 31 2022	2021	Offshore Africa Three Months Ended Mar 31 2022	2021	Total Exploration and Production Three Months Ended Mar 31 2022	2021
Segmented product sales								
Crude oil and NGLs	**5,539**	3,095	**127**	200	**217**	78	**5,883**	3,373
Natural gas	**930**	486	**5**	1	**14**	5	**949**	492
Other income and revenue [1]	**70**	31	**1**	—	**2**	2	**73**	33
Total segmented product sales	**6,539**	3,612	**133**	201	**233**	85	**6,905**	3,898
Less: royalties	**(907)**	(285)	**—**	—	**(11)**	(4)	**(918)**	(289)
Segmented revenue	**5,632**	3,327	**133**	201	**222**	81	**5,987**	3,609
Segmented expenses								
Production	**887**	727	**67**	114	**28**	21	**982**	862
Transportation, blending and feedstock	**1,752**	1,146	**2**	2	**—**	—	**1,754**	1,148
Depletion, depreciation and amortization	**878**	868	**29**	68	**51**	31	**958**	967
Asset retirement obligation accretion	**35**	25	**7**	5	**2**	1	**44**	31
Risk management activities (commodity derivatives)	**49**	19	**—**	—	**—**	—	**49**	19
Total segmented expenses	**3,601**	2,785	**105**	189	**81**	53	**3,787**	3,027
Segmented earnings (loss)	**2,031**	542	**28**	12	**141**	28	**2,200**	582
Non–segmented expenses								
Administration								
Share-based compensation								
Interest and other financing expense								
Risk management activities (other)								
Foreign exchange gain								
Gain from investments								
Total non–segmented expenses								
Earnings before taxes								
Current income tax								
Deferred income tax								
Net earnings								

(millions of Canadian dollars, unaudited)	Oil Sands Mining and Upgrading Three Months Ended Mar 31 **2022**	 2021	Midstream and Refining Three Months Ended Mar 31 **2022**	 2021	Inter–segment elimination and other Three Months Ended Mar 31 **2022**	 2021	Total Three Months Ended Mar 31 **2022**	 2021
Segmented product sales								
Crude oil and NGLs [2]	**4,851**	2,983	**20**	19	**19**	(87)	**10,773**	6,288
Natural gas	**—**	—	**—**	—	**53**	63	**1,002**	555
Other income and revenue [1]	**35**	10	**249**	131	**—**	2	**357**	176
Total segmented product sales	**4,886**	2,993	**269**	150	**72**	(22)	**12,132**	7,019
Less: royalties	**(537)**	(122)	**—**	—	**—**	—	**(1,455)**	(411)
Segmented revenue	**4,349**	2,871	**269**	150	**72**	(22)	**10,677**	6,608
Segmented expenses								
Production	**977**	838	**66**	63	**15**	18	**2,040**	1,781
Transportation, blending and feedstock [2]	**463**	297	**179**	105	**59**	(42)	**2,455**	1,508
Depletion, depreciation and amortization	**445**	450	**4**	4	**—**	—	**1,407**	1,421
Asset retirement obligation accretion	**15**	15	**—**	—	**—**	—	**59**	46
Risk management activities (commodity derivatives)	**—**	—	**—**	—	**—**	—	**49**	19
Total segmented expenses	**1,900**	1,600	**249**	172	**74**	(24)	**6,010**	4,775
Segmented earnings (loss)	**2,449**	1,271	**20**	(22)	**(2)**	2	**4,667**	1,833
Non–segmented expenses								
Administration							**116**	95
Share-based compensation							**534**	129
Interest and other financing expense							**163**	185
Risk management activities (other)							**9**	10
Foreign exchange gain							**(146)**	(162)
Gain from investments							**(86)**	(119)
Total non-segmented expenses							**590**	138
Earnings before taxes							**4,077**	1,695
Current income tax							**851**	297
Deferred income tax							**125**	21
Net earnings							**3,101**	1,377

(1) Includes the sale of diesel and other refined products and other income, including government grants and recoveries associated with the joint operations partners' share of the costs of lease contracts.
(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 [1]

	Three Months Ended					
	Mar 31, 2022			Mar 31, 2021		
	Net expenditures	**Non-cash and fair value changes [2]**	**Capitalized costs**	Net expenditures	Non-cash and fair value changes [2]	Capitalized costs
Exploration and evaluation assets						
Exploration and Production						
North America	**$ 18**	**$ (1)**	**$ 17**	$ 2	$ (25)	$ (23)
Offshore Africa	**1**	**—**	**1**	2	—	2
	19	**(1)**	**18**	4	(25)	(21)
Property, plant and equipment						
Exploration and Production						
North America	**1,027**	**(69)**	**958**	417	(56)	361
North Sea	**11**	**—**	**11**	32	—	32
Offshore Africa	**12**	**—**	**12**	23	—	23
	1,050	**(69)**	**981**	472	(56)	416
Oil Sands Mining and Upgrading	**312**	**(73)**	**239**	257	(7)	250
Midstream and Refining	**2**	**—**	**2**	2	—	2
Head office	**5**	**—**	**5**	6	—	6
	1,369	**(142)**	**1,227**	737	(63)	674
	$ 1,388	**$ (143)**	**$ 1,245**	$ 741	$ (88)	$ 653

(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 2022	Dec 31 2021
Exploration and Production		
North America	**$ 31,241**	$ 30,645
North Sea	**1,548**	1,561
Offshore Africa	**1,329**	1,332
Other	**59**	40
Oil Sands Mining and Upgrading	**42,694**	42,016
Midstream and Refining	**960**	886
Head office	**181**	185
	$ 78,012	$ 76,665

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, 2022:	
Interest coverage (times)	
Net earnings [(1)]	18.8x
Adjusted funds flow [(2)]	27.7x

(1) Net earnings plus income taxes and interest expense; divided by the sum of interest expense and capitalized interest.

(2) Adjusted funds flow plus current income taxes and interest expense; divided by the sum of interest expense and capitalized interest.

This Page Left Intentionally Blank

This Page Left Intentionally Blank

This Page Left Intentionally Blank

CORPORATE INFORMATION

Board of Directors

Catherine M. Best, FCA, ICD.D
M. Elizabeth Cannon, O.C.
N. Murray Edwards, O.C.
Dawn L. Farrell
Christopher L. Fong
Ambassador Gordon D. Giffin
Wilfred A. Gobert
Steve W. Laut
Tim S. McKay
Honourable Frank J. McKenna, P.C., O.C., O.N.B., Q.C.
David A. Tuer
Annette M. Verschuren, O.C.

Officers

N. Murray Edwards
Executive Chairman
Tim S. McKay
President
Trevor J. Cassidy
Chief Operating Officer, Exploration and Production
Scott G. Stauth
Chief Operating Officer, Oil Sands
Mark A. Stainthorpe
Chief Financial Officer and Senior Vice-President, Finance
Troy J.P. Andersen
Senior Vice-President, Canadian Conventional Field Operations
Calvin J. Bast
Senior Vice-President, Production
Bryan C. Bradley
Senior Vice-President, Marketing
Jay E. Froc
Senior Vice-President, Oil Sands Mining and Upgrading
Dwayne F. Giggs
Senior Vice-President Exploration
Dean W. Halewich
Senior Vice-President, Safety, Risk Management and Innovation
Ron K. Laing
Senior Vice-President, Corporate Development and Land
Warren P. Raczynski
Senior Vice-President, Thermal
Robin S. Zabek
Senior Vice-President, Exploitation
Victor C. Darel
Vice-President, Finance and Principal Accounting Officer
Erin L. Lunn
Vice-President, Land
Paul M. Mendes
Vice-President, Legal, General Counsel and Corporate Secretary
Kyle G. Pisio
Vice-President, Drilling, Completions and Asset Retirement
Roy D. Roth
Vice-President, Facilities and Pipelines

CNR International (U.K.) Limited
Aberdeen, Scotland

David. B. Whitehouse
Vice-President and Managing Director, International
Barry Duncan
Vice-President, Finance, International

Stock Listing

Toronto Stock Exchange
Trading Symbol - CNQ
New York Stock Exchange
Trading Symbol - CNQ

Registrar and Transfer Agent

Computershare Trust Company of Canada
Calgary, Alberta
Toronto, Ontario
Computershare Investor Services LLC
New York, New York

Investor Relations

Telephone: (403) 514-7777
Email: ir@cnrl.com

CANADIAN NATURAL RESOURCES LIMITED
2100, 855 - 2nd Street S.W., Calgary, Alberta T2P 4J8
Telephone: (403) 517-6700 Facsimile: (403) 517-7350
Website: www.cnrl.com
Printed in Canada