

Our Commitment to Responsible Operations

Health and Safety



Environment



Community



Canadian Natural

2005–06 Stewardship
Report to Stakeholders

Who We Are

Canadian Natural Resources Limited is a senior independent oil and natural gas exploration, development and production company based in Calgary, Alberta. Our operations are focused in Western Canada, the North Sea and Offshore West Africa. We have more than 3,000 employees worldwide.

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

Our Mission Statement

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

Our Vision

Health and Safety

Environment

Community

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

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Message to Our Stakeholders

OUR COMMITMENT TO RESPONSIBLE OPERATIONS IS EVIDENT THROUGHOUT OUR BUSINESS

At Canadian Natural “doing it right” is part of our mission statement and integral to the way we approach our business. This report to stakeholders provides highlights of our commitment to responsible operations, specifically our goals and performance related to health and safety, environment and community.

While we have experienced growth, we continue to conduct our operations with diligence to ensure we comply with all regulatory standards and guidelines. Our business plans and corporate-wide management systems reflect the discipline and proactive focus we take to achieve continuous improvement in our stewardship performance. Quarterly and annually we report to our Board of Directors on our performance and targets for each coming year.

Our people and contractors understand they are accountable on a daily basis to implement our vision for health and safety, environment and community. Each employee’s compensation reflects not only our production and economic targets, but also our overall health, safety and environment performance. We also work co-operatively with our many contractors to ensure that every member of our team understands our commitment to responsible operations and can take appropriate action to achieve performance targets.

As we enhance our health and safety, environment and community programs, we also work to meet the expectations our stakeholders and communities have around corporate citizenship. At Canadian Natural we seek the input of our stakeholders into our business. And, as a senior oil and gas producer, our participation in industry and multi-stakeholder groups helps to achieve industry-wide performance goals related to responsible and sustainable resource development.

The energy we devote to the achievement of our stewardship goals translates directly into shareholder value. We are proud of our track record in “doing it right.” It’s the way we do business.



ALLAN P. MARKIN
Chairman of the Board



STEVE W. LAUT
President &
Chief Operating Officer

A quick look at 2005 achievements

- 2005 health and safety statistics in our conventional operations show an improvement in all categories over 2004. We have achieved continuous improvement during the past three years.
- More than 2,000 people were working on-site in the construction of our Horizon Oil Sands Project surpassing more than 3 million exposure hours without a Lost Time Accident.
- Extensive environmental programs are being put in place in preparation for operational start-up of our Horizon Project in 2008.
- Through our air emission management strategies and investment program, we continue to reduce emissions per barrels of oil equivalent (boe) despite significant growth in our operations:
 - greenhouse gas emissions have been reduced by 75% since 1997; and
 - natural gas venting has been cut nearly in half since 2001.
- Reducing fresh water use is an ongoing priority. At our Primrose thermal operations we are recycling 95% of produced water, and have invested \$40 million in brackish water facilities.
- Internationally we implemented the key elements of our Safety, Health and Environment Improvement Program.
- More than 350 students living in 30 communities near our operations are benefiting from our Building Futures Scholarship Program.
- In 2005 we invested more than \$4 million towards immediate and long-term community initiatives in North America and internationally.

2005 Highlights

The number of facility, rig, construction and pipeline safety and compliance audits performed in our conventional operations increased by nearly 50% over the number of audits conducted in 2004.



HEALTH AND SAFETY

WORKING FOR CONTINUOUS IMPROVEMENT THROUGH INCREASED AWARENESS, EFFECTIVE SYSTEMS AND CO-OPERATION

We believe the continual improvements in our health and safety performance over the years can be attributed to enhanced safety awareness in all of our operations, continuous improvement of our safety management systems, and a high degree of co-operation with our contractors in meeting health and safety goals.

In our North American conventional operations, our total recordable injury frequency continued to decline in 2005 despite it being the busiest year in our history. Approximately 10 million more man hours were worked in 2005 than in 2004 with a reduction in the recordable injury frequency of 16%. Lost time injury and first aid injury frequencies have also continued to decrease during the past three years.

As a member of the Workers Compensation Board Partner in Injury Reduction program, Canadian Natural achieved our Certificate of Recognition (COR) in Alberta and in British Columbia in 2005. We are very proud of the high score we achieved on the third-party certified audit required to obtain this recognition.

As part of our proactive approach, the number of facility, rig, construction and pipeline safety and compliance audits performed in our conventional operations increased by nearly 50% over the number of audits conducted in 2004. Our aggressive audit program continues into the future.

Internationally, we implemented the key elements of our Safety, Health and Environment (SHE) Improvement Program, an important feature in our major accident and hazard management strategy. During 2006 we are extending our current scope of ISO 14001 certification for environmental management arrangements to our Northern North Sea assets.

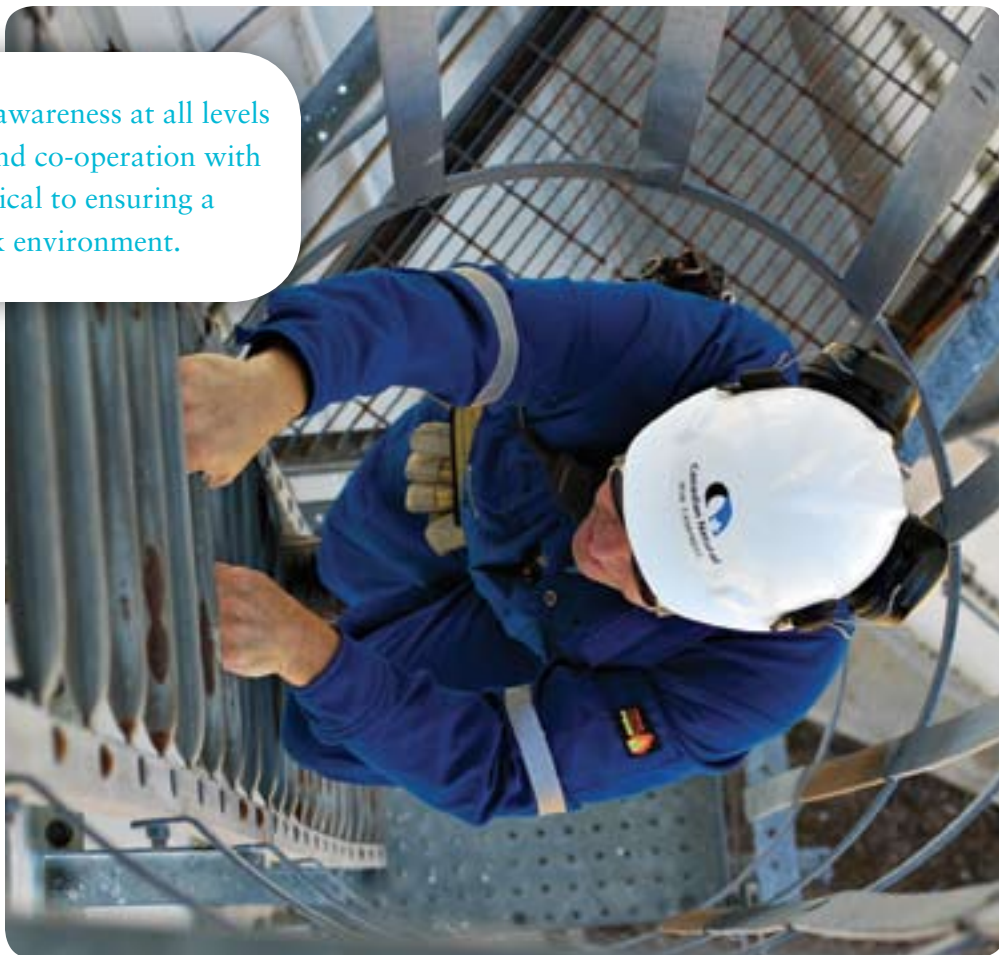
There has been a tremendous increase in activity at our Horizon Oil Sands Project site as construction continues. Our health and safety team has assembled an extensive operational group to provide medical, safety and security support to the more than 2,000 people working on-site.

At year end, all safety frequency statistics for the Horizon Project were better or comparable to statistics benchmarked against the Construction Owners Association of Alberta (COAA) for comparable projects. By year-end 2005, the Horizon Project had surpassed more than 3 million exposure hours without a Lost Time Accident. As Horizon activities increase in 2006, there is ongoing development of the Safety Management System, site procedures, and safety training programs.

We believe increased awareness at all levels of our organization and with our contractors is critical to ensuring a healthy and safe work environment. Our field safety and compliance coordinators play an increasingly important role at all of our locations as they are involved in such targeted activities as contractor safety meetings and construction safety field audits with prime contractors mobilizing at the Horizon site. Such co-operative efforts extend to our international operations, where we engaged a drilling rig safety adviser to create a robust safety culture with improved safety performance by our contractor.



We believe increased awareness at all levels of our organization and co-operation with our contractors is critical to ensuring a healthy and safe work environment.



By year-end 2005, the Horizon Project had surpassed more than 3 million exposure hours without a Lost Time Accident. More than 2,000 people were working on-site.



Training and due diligence are key to our environmental management programs.

ENVIRONMENT

ENVIRONMENTAL INITIATIVES FOCUS ON CURRENT OPERATIONS AS WELL AS FUTURE DEVELOPMENTS

Canadian Natural continues to invest in people, technologies, facilities and infrastructure to recover and process crude oil and natural gas resources efficiently and in an environmentally sound manner.

Our environmental strategies target energy efficiency, air emissions management, water quality, reduced fresh water use, and the minimization of our landscape footprint. Training and due diligence for operators and contractors are key to the effectiveness of our environmental management programs and the prevention of incidents.

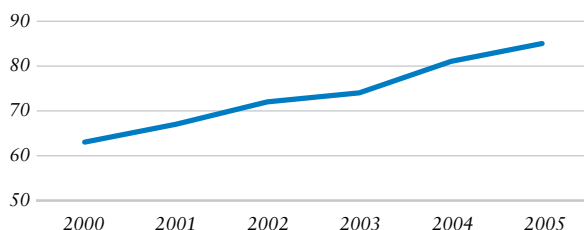
At our Horizon Project, full-time regulatory and environment staff are on-site to oversee daily construction and ensure we meet all standards and guidelines and our commitments to stakeholders. We are putting in place processes to cover the entire lifecycle of this major project, from minimizing our footprint to accelerating the reclamation process. With a view to operational start-up in 2008, we are already addressing environmental aspects as diverse as the development of an audit/inspection package to encompass operations, the implementation of our wildlife corridor research program, and the construction of a 76-hectare fresh water lake, to be known as *Wāpan Sākahikan* in Cree.

In our conventional operations, our multi-year flaring and venting reduction strategy has significantly contributed to our air emission management programs. We have cut natural gas venting nearly in half since 2001. As part of this strategy, in 2005 Canadian Natural invested more than \$15 million and completed more than 130 gas conservation projects with resulting recoveries in excess of 13 million cubic feet per day. In 2006, we plan to complete another 120 such gas conservation projects with a capital investment of \$17 million.



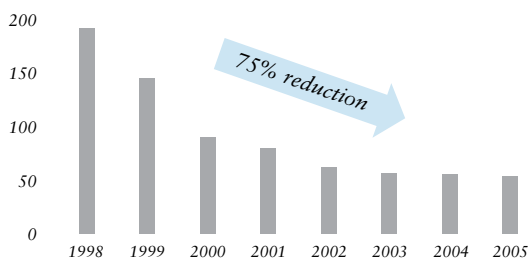
Though Canadian Natural has significantly increased our heavy oil production, we have also been able to increase the percentage of solution gas conserved. In 2005 Canadian Natural continued to increase both the amount of solution gas that is collected and sold or utilized for lease fuel. Our heavy oil conservation rate has increased from 63% in 2000 to 85% in 2005.

Alberta Solution Gas Conservation Rate
(percent conserved)



Our Greenhouse Gas (GHG) emission reduction strategy is based on emissions intensity. Our goal is to consistently reduce GHG emissions per unit of production despite past and future acquisitions that have or will lead to increased absolute production. We systematically and continuously review opportunities for emissions reduction at our facilities, and we are developing and implementing strategies which include technological solutions and stakeholder input. Since 1997 we have realized a 75% reduction in GHG emissions per boe production despite significant increases in activity and production.

Greenhouse Gas Emissions
(1000 t/boe)



At our international operations, 2005 was the fourth year in succession where we achieved a decrease in total tonnes of operational oil discharged in produced water. We again bettered our target of less than 25 parts per million (ppm) oil in produced water from our installations, well below statutory guidelines of 40 ppm.

Our portfolio of North American conventional assets has grown significantly in the past decade. We have in place proactive, long-term strategies for the sound management of our assets and facilities. In keeping with the principle of continuous improvement, our field operators, environmental co-ordinators and third-party auditors and consultants are managing a range of initiatives:

- a targeted environmental and facility audit program involving 160 sites in 2006;
- a pipeline integrity program which has enabled us to reduce our incidents despite a significant increase in the total kilometres of pipelines we own;
- an aggressive inactive well management program and action plan targeting more than 500 wells in 2006; and
- decommissioning and reclamation programs addressing new regulatory requirements.

Decommissioning and reclamation programs include such activities as testing soil at a reclaimed well site to ensure there are no potential sources of contamination.



Our environmental and facility audits are part of our proactive, long-term strategies for the sound management of our assets and facilities.

Focus:

REDUCING FRESH WATER USE THROUGHOUT OUR OPERATIONS

Canadian Natural is a significant primary heavy oil and in-situ oil sands producer. Among our core assets are those at our Primrose and Wolf Lake operations located in northeastern Alberta.

Our Primrose operations provide a good example of our mitigation strategies related to fresh water use. At our primary heavy oil and in-situ oil sands operations our goal is to recycle produced water and supplement with brackish water, significantly reducing our fresh water use.

The majority of water required at these operations is for the generation of steam. We use Cyclic Steam Stimulation (CSS) and Steam Assisted Gravity Drainage (SAGD) processes to recover bitumen. With our Primrose North operations coming on stream in 2006 and our proposed Primrose East Expansion Project, bitumen production is expected to increase to about 120,000 barrels per day (bbl/d) by 2009. Despite these significant production increases, our fresh water use will decline to 3,000 cubic metres per day (m³/d) by 2013.

In 2005, we completed a comprehensive Environmental Impact Assessment (EIA) in support of our proposed Primrose East Expansion Project. The comprehensive EIA addressed water use as this is an important issue for both stakeholders and Canadian Natural.

— CASE STUDY — PRIMROSE



At our Primrose in-situ oil sands operations, we are now recycling about 95% of our produced water and have invested about \$40 million in new brackish wells, pipelines and treating capacity. Although bitumen production will be increasing, our fresh water use will decline to 3,000 m³/d by 2013.



What is brackish water? Brackish or saline water is unsuitable for agricultural or human consumption. Use of brackish water does not affect fresh water aquifer levels.



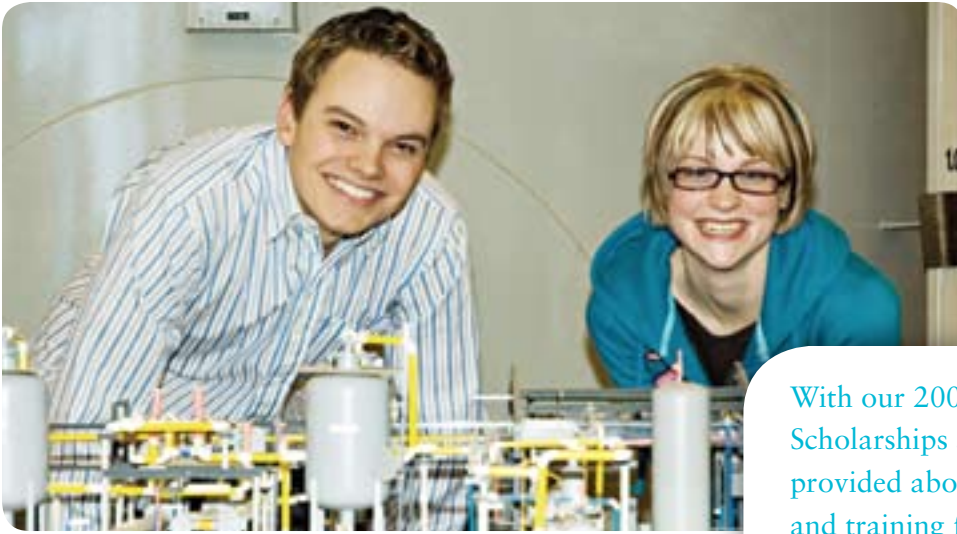


Minimizing the footprint of our operations is an important consideration in our activities. New surface disturbance is reduced through measures such as using multi-well pads, horizontal drilling technology, and maximizing the use of existing right-of-ways and infrastructure.



The EIA for the proposed Primrose East expansion is considered a cumulative effects assessment. The effects of existing approved and planned developments by Canadian Natural and other operators in the area were considered. The assessment also considered the Project design and the mitigation measures proposed by Canadian Natural to minimize potential effects on air quality, aquatic resources, terrestrial resources, human health, traditional activities and social aspects from traffic concerns to community economic opportunities.

We continue to seek stakeholder views and suggestions so that this input can be considered and incorporated as we proceed with our development plans.



With our 2006 Building Futures Scholarships awards, we have now provided about \$500,000 in education and training funding to more than 350 students living near 30 communities near our operations.

COMMUNITY

BUILDING FUTURES TOGETHER WITH COMMUNITIES

Canadian Natural continues to build and maintain co-operative working relationships with our stakeholders, and to support communities in their quality of life initiatives. We encourage and welcome stakeholder input into our plans and ongoing operations.

Throughout our operations we work with our neighbors so the impacts of our operations are minimized on individual landowners as well as communities, while local and regional economic benefits are enhanced. We are also taking a leadership role in many industry-stakeholder working groups recognizing the important role they play in creating mutually satisfactory relationships and outcomes for communities, governments, and industry. We are active supporters in stakeholder groups that are addressing such broad issues as the cumulative impacts of oil sands developments, greenhouse gas strategies, and activities to introduce the concepts of stewardship to children.

We are working collaboratively with many First Nation and Métis leaders near our operations. With a commitment to improved two-way communications, together we have been identifying strategies and implementing action plans so communities can play a more direct role in the development of oil and natural gas resources. Priorities have included the development of business and career opportunities, the delivery of effective education, training and cultural programs, and the pursuit of mitigative strategies related to environmental matters.

In 2005 we stepped up financial and leadership support for Aboriginal education and training programs through such initiatives as Inside Education, Careers the Next Generation, apprenticeship programs focused on oil sands needs, the Northeast BC Aboriginal Stay-in-School Program, and Petroleum Education Training (PET).

We are working collaboratively with many First Nation and Métis leaders near our operations so communities can play a more direct role in the development of oil and natural gas resources.





Canadian Natural provides support for many cultural and educational programs in First Nation communities near our operations.

We continue to consult with First Nation and Métis communities to reduce impacts on traditional lands and incorporate Traditional Environment Knowledge (TEK) into our development and reclamation plans. First Nations and Métis stakeholders were involved in our 2005 Primrose East Expansion Environmental Impact Assessment. Community recommendations coming out of that assessment have and will be incorporated into our development plans. While our Horizon Oil Sands Project is only under construction, we are already addressing our commitment to a progressive reclamation program with the input of Elders.

Our community investment programs contribute to the development of people and to the building of strong communities.

Since 2002, we have seen impressive growth in our Building Futures Scholarship Program which primarily supports training to meet the human resource needs for oil and natural gas field operations. With our 2006 Building Futures Scholarships awards, we have now provided about \$500,000 in education and training funding to more than 350 students living near 30 communities near our operations.

We are proud to work with our communities in Western Canada, the UK and West Africa to provide financial and volunteer support for hundreds of projects that meet their vision for the future in education, wellness, arts, sports, and social programs.

In 2006 to complement our long-term field capital donations program, our employees throughout our Canadian operations spearheaded a new field-corporate matching donations program. Through employee-driven fundraising events, a wide variety of agencies have been selected to benefit the local communities where our people live and work.

In our international operations, for example, we constructed a water tank tower and potable water network for the Adjue village in Côte d'Ivoire to help improve the lives and health of community members. In northeastern B.C. we are supporting the construction of a new training centre aimed to develop a trained local workforce. We also contribute to an endowment fund that will train doctors for northern Canada, and to far-reaching community programs such as the Kids Help Phone and the United Way.

We continue to support a range of educational programs that encourage students to stay-in-school and to realize the wealth of opportunities that trades and technical training in the oil and natural gas industry provide. For example, Canadian Natural and our Chairman Allan Markin together invested \$1 million in the Northern Lights College Centre of Excellence at Fort St. John, British Columbia. The Centre of Excellence is a model demonstrating the effectiveness of collaboration among stakeholders—educational providers, government, industry and citizens in addressing skilled labor needs. Pictured are the partners at the sod-turning ceremony for the Centre.



Through our international operations we support a variety of community initiatives such as the construction of a water tank tower and potable water network for the Adjue village in Côte d'Ivoire to help improve the lives and health of community members.



Throughout our operations we work with our neighbors and communities to contribute to projects that are important to quality of life and to reducing the impacts of our operations.



CODE OF INTEGRITY, BUSINESS ETHICS AND CONDUCT

Canadian Natural's employees, contractors and consultants agree to adhere to a code of integrity that reflects our mission statement.

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

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



Looking Ahead

These are among our priorities in 2006 to meet our commitment to ongoing responsible operations. We continue to work to:

- Achieve continuous improvement in our health and safety performance throughout our operations by focusing on such initiatives as internal audits and evolving systems, and employee and contractor awareness and co-operation.
- Complete implementation of the Safety Management System at Horizon and establish Phase 1 permanent facilities for site Emergency Response, Security, and Medical Services Health Centers.
- Develop, communicate and implement our new integrated Environmental Management System for North America.
- Develop, communicate and implement an improved SHE Management System (SHEMS) for our international operations, and extend our Behavioral Safety Program and the current scope of ISO 14001 certification to our Northern North Sea assets.
- Continue work on the development of Phases 2 and 3 of our Horizon Oil Sands Project which will see examining the sequestering of CO₂ from the upgrader to use in the making of non-segregating tailings (NST). This reduces the footprint of our tailings pond compared to conventional tailings, and releases more water for recycling. The production of NST and use of CO₂ is a first for the oil sands industry.
- Consult and incorporate stakeholder input into our ongoing operations and new developments such as the Primrose East Expansion and a proposed new upgrader for northeastern Alberta.
- Enhance opportunities with Aboriginal communities and businesses to participate in oil and gas developments.
- Provide leadership and support for training and education programs in our industry.
- Maintain our community investment program.
- Participate in initiatives with communities and industry to ensure a better, sustainable energy industry.





Glossary of Terms

Abandonment: Converting a drilled well to a condition that can be left indefinitely without further attention and will not damage fresh water supplies, potential petroleum reservoirs or the environment.

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

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

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

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

Carbon dioxide (CO₂): A non-toxic gas produced from decaying materials, respiration of plant and animal life, and combustion of organic matter, including fossil fuels; the most common greenhouse gas produced by human activities.

CO₂E: Carbon dioxide equivalents. To calculate the effect of the various gases involved in global warming using a single unit of measurement, all greenhouse gases (carbon dioxide, methane, and nitrous oxides) are converted to this unit of measurement.

Conventional crude oil (or light crude oil): Oil having an API gravity greater than 31° and that flows naturally or that can be pumped without being heated or diluted.

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

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

Groundwater: Water accumulations below the earth's surface that supply fresh water to wells and springs.

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

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

ISO 14001: An international standard that specifies requirements for an environmental management system. The standard was developed by the International Organization for Standardization (ISO).

Non-Segregating Tailings (NST): Engineered tailings made from combining coarse tailings cycloned to remove water, and fine tailings thickened to remove water with CO₂; this changes the water chemistry of the mixture allowing even more water to be released and recycled in the bitumen recovery process.

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

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

Tailings: Contain the solids—the sands and clays—removed during bitumen processing at oil sands operations.





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