Focused.

2006 SUSTAINABILITY REPORT
This report is a comprehensive discussion about the social, economic and environmental impacts of Syncrude’s business activities. On the following pages we review our progress toward sustainable oil sands development, as well as our plans going forward. Data and information in this report is increasingly subject to either Syncrude’s own rigorous controls, internal audit, is gathered by or reviewed by external parties, or is subject to regulatory review. Some data also is subject to external benchmarking.
Focused on creating value and better communities

We understand that all of our activities are interconnected. From research and development to bitumen extraction to final reclamation of the land, the decisions we make have a great impact on our neighbours and our communities. That’s why when it comes to sustainability, we establish challenging goals that continually push us to create greater economic and social value.
Focused on hard work

Before Syncrude, the oil sands were a resource recognized by only a visionary few. Backed by years of research and development, we set out to build an operation that would efficiently extract bitumen from the oil sands of Alberta and upgrade it into high quality crude oil for North American markets. Today, as a result, we are an economic engine that touches the lives of Canadians across the country—building value through hard work and ingenuity.

2006 Highlights

- Record crude oil production
  (see pg. 16)
- Start-up of Stage 3 expansion
  (see pg. 18)
- $4.2 billion in spending
  (see pg. 21)
We are committed to being a good neighbour and supporting the health and vibrancy of our local communities. We believe there is value in consultation and dialogue, in the sharing of views and experiences. We work together with care, honesty and respect to address issues, bridge gaps and build success.
Focused on creating a great workplace

Syncrude is taking steps to keep our talent pool strong and motivated. Whether it’s through a rewarding and respectful work environment or through varied educational and career growth opportunities, our goal is to attract the best and keep the best. A great workplace is not created overnight, but is nurtured through unwavering values and a sustained focus on people.
and a place where the environment is healthy

Long before Syncrude even broke ground, our research specialists were in the field determining how best to measure and minimize our impact on the environment around us. We recognize the increasing importance of a healthy environment to our stakeholders and our legacy of stewardship continues. We place great value in being industry leaders in water management and land reclamation, and continue to demonstrate meaningful progress towards reducing air emissions.

Studies on carbon sequestration
(see pg. 47)

Projects to improve water efficiency
(see pg. 50)

Reclamation surpasses 4,600 hectares
(see pg. 52)
Upgrading

Bitumen is fed into either a fluid coker or a hydrocracker. The bitumen is thermally cracked into hydrocarbon gases, naphtha and gas oil. The hydrocarbon gases are treated for use as a refinery fuel, and the naphtha and gas oils are treated and blended into a high quality light, sweet crude oil called Syncrude Sweet Blend. The oil is then transported via pipeline to refineries throughout North America.

Mining

Shovel and truck operations at Syncrude’s Mildred Lake and Aurora sites mine the oil sand from large surface mines. The oil sand is then mixed with warm water to create a slurry that is pumped using a patented hydrotransport technology to extraction facilities.

Stakeholder Consultation

Syncrude consults with a wide range of interested groups and individuals about our plans. The input and expectations of stakeholders are integral to the decisions we make today and how we plan for the future. Learn more on pg. 32.

Customer Consultation

Syncrude and its owners work continuously to understand present and future requirements for refinery customers that process Syncrude Sweet Blend. These requirements are influenced by regulators and by end-use customers.

Research and Development

Science and technology provide the keys to unlocking the potential of the oil sands resource. In this area, Syncrude leads the way with one of the few dedicated corporate R&D programs in the oil sands industry. We invest more than $40 million annually in the pursuit of new and better ways and currently hold 21 active Canadian and U.S. patents. More than 80 scientists and technologists work at our Research Centre in Edmonton, and many more are engaged in research at a fundamental level through their work at universities and research institutes.
After mining is complete, work commences to reclaim the land. Syncrude’s vision is to create a landscape that sustains an integrated mosaic of land uses that meet stakeholder expectations. To date, we have reclaimed about 22 per cent of our Mildred Lake site and planted 4.5 million tree and shrub seedlings. Ongoing research is finding ways to incorporate tailings into reclaimed landscapes. We have also successfully developed wood bison habitat in cooperation with the Fort McKay First Nation.

**EXTRACTION**

The bitumen slurry is fed into separation vessels where the bitumen floats to the surface as froth. This froth is diluted with naphtha and then fed into centrifuges that further separate liquids and solids. Finally, the naphtha is removed, leaving only pure bitumen.

**SYNCRUDE SWEET BLEND**

Refineries process our signature product to make high quality gasoline and diesel fuels, jet fuels and chemical feedstocks. The completion of Syncrude’s upgrader expansion has resulted in product quality improvements to our *Syncrude Sweet Blend*.

**BENEFITS TO PEOPLE**

Through our work to produce *Syncrude Sweet Blend*, Syncrude directly and indirectly employs many thousands of people. Through our community investment activities we help sustain a high quality of life in our local communities.

**BENEFITS TO THE ECONOMY**

Syncrude helps sustain local and regional economies through our procurement of goods and services. In 2006, non-energy procurement amounted to $2.1 billion. Governments also benefit through Syncrude’s payment of taxes and royalties—more than $7.5 billion since 1978.

**UTILITIES**

Syncrude’s utilities operations produce steam, electricity and air, and treat the water required to run plant operations. Syncrude is self-reliant in electrical power generation and is a net exporter of electricity to the Alberta power grid.
As the opening pages of this fifth edition of our Sustainability Report suggest, Syncrude stewards to a few key areas of focus. Taken together, they comprise what we value most: a commitment to sustainability as evidenced by a healthy business, healthy communities and a healthy environment.

As a large business organization with a large and broad impact, and as a pioneer and a leader in the oil sands industry, we acknowledge and welcome the responsibility to achieve results in these focus areas: to devote all of our efforts and abilities to sustaining the business on behalf of our employees and owners, to supporting and serving our communities, and to protecting and preserving the environment. Our Sustainability Report is one of the key ways we communicate our progress on these fronts with all of our stakeholders.

The year 2006 was, in many respects, a landmark one. We completed the Stage 3 expansion of our Syncrude 21 suite of investments and reinforced our position as the industry’s leading producer. We surpassed a cumulative billion dollars in spending with Aboriginal businesses. And we made major strides in reclaiming the land, managing our water use, and setting the stage for significant reductions in our air emissions.

The Stage 3 expansion increases Syncrude’s production capacity to 128 million barrels per year of our signature Syncrude Sweet Blend crude oil. Working toward that capacity, we set a new production record of 94.3 million barrels of crude oil in 2006, an increase of 21 per cent over the previous year, based in part on improved reliability and throughput rates in our base plant operations. Impressive as it was, the result was still below our expectations; production was hampered by the temporary shutdown of the new flue gas desulphurization unit and associated Stage 3 units to address start-up odour issues. The problems were addressed and the situation ultimately affirmed the effectiveness of our stakeholder engagement and incident management processes.

We expect to more fully realize the benefits of a three coker operation next year as we maximize the significant value of our new assets.

Innovation and technology remain key drivers behind our business, and these and other advances are the result of Syncrude’s ongoing commitment to continuous improvement across all aspects of the operation. We aim to stay at the forefront of oil sands research, and profitable, sustainable resource development. To support our efforts to capture further improvements, Syncrude signed a Management Services Agreement with Imperial Oil in late 2006. Under this agreement, Imperial and its affiliate ExxonMobil will provide guidance and support on management, operational, technical, and other business matters. It will allow Syncrude to adopt global best practices in such areas as maintenance and reliability, energy management, procurement, and environment, health, and safety. We look forward to sharing information about
the implementation of this Agreement in our 2007 Sustainability Report.

In the area of safety performance, in 2006 our combined lost-time injury rate, while still among the best in industry, increased to 0.15 per hundred person years worked from 0.05 the year before. Our objective remains one of an incident-free workplace and our efforts to achieve this goal must continue. There was a bright spot in 2006: performance on the UE-1 expansion was world-class with an LTI of 0.06 for every hundred person years worked.

In the area of business controls, we made substantial progress toward completing our new Controls Integrity Management System which, among other objectives, is meant to help bring about greater efficiencies and cost savings. We have also established a process of objective self-assessment to help us identify gaps and potential problem areas before they escalate to something more significant, thereby providing another effective risk management tool that helps assure the overall integrity of our operation.

In 2006, our employees formally reviewed our ethical conduct policies and practices, and have declared all potential conflicts of interest. New ethics and business conduct review and reporting mechanisms were also introduced over the year.

One of the beneficial outcomes of a constantly improved business operation is the sustainability of economic opportunity. Our annual economic contribution in the form of royalties, salaries, procurement expenditures, and other payments has averaged $4.1 billion over the last five years and came in at $4.2 billion in 2006. Since start-up in 1978, Syncrude has made payments of more than $7.5 billion to governments for royalties, payroll and municipal taxes, and other Crown charges. We paid nearly a billion dollars in 2006 alone, in large part because we reached the end of the minimum royalty period we were under while our expansion was under construction.

Employment, of course, is another important economic benefit generated by our business operations. Our people themselves are behind everything we do and all we create. Hiring almost 750 new employees over the year, we ended 2006 more than 4,500 strong. We expect to continue an aggressive recruiting effort in 2007, and to sustain our efforts to attract and retain the skilled workforce we need by ensuring we remain the employer of choice.

Among many other contributions to the oil sands industry, Aboriginal people, too, are an important source of supply, business expertise, and employment. At year-end, we employed 420 Aboriginal people directly and did $132 million in business with Aboriginal-owned firms, bringing the cumulative total spent over the last 15 years to more than $1 billion. We also take an active role advocating for inclusion and development on a provincial and national stage, with some recent signs in western Canada of increasing degrees of economic and social parity. To sustain these mutually beneficial outcomes into the foreseeable future, a variety of programs and other initiatives are in place to foster continued participation of Aboriginal people in our business including the Fort Chipewyan Employment Program and various student employment, scholarship, and award programs. We also
remain involved in a variety of partnership-based community and environmental development activities.

For example, we invested nearly a million dollars in Aboriginal community projects in 2006. We also invested more than $4 million in communities at large through our community investment program, a significant increase over 2005. Overall, we remain committed to conscientious citizenship and to being a responsible, reliable neighbour.

Part of that commitment is represented, in turn, by our environmental stewardship. As with all other areas of our operation, our fundamental goal is continuous improvement in reducing our impacts on the land, water, and air.

Our performance in energy management and air emissions in 2006, however, did not meet our expectations in several instances. The challenge was, in part, the result of learning curves associated with the Stage 3 expansion assets. Performance is expected to improve in the years ahead. Future capital spending, for example, is focused on the $772-million Syncrude Emissions Reduction Project which, when combined with benefits from Stage 3 units, should reduce emissions of sulphur dioxide by 60 per cent and particulate emissions by at least 50 per cent from 2005 levels when it is fully operational in 2011.

We take pride in our responsible land and water use. Nearly a quarter of the land we have disturbed since mining began has been reclaimed. Our cumulative reclamation efforts at our Mildred Lake site now exceed our disturbance rate, and remarkable progress has been made at Aurora. As for water, we remain the oil sands industry’s most efficient user of Athabasca River water and research continues to improve our efficiency even further.

As oil sands pioneers we have been witness over many years to varying levels of public interest in what we do and, clearly, that interest has never been higher than it is now. A record number of job candidates expressed a desire to work with us in 2006, for example, and our many stakeholder engagement activities indicate a growing awareness and knowledge of our operation. We have long sought and welcome this attention, whether supportive or to express concerns. Sustainability is, after all, a collective journey marked by introspection, teamwork, and a continuous search for better ways of doing things. Informed feedback and constructive, broadly-based participation serves that process incredibly well and helps assure that what we and our stakeholders value, will continue to govern our actions in the years ahead.

Charles Ruirok
Chief Executive Officer

Marcel Coutu
Chairman
leadership, vision and economic contribution

To date, the Syncrude Project has produced over 1.7 billion barrels of high quality crude oil from its oil sands leases. As we continue to integrate our Stage 3 expansion into our existing operation and explore future growth opportunities, we remain focused on realizing our vision of securing Canada’s energy future.
Corporate Governance and Business Controls

GOVERNANCE AND MANAGEMENT COMMITTEE  Syncrude Canada Ltd. is a private company incorporated under the Business Corporations Act of Alberta.

Syncrude’s by-laws stipulate that shares in the corporation may only be held by the shareholders (see pg. 55) in proportion to their interest in the Syncrude Joint Venture, and that Syncrude Canada Ltd. may not carry on business or activities other than to act as contract operator of the Syncrude Project on behalf of the shareholders.

The structure and governance of the Syncrude Project includes a Management Committee, which meets regularly and oversees the project on behalf of the Joint Venture participants. Each Joint Venture participant has two representatives, one of which is an alternate on this committee, and votes its percentage interest in the project.

The Management Committee reviews and approves the Syncrude Project’s strategic plans, business plans, annual budget and major capital appropriations. In addition, it reviews overall performance, both operationally and financially. The Management Committee is chaired by one of the Joint Venture participants’ representatives; the Chair is currently held by Marcel Coutu, Chief Executive Officer of Canadian Oil Sands Limited.

BOARD OF DIRECTORS  Syncrude’s Board of Directors is responsible for governing the statutory affairs of the corporation. It meets formally on an annual basis to complete statutory requirements and to review the results of the corporation. The Board functions on a more frequent basis through several active Board committees including a CEO Committee, an Environment, Health and Safety Committee, an Audit and Pension Committee and a Compensation Committee.

The Board and its committees are composed of Directors appointed by the shareholders of the corporation.

The Board of Directors takes seriously its duties and responsibilities with respect to the principles of good corporate governance. It is the Board’s view that its approach to directing the business of Syncrude Canada Ltd. is comprehensive, effective and consistent with generally accepted standards of Canadian corporate governance.

BOARD COMMITTEES  The primary role of the CEO Committee, which is comprised of a senior executive of each Syncrude Canada Ltd. shareholder company, is to oversee the performance of Syncrude’s Chief Executive Officer and Chief Operating Officer, approve compensation of Syncrude Officers, review senior management appointments and succession plans, and review and provide input to Syncrude’s annual strategic business planning processes.

The Environment, Health and Safety Committee confirms that policies, procedures and controls with respect to environment, health and safety exposures and risks are in place and are implemented, maintained, effective and audited. In addition, the Committee monitors and assesses corporate performance in the areas of environment, health and safety matters and makes recommendations for change where appropriate.

The Audit and Pension Committee reviews the adequacy and scope of Syncrude’s internal control systems, as well as the scope and results of both internal and external audit efforts. It also oversees administration of Syncrude’s pension plan. At every meeting of the Audit and Pension Committee, the Committee holds private and separate sessions with internal auditors, external auditors and Syncrude management. The Committee also provides oversight on many other matters related to Syncrude’s financial affairs, policies and practices. All members of the Audit and Pension Committee are independent and are neither Officers nor employees of Syncrude Canada Ltd.

The Compensation Committee deals with matters related to compensation and benefits, senior management succession planning, and other human resources programs.
Syncrude’s Framework of Management Control is a system that ensures our business and operations are properly governed and managed, and comply with all regulatory requirements. The Framework of Management Control is supported by our Corporate Policies, Delegation of Authority Guidelines, and three management systems.

Corporate Policies
Syncrude’s policies, policy applications and programs provide direction to employees on issues that have broad organizational impact. Corporate policies are intended to ensure consistent and fair management and leadership practices across our entire operation. Policies fall into the following broad categories:

- Business Purpose, Core Values and Principles
- Code of Ethics and Business Conduct
- Safe and Reliable Performance
- Human Resources
- Services

Management Systems
Three key management systems ensure Syncrude maximizes its potential, while minimizing risk, throughout the organization. These include our Environment, Health and Safety Management System, Maintenance and Operations Reliability Management System, and Controls Integrity Management System. Each provides a framework for decision making, managing risk, and protecting our assets.

Environment, Health and Safety
This system comprises our approach to excellence in environment, health and safety. It consists of 10 management elements that are focused on continuous improvement and are fully integrated into all business functions. This integrated and proactive approach to managing and minimizing risk ensures that we assess our risks, implement appropriate controls, and manage our monitoring activities appropriately.

Reliability
Currently, each Syncrude department manages the maintenance and reliability of their equipment. Syncrude has future plans to implement a comprehensive corporate maintenance and reliability program to further enhance these efforts.

Controls Integrity
Syncrude’s new Controls Integrity Management System (CIMS) was largely implemented at the end of 2006, following 18 months of development work. The system provides a structured approach to assessing financial and business control risks, establishing procedures for mitigating identified risks, monitoring compliance with standards and reporting on these subjects to management.

Consisting of six management elements and 11 business process elements, CIMS enhances Syncrude’s controls systems, providing a solid foundation that supports the achievement of Syncrude’s business goals, greater efficiencies and cost savings, and compliance with all regulatory requirements.
During 2006, work was completed on the design and implementation of control catalogues for both broad corporate and departmental controls. Comprehensive self-assessments were completed in all areas of the organization during the third quarter to ensure the controls were in place and achieving desired results. Control gaps were identified and actions are underway to address these gaps in 2007.

Significant security upgrades were also undertaken to ensure the integrity of our information systems and site access. This included the implementation of a new card access security system for all Syncrude sites and facilities.

Ongoing responsibility for business controls is now being transferred to a Business Controls sustainment group. Throughout 2007 this group will work to further improve and streamline controls systems and complete targeted training. The group will also assist business units in controls sustainment and gap closure.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Syncrude maintains an internal control system that includes specific controls to address financial reporting. These controls are commonly referred to as Internal Control over Financial Reporting (ICOFR). Syncrude’s management is responsible for the design and the evaluation of ICOFR. Through the Business Controls efforts undertaken over the last 18 months, a comprehensive ICOFR environment was developed for Syncrude.

In 2006, Syncrude’s Joint Venture participants requested an assessment from Syncrude management on the adequacy and effectiveness of its ICOFR and also requested an independent opinion from external auditors on management’s assessment. Both concluded that Syncrude’s ICOFR is appropriate.

**CODE OF ETHICS AND BUSINESS CONDUCT**

Syncrude stewards to a number of Code of Ethics and Business Conduct policies that are designed to foster the high level of ethical conduct expected by our many internal and external stakeholders. The corporation’s Corporate Conduct Committee is responsible for the application of these policies and reports periodically to the Syncrude Executive Audit Committee and also to the Audit and Pension Committee of the Board of Directors.

During 2006, all existing and new Syncrude employees were required to participate in a Business Practices Review session that reviewed expectations for ethical conduct. This review also required all employees to declare all potential or actual conflict of interest situations. By year-end, over 98 per cent of all existing employees had completed the training and appropriate declarations.

A comprehensive internal web site on Code of Ethics and Business Conduct was launched in 2006, along with a new training video and brochure to ensure Syncrude employees have access to information on this important topic.

In 2006, an external ethics reporting system was implemented to further enhance Syncrude’s processes for the reporting of concerns about corporate conduct. Employees, contractors and members of the public may file their concerns anonymously and confidentially through EthicsPoint, at [www.ethicspoint.com](http://www.ethicspoint.com) or 1-888-493-1866. This information is available both internally and through Syncrude’s external website at [www.syncrude.com](http://www.syncrude.com)
Management maintains a system of internal controls that provides reasonable assurance that all transactions are recorded, that the information provided realistically portrays the operating and business results, and that the assets of the Syncrude Project are safeguarded. Syncrude's internal auditors review and evaluate compliance with internal controls. The Board of Directors of Syncrude is responsible for ensuring that management meets the requirements for internal control and financial reporting. The Audit and Pension Committee of the Board of Directors discharges this responsibility and engages an external auditor to conduct an independent review of the financial reports and management's assessment of the effectiveness of its system of internal control over financial reporting.

Syncrude's policy and practice is to meet a high standard of ethical conduct in all of its activities, and to continuously improve its systems of internal business controls. Toward this end, the Syncrude organization upgraded its control systems and processes throughout 2005 and 2006 to ensure effective compliance with Bill C198 and related CSA regulation MI52-109.
2006 BUSINESS RESULTS 2006 was a milestone year for Syncrude. It saw the start-up and integration of the Syncrude 21 Stage 3 expansion, including the new Coker 8-3. After resolving initial start-up issues, all new Stage 3 units were operational in late 2006, increasing the Syncrude upgrader design capacity to 350,000 barrels per day. Several new production records were established.

Syncrude Sweet Blend ("SSB") production was a record 94.3 million barrels in 2006, or approximately 258,000 barrels per day, an increase of 21 per cent over 2005 levels. The record annual production resulted from the incremental volumes contributed by Syncrude’s Stage 3 expansion and improved reliability and throughput rates on base plant operations.

The integrated operation achieved a new monthly production record of 10.8 million barrels or 349,000 barrels per day in October 2006. At the Aurora mine, monthly, quarterly and annual records were set, as Aurora firmly established itself as the primary source of bitumen for the upgrader.

While many new records were set in 2006, SSB production was hampered by the temporary shutdown of the new flue gas desulphurization unit and associated Stage 3 operations to correct start-up odour problems, and by an unplanned outage of Coker 8-2 late in the year.

Financial Results

2006 Financial and Operating Summary

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<tr>
<td><strong>Total SSB Production</strong></td>
<td></td>
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<tr>
<td>Millions of barrels per year</td>
<td>94.3</td>
<td>78.1</td>
<td>87.2</td>
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<td>Thousands of barrels per day</td>
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<td>238</td>
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<td><strong>Annual Average WTI at Cushing</strong></td>
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<td>(US$ per barrel)</td>
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<td>56.70</td>
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<tr>
<td><strong>Total Operating Costs</strong></td>
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<td>Millions of dollars</td>
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<td>2,077</td>
<td>1,623</td>
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<tr>
<td>Per barrel of SSB</td>
<td>26.46</td>
<td>26.59</td>
<td>18.61</td>
<td>21.07</td>
<td>17.05</td>
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<td><strong>Capital Program</strong></td>
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<tr>
<td>Millions of dollars</td>
<td>1,044</td>
<td>2,533</td>
<td>2,749</td>
<td>2,553</td>
<td>1,946</td>
</tr>
</tbody>
</table>

1 SSB Production is Syncrude Sweet Blend shipped.
2 Operating costs are costs related to the mining of oil sand, the extraction and upgrading of bitumen into Syncrude Sweet Blend (SSB) and maintenance of facilities; they also include purchased energy costs, administration costs, start-up costs, and research. There is no generally accepted accounting definition as to what constitutes “Operating Costs”. The accounting treatment of certain costs may vary significantly between different producers. Some producers may elect to capitalize or defer and amortize certain expenditures that are recorded as an expense by other producers; and may segment “Corporate” costs.
3 Capital program includes development expense related to sustaining capital and major capital projects.

Note: These figures may differ from those reported by any of the Joint Venture participants due to differences in reporting conventions and methodology.
Joint Venture operating costs were $26.46 per barrel in 2006, down marginally from $26.59 per barrel in 2005. Operating costs per barrel, excluding purchased energy costs, increased four per cent, while purchased energy costs per barrel declined 14 per cent. Operating costs included higher fixed costs associated with the new production facilities. These fixed costs will eventually be spread over the full Stage 3 production volumes.

Syncrude’s capital expenditure program was $1,044 million in 2006, compared with $2,533 million in 2005. This decrease reflects a lower level of capital spending and development expense as a result of the completion of Stage 3 construction early in the year.

**Joint Venture Operating Costs**

Total operating costs were $2,494 million in 2006, up from $2,077 million in 2005. Total operating costs before the inclusion of energy costs rose 26 per cent, as fixed costs related to Stage 3 infrastructure and workforce were in place for most of the year, ahead of the Stage 3 production volume increase.

Total purchased energy costs, comprising imported natural gas, purchased diesel and net power imports, increased four per cent. Imported natural gas volumes rose 40 per cent to meet hydrogen demand from the new hydrotreaters and to support higher bitumen production at Aurora. The cost effect of the higher natural gas volumes was partially offset by a 25 per cent decline in natural gas prices to $6.26 per gigajoule.

Growth/Major project capital expenditures decreased significantly in 2006 with completion of the Stage 3 and South West Quadrant Replacement projects early in the year. New spending focused on the Syncrude Emissions Reduction Project (“SERP”), which when combined with Stage 3 improvements, should reduce total emissions of sulphur dioxide by 60 per cent and particulate emissions by at least 50 per cent from 2005 levels when fully operational in 2011. Project expenditures are expected to total approximately $772 million. (Read more about this project on pg. 46).

Capital spending to support base plant operations increased in 2006, primarily due to the replacement of certain extraction equipment and mining mobile equipment related to sustainment of production and replacement life cycle timing.

Development expense supporting capital projects decreased when compared to 2005 with the completion of the Stage 3 expansion. This reduction was partially offset by higher base plant development expenses.
Stage 3 Expansion Project Complete

Following phase-in and start-up, all Stage 3 processing units have been placed into service. Production will be ramped up as experience is gained operating the new units. The Stage 3 expansion raises Syncrude's production capacity to 128 million barrels per year (350,000 barrels per day) of Syncrude Sweet Premium, a premium light synthetic crude oil. Production of this new and cleaner crude oil product is now targeted to commence in late 2007 or early 2008, and is expected to be in high demand by refineries. A major environmental benefit of the Stage 3 investment will be a reduction in total sulphur dioxide emissions of about 20 per cent from pre Stage 3 expansion levels, despite a 50 per cent increase in plant capacity.

2007 Outlook

Syncrude's largest Joint Venture participant, Canadian Oil Sands Trust, provides regular updates on production outlook, capital expenditures and operations. These updates can be found on Canadian Oil Sands' website at www.cos-trust.com

Management Services Agreement Signed

In November, Syncrude signed a management services agreement with Imperial Oil Resources. It will provide Syncrude with operational, technical and business management services that will allow Syncrude to adopt global best practices from Imperial and its majority owner, ExxonMobil, in such areas as maintenance and reliability, energy management, procurement, safety, health, and environmental performance. The agreement aims to capture improved performance and profitability from the Syncrude operation by combining the skills and experience of Syncrude employees with the best practices and resources of a global leader in refining. Syncrude has a long history of successful collaboration with both organizations. During the first quarter of 2007, a team of representatives from all three organizations as well as other Joint Venture participants will work to identify, quantify and prioritize opportunities for review and consideration by the Syncrude Management Committee.
2006 OPERATIONAL HIGHLIGHTS

Dragline and Bucketwheel Retired
Syncrude’s last operating dragline and bucketwheel reclaimer were retired in March. This technology had been a mainstay of our oil sands mining operation for 29 years, helping produce more than 1.1 billion barrels of Syncrude Sweet Blend.

Bitumen Recovery Improves
Bitumen recovery from oil sand averaged 91.3 per cent in 2006, up from 89.1 per cent in 2005 and four per cent higher than 2004. A recently completed optimization project in the Aurora mine aims to boost recovery at that site by a further one per cent. A Recovery Excellence Team comprised of experts from Syncrude’s Research, Development and Operations areas was established in 2004 and continues to lead recovery improvement efforts.

Tire Utilization Increases
Syncrude was successful in its efforts to increase the life of haul truck tires and thereby avoid production impacts stemming from a global shortage of tires for heavy equipment. Improved practices by haul truck drivers, better road design and maintenance in the mines, and innovative repair techniques developed by Syncrude’s Research Department led to the gains.

Timely Shift Changes Improve Production
Production slowdowns resulting from shift changes in the Aurora mine have been minimized by applying the Six Sigma process. Seventy per cent of shift changes now occur without any production slowdown, up from the previous 35 per cent. The Aurora process provides just-in-time production, with only 45 minutes of oil sand stockpiled at any one time.

RESEARCH AND DEVELOPMENT HIGHLIGHTS

Research Chair Renewed
The NSERC Industrial Research Chair in Oil Sands Engineering was renewed in 2006 for an unprecedented third term with about $5.5 million in financial support over five years from Syncrude, the National Science and Engineering Research Council and others. Dr. Jacob Masliyah, of the University of Alberta’s Faculty of Engineering, has held the Chair since its inception in 1996. The Chair has created important new bodies of knowledge into the fundamental science surrounding oil sands processing and bitumen extraction, and has led to advances in processing problem ores and pre-commercial science, among other successes. It has also created new learning curriculum such as the Certificate in Oil Sands Technology offered through the University’s Faculty of Extension.

In-Pit Bitumen Production
In August, a development facility to test a new oil sands slurry preparation technology was commissioned. Known as In-Bit, for In-Pit Bitumen Production System, the technology will allow shovels in Syncrude mines to feed oil sand directly into mobile crushers and slurry preparation plants. Starting the slurry preparation process closer to the mine face allows for more extensive use of hydrotransport, which moves oil sand more cheaply than trucks or conveyors, and it could also improve recovery rates and reduce equipment down-time.

Gains from Catalyst Research
New longer-life, lower-cost catalysts have been developed by Syncrude in collaboration with its alliance partner, Criterion Catalysts and Technologies. Catalyst removes impurities from synthetic crude oil feed streams and must be custom made for oil sands upgraders due to the unique properties of bitumen-derived crude oil. A new
A new catalyst for Syncrude’s six hydrotreaters is now being tested at the laboratory scale, where it has shown promise of a 30 per cent increase in plant run length.

**COKER PILOT OPENS**  A Coker Pilot Plant at Syncrude’s Edmonton Research Centre opened in June. The $2.5 million plant will allow scientists to study and optimize the nozzles that spray bitumen feed into Syncrude’s three commercial cokers in a realistic operating environment. Syncrude and its research partners have made great strides in nozzle design in recent years, which has led to improved coker reactor performance. Continued optimization of nozzle spray patterns will allow the reactor to operate at a lower temperature, thus reducing energy consumption and air emissions while increasing liquid yield.

**SEMINAR CELEBRATES 25 YEARS**  Acknowledged for its excellence in sharing ideas that will shape the future of oil sands development, the 25th annual Syncrude Research and Development Technical Seminar took place in November. The event brings people from Syncrude’s research, development and operations functions together with external research partners and Joint Venture participants to learn about new research-based technologies and processes under development at Syncrude.

**ONWARD AND UPWARD**  A sculpture unveiled at the Research and Development Technical Seminar commemorates the contributions of scientists and researchers over the last 25 years.
Syncrude is focused on the critical role people play in creating and sustaining the opportunities generated by our operation. We do our best to encompass as many stakeholders as possible in the circle of prosperity.

**GENERATING ECONOMIC GROWTH** As operator of the world’s largest integrated oil sands mining and bitumen upgrading facilities, Syncrude is helping to secure Canada’s energy future and has a long and proud history of contributing to the economic well being of Canadians through the procurement of a variety of goods and services, the employment of more than 4,500 permanent employees, and the payment of royalties, corporate and payroll taxes.

Syncrude’s newly expanded production capacity represents about 15 per cent of Canada’s current domestic crude oil needs. A long life, high quality resource base, stable regulatory regime and competitive royalty and taxation environment provide Syncrude’s Joint Venture participants with a sound platform for continued sustainable operations and potential future growth. Capital investment and research initiatives focus on the best of new technologies that promise lower emissions, lower operating and capital costs per barrel, lower energy consumption per barrel, more efficient water use, and the development of higher quality, cleaner burning crude oil products.

Syncrude continues to be a major engine of growth for the Alberta and Canadian economies with over $4.2 billion in total spending during 2006.

Syncrude’s direct spending in Alberta also translates into economic benefits outside the province. A 2005 study by the Canadian Energy Research Institute indicates that the effect on gross domestic product of oil sands spending is felt 72 per cent in Alberta, 17 per cent in other parts of Canada, and 11 per cent outside of Canada.

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**Syncrude’s Total Annual Economic Contributions** ($ Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Royalties, Payroll and Municipal Taxes</th>
<th>Operating Costs</th>
<th>Capital Program</th>
<th>Royalties &amp; Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>02</td>
<td>3,057</td>
<td>4,721</td>
<td>4,216</td>
<td>4,455</td>
</tr>
<tr>
<td>03</td>
<td>4,232</td>
<td>4,721</td>
<td>4,216</td>
<td>4,455</td>
</tr>
<tr>
<td>04</td>
<td>4,455</td>
<td>4,721</td>
<td>4,216</td>
<td>4,455</td>
</tr>
<tr>
<td>05</td>
<td>4,721</td>
<td>4,721</td>
<td>4,216</td>
<td>4,455</td>
</tr>
<tr>
<td>06</td>
<td>4,216</td>
<td>4,721</td>
<td>4,216</td>
<td>4,455</td>
</tr>
</tbody>
</table>

Syncrude’s total expenditures declined in 2006, driven by lower capital spending with the completion of the Stage 3 expansion project. This was partially offset by higher royalty payments.

**Total Expenditures**

- **$4,216 million**
- **Capital Program** 25%
- **Operating costs** 59%
- **Royalties & Other** 16%

*In 2006, Syncrude’s capital program, operating expenditures and payments to governments totaled approximately $4.2 billion.*

**Total Expenditures by Category**

- **Royalties, Payroll and Municipal Taxes** 21%
- **Purchased Energy** 14%
- **Employees (net)** 15%
- **Materials and Supplies** 15%
- **Contracted Services** 33%
- **Other Expenditures** 2%

*Contracted services comprised 33% of Syncrude’s total expenditures for 2006.*
The long life and high quality resource base of Syncrude’s 102,000 hectares of oil sands leases provide our Joint Venture participants with a sound platform for continued sustainable operations and future growth. All of Syncrude’s leases can be mined and are among the best in the Athabasca deposit for quality of ore, low stripping ratios, and low total volume-to-bitumen in place, all of which enhance the economics of the Syncrude project. Syncrude uses the Dean & Stark extraction quality assurance method to test core samples and provide an accurate picture of the oil contained within its leases.
Overall benefits to the Alberta economy in 2006 were approximately $3.7 billion, including more than $3.1 billion in non-energy expenditures related to procurement of goods and services, royalties and taxes, and payments to employees. Spending on goods and services provided by Alberta-based companies totaled $1.8 billion. Business volume with Edmonton area companies was $693 million, while business with other Alberta firms totalled a further $418 million. Companies in other parts of Canada received business valued at $194 million, and purchasing from international suppliers was valued at $126 million.

Businesses in Syncrude’s immediate trading area, the Wood Buffalo region of Alberta, received a combined $690 million during the year, about 33 per cent of total procurement. This includes $132 million in business with Aboriginal firms in the Wood Buffalo area, which represents six per cent of total spending on goods and services, up from three per cent in 2005. Syncrude’s cumulative business with Aboriginal firms since 1992 exceeds $1 billion.

The majority of Syncrude’s 4,527 employees reside in the Wood Buffalo region. Their support of local businesses, combined with Syncrude’s procurement of goods and services from local and Aboriginal firms, contribute significantly to the economic base of the region.
Syncrude's current expansion project was enabled in part by the oil sands industry fiscal regime (also known as the generic royalty regulation) that was implemented by the Alberta government in 1996. Under this arrangement, a minimum one per cent royalty on gross revenue is paid by the developer until project capital costs have been recovered.

Relatively high crude oil prices over the last three years greatly accelerated the recovery of capital costs by Syncrude’s Joint Venture participants and, as a result, the minimum royalty period came to an end in 2006. Royalty payments to the Province of Alberta in 2006 were made on the basis of 25 per cent of deemed net income, and this led to an eleven-fold increase in royalty payments in 2006 to $654 million, up from $55 million in 2005.

**Natural gas adds value**

While Syncrude’s use of purchased energy—mostly natural gas—comprises a significant portion of our total expenditures, it also adds value to our signature Syncrude Sweet Blend product. About 60 per cent of all natural gas consumed is used as feedstock to produce hydrogen, which is then added to Syncrude Sweet Blend to improve its quality. Natural gas is also used to produce electrical power through co-generation (20%) and as supplementary fuel in our production process (20%).

**Minimum Royalty Period Ends**

Syncrude’s current expansion project was enabled in part by the oil sands industry fiscal regime (also known as the generic royalty regulation) that was implemented by the Alberta government in 1996. Under this arrangement, a minimum one per cent royalty on gross revenue is paid by the developer until project capital costs have been recovered.

In 2006, Syncrude paid $654 million in royalties to the Province of Alberta.

**Future Growth Potential**

Syncrude’s Stage 3 expansion was completed and brought on line in 2006. It will be followed by completion of the Syncrude Emissions Reduction Project in 2009, which will ultimately reduce SO₂ emissions to 100 tonnes per day, or 40 per cent of pre Stage 3 daily SO₂ emissions, when operating at full capacity in 2011.

Syncrude has additional opportunities to grow beyond Stage 3. Total recoverable resources are sufficient for Syncrude to increase production to more than 500,000 barrels per day on a sustained basis for decades to come. Development of these projects will be contingent on meeting strict economic, capital and operating cost, and environmental performance criteria.

Syncrude has to date produced over 1.7 billion barrels of synthetic crude oil from its oil sands leases. Syncrude aims to remain at the forefront of oil sands research and profitable, sustainable resource development. Ongoing investment in physical and human resources, industry-leading land reclamation practices, environmentally friendly technologies and energy conservation initiatives will sustain Syncrude’s contributions to social and economic development in Alberta and Canada for decades to come.
In generating economic value, we are focused on working with our many stakeholders to ensure they share in the rewards. We engage diverse groups of people in the growth and shaping of our business, we invest in the communities where we live and work, and we continue to strive towards an operation that is free of any injury.
Our People

Syncrude’s 4,527 employees are key to our success and as such are our most valued asset. Focused on achieving high quality results, they take measured risks to meet our business objectives and work in an environment that fosters teamwork and mutual respect. We make every effort to recognize their achievements and celebrate successes through industry-leading compensation, recognition and development programs.

WORKFORCE SUPPLY  Syncrude takes an active approach to shaping our own future and maximizing the potential of our people and operations. We work to generate awareness of oil sands industry careers, and we utilize a multi-faceted workforce strategy to build our prospective talent pool through education, training, and other programs. To minimize attrition and maximize employee retention we regularly review, evaluate and introduce policies and programs designed to make and keep Syncrude a great place to work.

To help ensure we attracted highly skilled employees to our operations we took a broad approach to employee recruitment efforts throughout 2006. Career fairs and open houses were held across Alberta and in targeted communities across Canada, helping us reach areas with the highest potential for new employees.

THE COMPLEXION OF OUR PEOPLE  New employees as a percentage of Syncrude’s total workforce have nearly doubled over the last five years to 16 per cent in 2006, reflecting higher rates of both attrition and production, and strongly suggesting that our recruitment initiatives are having continued good effect. A record number of job applications were received, and the acceptance rate of job offers continues to be strong.

In focus group surveys conducted in 2006, new employees say they were attracted to Syncrude mainly because of job security, career and learning initiatives, and the ability to achieve a better work-life balance when compared to working for others. Pay scales were a significant draw, as well.

The same survey revealed that long service employees express affection for the challenges of their work at Syncrude, for job security and the family environment, for shift work, and for the people they work with.

Diversity is not only a goal but also an attribute of the Syncrude work environment that is respected and valued by employees. New hires of Aboriginal people remain strong, and we had considerable success attracting new female employees in 2006. Employment in leadership positions increased for both groups.

WORKFORCE RENEWAL: STARTING YOUNG  Encouraging young people to acquire the skills they will need to succeed at Syncrude has long been an essential tenet of our employee development and recruitment efforts. As an acknowledged leader in these efforts, we actively support more than 170 programs and opportunities that prepare youth for future employment. Among them:

• CAREERS: The Next Generation. Syncrude is a founder, long-time participant in and advocate of CAREERS, and we continued our support of the initiative by providing funding of $260,000 over two years ending in 2006. CAREERS helps students across Alberta learn about, train for, and acquire careers in a wide variety of professions and trades.

• Take Our Kids to Work. Syncrude starts building career pathways in Grade 9 by offering students the chance to spend a full day shadowing their parents at their jobs at Syncrude.

• Co-op/Discipline Programs. We participate in 17 of these programs including the Registered Apprenticeship Program, which provides opportunities for apprentices at Syncrude. At any given time, we typically host more than 80 apprentices on site in a wide variety of trades: boilermakers, crane operators, electricians, power engineers, and many others.

Many of our younger employees come from the pool of students who participate in different Syncrude work-study programs. Those who progress to full-time employment join Syncrude’s Graduate Development Program (GDP) for up to four years. During that time, they receive targeted training, mentorship, and job rotations that expose them to a variety of career options. Success is reflected in the fact that more than 90 per cent of our hires under age 25 are promoted to higher levels in the organization.

A survey of GDP participants was conducted in 2006 to help assess the program’s effectiveness; it revealed some inconsistencies in program application that are now being addressed.
Civil engineering technologist Mitch Mercredi is one of our over 400 Aboriginal employees who’ve found rewarding work at our operation.

<table>
<thead>
<tr>
<th>Workforce by the Numbers</th>
<th>2006</th>
<th>2005</th>
<th>2004</th>
<th>2003</th>
<th>2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Permanent Workforce</td>
<td>4,527</td>
<td>4,327</td>
<td>4,180</td>
<td>4,026</td>
<td>4,004</td>
</tr>
<tr>
<td>New Permanent Employees — all categories</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trades and Operators</td>
<td>744</td>
<td>557</td>
<td>383</td>
<td>236</td>
<td>350</td>
</tr>
<tr>
<td>Administrative, Professional &amp; Technical</td>
<td>496</td>
<td>384</td>
<td>251</td>
<td>148</td>
<td>189</td>
</tr>
<tr>
<td>New Employees — diversity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aboriginal</td>
<td>248</td>
<td>173</td>
<td>132</td>
<td>88</td>
<td>161</td>
</tr>
<tr>
<td>Female</td>
<td>54</td>
<td>50</td>
<td>27</td>
<td>23</td>
<td>34</td>
</tr>
<tr>
<td>Recruiting Effectiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New hire acceptance rate (% of job offers accepted)</td>
<td>78</td>
<td>78</td>
<td>86</td>
<td>90</td>
<td>80</td>
</tr>
<tr>
<td>Local hires (% of all new hires)</td>
<td>64</td>
<td>70</td>
<td>66</td>
<td>61</td>
<td>78</td>
</tr>
<tr>
<td>Job Applications Received (#)</td>
<td>44,815</td>
<td>30,032</td>
<td>18,116</td>
<td>19,777</td>
<td>n/a</td>
</tr>
</tbody>
</table>
**ATTRACTING EMPLOYEES**  A new marketing tool, *Syncrude* magazine, was published in 2006. It is used by Syncrude recruiters at career fairs and other venues to communicate information about living in Wood Buffalo and the advantages of a Syncrude career to potential recruits and their families in locales across Canada. *Syncrude* magazine introduces the company, profiles families who have found a happy home and rewarding career in Wood Buffalo, and documents the modern amenities and recreational attractions of life in northern Alberta.

Another tool, the second edition of *Pure Energy* magazine, was also published in 2006. It provides comprehensive coverage of the Syncrude operation and its people, focusing on the 2006 completion of the upgrader expansion project.

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**WORKFORCE PRODUCTIVITY**  Syncrude recognizes that productivity is a multi-faceted issue and that worker commitment to the job often reflects the attitude toward the organization itself. In this light, we believe we can most effectively achieve our business goals by treating our employees with dignity and respect, by being open and honest in all our relationships, by rewarding innovative thinking and excellent action, by encouraging and listening to feedback, and generally by remaining true to our vision, values, and guiding principles as an organization.

**FINANCIAL PLANNING WORKSHOPS RESPOND TO EMPLOYEE FEEDBACK**  One of the concerns employees identified in a previous survey was a lack of assistance with financial planning for retirement. In 2006, Syncrude sponsored a series of workshops on the subject for employees and their spouses. The workshops, hosted by a certified financial planner, explained Syncrude’s retirement programs and covered budgeting, investment management, tax load reduction, and other strategies for sound retirement planning.

**EMPLOYER OF CHOICE FOCUS GROUPS**  To help unleash the full potential of its operation, Syncrude needs to continue to attract and keep high quality workers in a competitive job market, and further build its reputation as an employer of choice. Toward that end, we held employee focus groups in 2006 to obtain feedback and identify both strengths and challenges on issues of worker attraction and retention. The focus groups revealed a proud and engaged workforce that appreciates the stability and history of Syncrude as an employer.

Among our strengths: Syncrude’s family-like atmosphere; excellent job stability and long-term security; challenging and interesting work; and our steadfast commitment to health and safety. However, the focus groups also revealed employees desired more opportunity for learning, training and career advancement.
## Human Resources Score Card

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td><strong>Employee Productivity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Thousand barrels of SSB per employee</td>
<td>20,831</td>
<td>18,049</td>
<td>20,861</td>
<td>19,200</td>
<td>20,929</td>
</tr>
<tr>
<td>Average employee service (in years)</td>
<td>12.2</td>
<td>13.2</td>
<td>13.7</td>
<td>14.1</td>
<td>13.9</td>
</tr>
<tr>
<td><strong>Leadership Development</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% of leaders completed Leadership Basics Workshop</td>
<td>89</td>
<td>89</td>
<td>85</td>
<td>82</td>
<td>n/a</td>
</tr>
<tr>
<td>% of leaders completed Diversity Workshop</td>
<td>77</td>
<td>82</td>
<td>85</td>
<td>71</td>
<td>n/a</td>
</tr>
<tr>
<td>% of leaders completed Harassment &amp; Discrimination Workshop</td>
<td>81</td>
<td>81</td>
<td>82</td>
<td>76</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Diversity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Aboriginal representation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>420</td>
<td>410</td>
<td>393</td>
<td>388</td>
<td>390</td>
</tr>
<tr>
<td>% of permanent Syncrude workforce</td>
<td>9.1</td>
<td>9.2</td>
<td>9.1</td>
<td>9.4</td>
<td>9.6</td>
</tr>
<tr>
<td>Aboriginal leaders (% of permanent Syncrude leaders)</td>
<td>6.0</td>
<td>4.9</td>
<td>4.8</td>
<td>3.6</td>
<td>3.5</td>
</tr>
<tr>
<td>Female representation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>853</td>
<td>778</td>
<td>731</td>
<td>677</td>
<td>686</td>
</tr>
<tr>
<td>% of permanent Syncrude workforce</td>
<td>19.4</td>
<td>18.6</td>
<td>17.7</td>
<td>17.3</td>
<td>17.4</td>
</tr>
<tr>
<td>Female leaders (%) of permanent Syncrude leaders</td>
<td>11.0</td>
<td>9.7</td>
<td>9.7</td>
<td>9.8</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>Attrition (% of Syncrude workforce)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All employees, including retirements</td>
<td>11.0</td>
<td>8.6</td>
<td>5.4</td>
<td>4.4</td>
<td>5.0</td>
</tr>
<tr>
<td>Employee initiated termination</td>
<td>6.4</td>
<td>4.5</td>
<td>2.6</td>
<td>1.7</td>
<td>2.6</td>
</tr>
<tr>
<td>Retirements</td>
<td>3.8</td>
<td>2.8</td>
<td>2.0</td>
<td>1.7</td>
<td>1.4</td>
</tr>
<tr>
<td>Aboriginal</td>
<td>9.8</td>
<td>8.0</td>
<td>7.0</td>
<td>6.2</td>
<td>6.6</td>
</tr>
<tr>
<td>Female</td>
<td>10.9</td>
<td>7.4</td>
<td>5.9</td>
<td>5.9</td>
<td>4.9</td>
</tr>
<tr>
<td>Trades and Operators</td>
<td>10.2</td>
<td>8.6</td>
<td>4.9</td>
<td>4.3</td>
<td>5.0</td>
</tr>
<tr>
<td>Administrative, Professional &amp; Technical</td>
<td>11.9</td>
<td>8.7</td>
<td>6.0</td>
<td>4.6</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>Employee &amp; Family Assistance Program (EFAP) Utilization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of clients as % of Syncrude workforce</td>
<td>13.0</td>
<td>13.4</td>
<td>14.2</td>
<td>13.2</td>
<td>16.5</td>
</tr>
<tr>
<td><strong>Training</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% hours in training per employee/per annum</td>
<td>3.0</td>
<td>2.5</td>
<td>3.1</td>
<td>2.8</td>
<td>2.6</td>
</tr>
</tbody>
</table>
Among our challenges: the cost of living in Fort McMurray; some difficulties achieving a desired work-life balance; frustration with business processes and bureaucracy; and insufficient employee recognition and appreciation.

Work is ongoing to sustain our strengths and to address the challenges. Among some of the strategies under consideration: enhancing the quality of life in Fort McMurray by influencing governments for more support; making sure processes are in place to enhance opportunities for career development and internal movement; reviewing various elements of compensation packages; and developing flexible work options.

**ASK THE EXECUTIVE**  To help meet the information and communication needs of our employees, many of who are new, Syncrude will implement a new mechanism to enhance and facilitate dialogue among employees and Syncrude management in 2007; it will supplement other established vehicles. *Ask the Executive* will be a page on Syncrude’s internal web site with six categories of information: workplace matters, the management services agreement (also see discussion on pg. 18), the Syncrude operation, future growth, the community, and continuous improvement. Depending on usage and feedback, the page may be improved and expanded at a future date.

**RETENTION PROGRAM**  To reward existing and future employees for their commitment and contributions to Syncrude and offset an increase in attrition over historical values, a three-year retention program for Fort McMurray-based employees was introduced effective April 1, 2006. The program is designed to help Syncrude secure and retain the skilled workforce required to sustain its operation.

**EMPLOYEE & CORPORATE AWARDS**  Syncrude salutes the employees whose work received external recognition in 2006:

- President and COO Jim Carter was awarded the *Inco Medal* by the Canadian Institute of Mining, Metallurgy and Petroleum for meritorious and practical contribution of outstanding importance to the mining and metallurgy industry of Canada. He was also presented the *Integrity Award* by Rotary Clubs of Fort McMurray for his contributions to the local community and the growth of the oil sands industry.

- Kjersti Powell, senior human resources advisor, received Alberta Venture magazine’s *e award for continuous learning* for her work to train and develop the present and future leaders of Syncrude and the broader community.

- Heavy duty mechanic and back-up maintenance planner Dave Fizzard received the *Keyano College Mentor Award* for his outstanding work with heavy-duty mechanic apprentices in the Registered Apprenticeship Program. Dave joined Syncrude in 1989 and works in Central Equipment Services.

- Reclamation scientist Martin Fung received the *Dr. Edward M. Watkin Award*, which recognizes major contributions to land reclamation. Martin has been a program leader conducting reclamation research since joining the company in 1980.
Senior mechanical engineering advisor Jay Petigara was recognized by the American Petroleum Institute for his contribution to the worldwide energy industry. The API honoured Jay’s “dedication, commitment and leadership” in developing a standard for plate heat exchangers. Jay has been with Syncrude since 1985, works in Central Technical Services, and is a fellow of the Canadian Society of Mechanical Engineers.

CEO Charles Ruigrok was awarded the University of Western Ontario’s 2006 Lauchland Engineering Alumni Medal, given to an alumnus who has established a clear record of professional and business accomplishments while being committed to the community.

Several organizational workplace awards and honours were also received:

**Alberta Business Awards of Distinction, Partners in Workplace Learning Award** Syncrude was cited for commitment to, and successful implementation of, learning and training opportunities for employees in the workplace, working with a post-secondary institution.

**Alberta Venture Magazine, Alberta’s Most Respected Corporations** Syncrude was named one of Alberta’s most respected corporations for its culture of innovation; developing an internal environment that fosters creativity; actively investing in research and development; and building a program of initiatives that ensures leading-edge products and processes.

**Alberta’s Top 25 Employers** Citing our human resource practices, compensation and work environment, Toronto-based Mediacorp. Canada Inc. named Syncrude one of the 25 best places to work in Alberta.

**Premier’s Award for Healthy Workplaces, Award of Merit for Large Businesses** Syncrude was one of 12 workplace recipients recognized for their commitment to improving the health of employees.

The American Petroleum Institute recognized senior mechanical engineering advisor Jay Petigara for developing a standard for plate heat exchangers.
Stakeholder Engagement

**HOW WE CONSULT WITH STAKEHOLDERS** Our consultation processes can be either formal (designed to achieve a specific outcome) or informal (information sharing and dialogue) and are determined by both Syncrude and the affected stakeholder. They are guided by an overarching set of consultation principles. View the consultation principles at [www.syncrude.com](http://www.syncrude.com)

We consult with a broad range of stakeholders including Aboriginal communities, advocacy groups, contractors, educators, governments, industry groups, local community residents, non-governmental organizations, suppliers and other interested parties. Engagement with Syncrude employees is discussed on pg. 26.

**REFOCUSING STAKEHOLDER RELATIONS POLICY** In October, to better reflect Syncrude’s comprehensive approach to stakeholder and public engagement activities, Syncrude introduced a new stakeholder relations policy. The new policy and its program guidelines encompass stakeholder consultation, relationships with government, external communications, corporate giving and reputation management, and communicating with employees.

**STAKEHOLDER ENGAGEMENT HIGHLIGHTS** The following is a summary of Syncrude’s key consultation activities and actions taken as a result of our stakeholder engagement in 2006.

**Community Visits**
In order to learn more about neighbouring Aboriginal communities, Syncrude’s Aboriginal Relations Steering Committee commenced a program of periodic community visits in 2006. This action was taken in response to requests from the communities for Syncrude leaders to become more literate about community issues and concerns. As an example, a visit to Fort McKay took place in April, beginning with a presentation from the community’s Industry Relations Corporation (IRC) on the community’s planning process and overall community vision. Information sessions were also held with key people representing Fort McKay’s leadership, community administration, school and daycare. In total, 263 Aboriginal consultation activities took place during the year including meetings, tours, events and telephone discussions.

**Outreach on Odour Concerns**
In April and into May, Fort McKay residents voiced concerns about sustained odours coming from a new unit at Syncrude. Early on during the incident, five children took ill as a result of the odours and were sent to hospital for observation. In response to the concerns, Syncrude immediately increased air monitoring with our diagnostic and source tracking vehicle, and sent personnel into the community.
to meet with leaders and affected residents. As well, community bulletins were distributed to all homes, and two town hall meetings with residents were held so Syncrude could learn more about the concerns and communicate the underlying reasons for the incident and plans for corrective action.

On May 18th, the Government of Alberta ordered Syncrude to shut down the operating unit that had been causing the odours until it could be proven to operate in an odour-free manner. Throughout the next three months, Syncrude updated local residents through our web site, community bulletins, face-to-face meetings and daily status briefings with the Industry Relations Corporations of neighbouring Aboriginal communities and representatives from government, the regional health authority and other key stakeholders. The parties were consulted on Syncrude’s plan to restart the unit and modifications to the plan were made as a result.

The consultations also led to the purchase by Syncrude of specialized ammonia analyzers which were installed in the Fort McKay air quality monitoring station operated by the Wood Buffalo Environmental Association, and also in Syncrude’s source tracking vehicle. Syncrude is also funding a new electronic message board in Fort McKay to keep residents better informed on air quality through the real-time display of air quality data.

Operating License Renewal
In March, Syncrude applied to the Government of Alberta for renewal of Syncrude’s operating license under the Environmental Protection and Enhancement Act. The application outlines Syncrude’s methods and plans for protecting air and water quality and includes an updated site closure plan. Syncrude is now working with regional stakeholders to understand concerns about our current operation and future plans, including reclamation and closure activities and mining and production operations. The license must be renewed every 10 years.

Regional Multi-Party Consultations
Throughout 2006, Syncrude maintained close contact with the various Wood Buffalo area groups that are responsible for regional environmental monitoring and management. Tours and meetings were held with the Cumulative Effects Management Association, the Regional Aquatics Monitoring Program, the Wood Buffalo Environmental Association and the Industry Relations Corporations that represent the region’s First Nations.

Wood Buffalo Municipal Consultations
In May, the Regional Municipality of Wood Buffalo commenced a series of consultations in six communities to assess how oil sands development is affecting quality of life for the region’s residents. At the Fort McMurray consultation, the Regional Issues Working Group presented industry’s perspective and its plan for sustainable growth. The consultation was launched in response to robust growth in the oil sands industry, which has in turn strained the Municipality’s ability to provide needed services. The Municipality hopes that the consultations will bolster its case for more funding from both oil sands companies and the Government of Alberta. Information gathered from the process was forwarded to the Government and the Regional Issues Working Group for consideration.

Alberta Oil Sands Consultations
In August, the Government of Alberta formed two committees to lead public consultations on the development of Alberta’s oil sands and the short-and long-term issues that need to be addressed to support further sustainable development.

The Oil Sands Ministerial Strategy Committee was charged with developing a coordinated short-term action plan to address social, environmental and economic impacts. After collecting input from Syncrude and other stakeholders, it put forth 30 recommendations for consideration by the provincial government.
The Multi-stakeholder Committee sought input on principles to assist in guiding future government policy decisions. Its scope includes long-term social, economic, environmental and First Nations/Métis issues related to oil sands development. The first phase of the consultation comprised public information sharing sessions in five different communities; Syncrude made representations at three of these, and our input is posted on Syncrude’s web site at www.syncrude.com.

Further information on the consultation is available at www.oilsandsconsultations.gov.ab.ca

Federal Consultations
In the autumn, the House of Commons Standing Committee on Natural Resources commenced public hearings on the sustainable development of Canada’s oil sands. As part of its work, the Committee visited Fort McMurray in November, where it heard from various industry and community members. The Committee also heard presentations in Ottawa, including two from Syncrude on the topics of economic contribution, environmental stewardship and land reclamation.

Syncrude Tour Program
Syncrude welcomes public interest in its operations. We conduct discretionary tours for visitors in response to our business needs, and Fort McMurray Tourism conducts tours for the public between May and September. In 2006, tours were conducted for more than 6,000 visitors, including 3,587 public guests.

Information on public tours is available from Fort McMurray Tourism at 780-791-4336 or www.fortmcmurraytourism.com

Mining Industry Approves Verification System
In June, Syncrude and other members of the Mining Association of Canada approved a new external verification system for performance data the member companies provide as part of their participation in the Association’s Toward Sustainable Mining initiative. The data relates to Tailings Management, Energy and Greenhouse Gas Management, Crisis Management, and External Outreach protocols. Syncrude expects to have its 2006 data reviewed by external verifiers in the first quarter of 2007. Syncrude was among 16 mining industry companies to provide data for the 2005 Towards Sustainable Mining Performance Report. Data in the report provides a benchmark for industry best practices.

For more information, visit the Mining Association of Canada website: www.mining.ca

Budget Provides for Regional Infrastructure
In its March 2006 budget, the Government of Alberta pledged $446 million to twin Highway 63 north and south of Fort McMurray, and to pave regional Highway 881, which connects Fort McMurray to Anzac, Janvier, Conklin and Lac La Biche; the latter project was completed over the summer months and the Hwy 63 project is expected to be complete within five years. As well, the Northern Lights Regional Health Authority received an 8.3 per cent budget increase, which was the largest increase among all of the province’s health regions. The budget provisions reflect a concerted effort by Syncrude and other regional stakeholders to make a business case for funding for transportation, utilities, health and education infrastructure. Regional stakeholders believe that significant additional resources are required to meet community needs, and work continues through individual and multi-party efforts to advocate for these and also for the release of more Crown land for housing.
Our Aboriginal Relations Program encompasses the six key commitment areas of corporate leadership, employment, business development, education and training, community development and the environment.

Syncrude has a strong desire to be a good neighbour and invests in a great variety of Aboriginal community projects across the Wood Buffalo region. Since 2001, we have invested nearly $4 million for such purposes.

RECOGNITION FOR YOUNG ABORIGINAL ENTREPRENEURS  Brothers Derek and Cody Bruno received the inaugural Syncrude Aboriginal Youth Entrepreneur Award at the 2006 Alberta Business Awards of Distinction. The Brunos started their business, Cree Convenience & Peace Hills Pure Water, in 2001 on the Samson Cree Nation Reserve in Hobbema. They’ve since seen it grow to encompass customers in Edmonton and other locales having received a publicity boost from the award. Both are active in their community, mentoring youth and participating in civic politics.

ABORIGINAL PROGRAMS REFERENCE DOCUMENTS  Syncrude is also featured, along with the community of Fort McKay, as a case study in Building Sustainable Relationships: A Compendium of Leadership Practices in Aboriginal Engagement and Sustainability, published by Canadian Business for Social Responsibility. The book, encompassing corporate and Aboriginal experiences from across Canada and around the world, is meant to help foster “a deeper understanding for the shared responsibility of engagement between Aboriginal communities and the natural resource sectors.”

For more information visit www.acr-aboriginalproject.org
Syncrude is continuing with its initiatives to improve future prospects for Aboriginal youth. Our employment and education programs include:

- The Fort Chipewyan Summer Student Work Ethics Program which places young people in summer jobs to introduce them to the world of work, community role models, and successful business projects. Syncrude has contributed approximately $70,000 to the program since 1998.

- The Fort McKay Summer Student Employment Program, which is designed to develop and instill career and life skills relevant to future employment.

- The Syncrude Aboriginal Scholarship Program, which has awarded $325,000 in scholarships to 170 Aboriginal students since 1989.

### Fort Chipewyan Employment Program

Syncrude has expanded its rotational fly in-fly out employment program for residents of Fort Chipewyan. Ten new employees were hired in 2006, bringing the total number of participants to 17. Syncrude aims to have 21 program participants by spring of 2007. The program began in 1979 when Fort Chipewyan residents expressed a desire to work in the oil sands without leaving their home and community behind. Seven heavy equipment operators inaugurated the program, some of who still work with Syncrude today.

*Rotational program participant Jeffrey Marcel and family in Fort Chipewyan*
In 2006, Syncrude continued work toward our long-term goal of accurately reflecting the proportion of Aboriginal people in the Wood Buffalo population, between 12 and 13 per cent, in our own workforce.

At year-end, we employed 420 Aboriginal people directly—the highest level in six years—while many more were listed on the payrolls of our contractors. The aggregate total is consistent with our target. Overall, growth in Syncrude’s Aboriginal workforce has kept pace with, and in some cases exceeded, general workforce growth over the last ten years. For the last two years, attrition in Syncrude’s Aboriginal workforce has been below the workforce average.

Aboriginal employees comprised six percent of Syncrude leaders in 2006. While this increase in Aboriginal participation in Syncrude leadership is encouraging, Syncrude believes there is further room for improvement and we continue our efforts to develop potential Aboriginal leaders.

At the end of 2006, 116 Aboriginal people were employed in administrative, professional and technical (APT) positions, while another 304 worked in occupational areas. The APT figure represents about 5.2 percent of the total workforce in that segment, an improvement over previous years.

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**THE ABORIGINAL WORKFORCE**

Syncrude reached a significant new milestone in its relationship with Aboriginal businesses in 2006—more than a billion dollars spent on purchased goods and services over a 15-year period.

For 2006, we spent $132 million on 27 active contracts with Aboriginal firms representing all of the Aboriginal communities in the Wood Buffalo region. It’s the third straight year of more than $100 million worth of business for Aboriginal firms.

**A BILLION DOLLARS FOR ABORIGINAL BUSINESS**

Syncrude recognized for Best Practices in Aboriginal Relations

At the 2006 Alberta Business Awards of Distinction, Syncrude received the Aboriginal Relations Best Practices Award, and was cited for outstanding achievements in Aboriginal relations, including economic development, employment and training, and Aboriginal community support.

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Tyrone Brass is the owner of Bayzik Electrical, one of the many Aboriginal businesses Syncrude works with each year.
ACTIVE LIVING PROJECTS IN CONKLIN AND FORT CHIPEWYAN

As part of the Conklin Community Association’s Recreation Revitalization Partnership, Syncrude has contributed $75,000 to build a community play structure. The structure will be centrally located and is expected to be the hub of a larger complex. Syncrude has also contributed $50,000 toward the construction of three community play structures in Fort Chipewyan in response to a need for safe playground environments where children can take part in regular physical activities; young people will take part in the planning of the facility.

NEW CHILD CARE CENTRE FOR FORT CHIPEWYAN

Syncrude is the largest corporate supporter of a new childcare centre in Fort Chipewyan, providing more than $130,000 in financial resources. The funds were used to help construct the centre and also for supplies and equipment. The centre will provide care for the children of the families in the community, and will also provide a nurturing environment in which the children can learn and develop new skills. The centre held its grand opening in November.

COOKIE SIMPSON, DIRECTOR OF THE CHIP CHILDCARE SOCIETY

2006 ABORIGINAL REVIEW

The sixth edition of Syncrude’s Aboriginal Review, A Strong Sense of Direction, is now available. It celebrates youth, profiles success stories, and documents Syncrude’s activities and partnerships with the Aboriginal community in our six key commitment areas. The Review can be viewed at www.syncrude.com
Community Involvement

Our commitment to the communities in which we live and work is motivated by our responsibility to be a good corporate citizen and our desire to be a good neighbour.

Community Investment Highlights

Syncrude's investments in the community amounted to $4.3 million in 2006, a 60 per cent increase compared to 2005. Among the projects we supported:

- The Syncrude Timberlea Athletic Park, which will feature four soccer pitches, six ball diamonds, an outdoor hockey rink/lacrosse pitch, a cricket pitch, and a new clubhouse. Construction is expected to be complete by summer 2007. In celebration of the completion of Syncrude's Stage 3 expansion project, Syncrude donated $2.5 million over two years for the construction of the clubhouse, which will encompass meeting rooms, a concession, outdoor patios, and a variety of rooms for other programs.
- The Syncrude Sport and Wellness Centre at Keyano College, which will be a community-use complex offering state-of-the-art recreation and training facilities. Syncrude announced a multi-year investment of $500,000 in 2005.
- Robbins Pavilion—Centre of Cardiac Services at the Royal Alexandra Hospital in Edmonton. The Pavilion, now under construction, will improve access to women's health services and cardiac medicine and surgery. Currently, nearly all cardiac patients from Wood Buffalo requiring angioplasty are referred to the Royal Alexandra Hospital. Syncrude's support of $250,000 over three years has been directed to help construct one of four new cardiac catheterization laboratories.

Community Investment Program 2006 (% of Total)

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<td>4.58%</td>
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<td>Education</td>
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<tr>
<td>Environment, Health and Safety</td>
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<tr>
<td>Recreation</td>
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<td>Civic and Community</td>
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<tr>
<td>Sponsorships</td>
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<tr>
<td>Good Neighbours</td>
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<td>Aboriginal</td>
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<td>Memberships</td>
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</table>

Syncrude provided $4.3 million in community investment funding in 2006.

- The Fort McMurray Food Bank, which provides relief and short- and long-term solutions for hunger and poverty. Syncrude donated $50,000 to the organization in 2006, and a group of mining employees (Team 502) raised an additional $1,000.
- The Fort McKay School, which received $75,000 from Syncrude to help increase the learning capacity of its students. Funds will help support: a counsellor skilled in assisting children with development issues; nutritional meals for the hot lunch program; and the purchase of new audiovisual and computer equipment for the school.

Community Programs

1. Includes donations made under the Community Investment Program, Aboriginal Community Investment Program, sponsorships, and gifts in kind.
2. Syncrude's corporate giving programs are subject to formal audits and are also governed by three committees of Syncrude employees to ensure strategic objectives are met.
3. Figures shown include Syncrude funding for Aboriginal Industry Relations Corporations; the Athabasca Tribal Council; and community monitoring and management groups including the Regional Issues Working Group, Wood Buffalo Environmental Association, Regional Aquatics Monitoring Program, and Cumulative Effects Management Association.
Syncrude and our employees again registered an outstanding show of community support in 2006, helping to raise annual contributions to the United Way by more than $90,000 to $888,000, a new record. Employee donations of $738,000 were supplemented by a corporate contribution of $150,000 from Syncrude. The overall United Way fundraising target in Fort McMurray in 2006 was $2.5 million and more than $3 million was ultimately raised. Syncrude and our employees typically contribute between 30 and 40 per cent of the campaign goal.

**LEADERSHIP WOOD BUFFALO**  Syncrude has provided significant support for a new initiative to develop current and future leaders from the public, private, and non-profit sectors in the Wood Buffalo region. Leadership Wood Buffalo received $50,000 to help establish and implement its program of leadership training, which will develop and enhance the personal skills needed to address community capacity issues and take on the challenges of community leadership. In the program’s first year of operations (2006-07), the program is providing training for 17 participants, including two Syncrude employees, who have come from business, government, community service and not-for-profit sectors. Kjersti Powell, a leadership development expert and Syncrude employee, was instrumental in initiating Leadership Wood Buffalo.

Syncrude’s corporate and employee donations to the United Way peaked at a record $880,000 through the help of such fundraisers as the President’s Cup hockey game. Pictured here is the winning Syncrude Bison team.
Syncrude and our employees are focused on achieving our target of zero injuries, and instilling a safety culture in a workforce that includes an increasing number of new employees and contractors.

2006 SAFETY PERFORMANCE  Syncrude’s safety performance in 2006, while among the best of industry in Alberta, did not meet the records of excellence posted in 2005. The combined lost-time injury frequency rate in 2006 was 0.15 per hundred person years worked compared to 0.05 the year before. A comprehensive review and analysis of all 17 lost-time injuries sustained in 2006 did not identify any common root causes.

Safety Performance high Light S
As at December 31,
the following safety milestones were reached:
• Employees and contractors working in Syncrude’s Extraction department had worked 856 days, or 3.34 million hours, without a lost-time injury. The achievements were enabled in part by the department’s focus on improvements in infrastructure, behaviours, knowledge and attitudes that are supported by training, policies, and procedures that promote and reinforce excellent safety performance.
• Employees and contractors in the Upgrading department worked 700 days or 8.54 million hours without a lost-time injury.
• Employees and contractors in the Research department worked 2,573 days or 1.25 million hours without a lost-time injury.

More lost time injuries were recorded in 2006 than in 2005. Workforce hours declined due to the completion of Syncrude’s Stage 3 expansion project.

SAFETY PERFORMANCE HIGHLIGHTS  As at December 31,
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• Employees and contractors in the Research department worked 2,573 days or 1.25 million hours without a lost-time injury.

Firefighter Andrew Golosky is a member of Syncrude’s Emergency Response team.
# Health and Safety Performance

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<td><strong>Number of Lost-time Injuries</strong></td>
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<td>Temporary Disability Absenteeism</td>
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<td>3.9</td>
<td>3.8</td>
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<tr>
<td>(% of Syncrude Workforce)</td>
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<td>17</td>
<td>–</td>
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<td>New Long-Term Disability (LTD) Cases</td>
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<td>17</td>
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<tr>
<td>Health Centre Visits ²</td>
<td>–</td>
<td>25,049³</td>
<td>–</td>
<td>37,209</td>
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<td>19,000</td>
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<td><strong>On Site Workforce</strong></td>
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<td>(full-time equivalents employees &amp; contractors)</td>
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<td>–</td>
<td>18,205</td>
<td>15,806</td>
<td>13,208</td>
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1. Recordable injury frequency is a rate that includes all injuries requiring medical attention or which resulted in a worker being absent from work. It is expressed as injuries per 100 person years of work. A lost-time injury is an injury that requires medical attention and results in the worker being absent from work. Injury severity is the average rate of lost workdays per lost-time injury.

2. Includes visits by Syncrude employees and contractors for occupational, non-occupational, and other reasons. Visits are recorded as in-person visits or chart documentation for surveillance or administrative purposes.

3. Decrease due to completion of upgrader expansion project and resulting reduction in onsite workforce.
• Employees in the Finance, Business and Corporate Affairs department worked 943 days or 0.99 million hours without a lost-time injury.

• Outstanding safety performance on the upgrader expansion (UE-1) project earned the UE-1 team the President’s Award for safety the second year running. Despite its size and complexity, UE-1 posted no lost production incidents, a reduction in the LTI frequency rate from 0.05 to 0.03, and a record of nearly 12 million consecutive hours worked LTI-free.

SITE SECURITY INITIATIVES   In the face of the ever-increasing international profile of Canada’s oil sands, Syncrude does its utmost to assure the security and safety of its people and operation. In 2006, changes were implemented to help manage site access control. Security turnstiles have been installed at various locations around Syncrude to electronically confirm the validity of people and equipment entering the site. Changes have also been made in the way buses are staged on site for arrivals and departures and the way in which workers are transported around site.

EMPLOYEE TRAINING AND EDUCATION   Every Syncrude department offers a variety of employee training and educational programs to promote health and safety both on and off the job. These programs are designed to best meet the needs of individual areas. Through the Choices at Home program, Syncrude’s Finance, Business and Corporate Affairs employees and their families can be reimbursed half the cost of select health and safety related courses offered by organizations like Keyano College and St. John Ambulance. The courses include First Aid, Healthy Heart Workshop, Defensive Driving, and Creating a Healthier Home.

Rescue Team Members in Real-Life Skills Test

Three members of Syncrude’s Mine Rescue Team—Kevin Knowles, Duane Wollbeck and Dean Stoyles—put their hearts and training into preventing a tragic end to a vehicle collision they were involved in on their way to Syncrude’s Mildred Lake site. The bus they were riding in had collided with an out-of-control car carrying two occupants, both of whom were injured. Thanks to their extensive safety training—120 hours annually—and the help of their fellow passengers, the three men secured the scene and rendered assistance until paramedics arrived.

SAFETY WITHOUT BOUNDARIES   Toward sustained excellence in safety performance, the Syncrude Corporate Loss Management group continues to draw on the experiences and expertise of others through its participation in a wide variety of external groups. These groups provide a forum for dialogue, information exchange and the sharing of best practices. These include the Oil Sands Safety Association and a range of other safety committees and key industry associations related to oil sands, engineering, process operations and construction.

OIL SANDS SAFETY ASSOCIATION   The Oil Sands Safety Association, which works to establish common training standards and codes of practice for oil sands sites, and also ensure consistent delivery of training to those standards to both new and existing workers, commenced work in 2006 to develop several new standards. They include: regional code of practice and training standard for Safe Work Permits; regional code of practice for Safe Driving in the Mine; training standard for Overhead Cranes; and training standard for Fundamentals of Rigging and Hand Signals. The Association was founded by Syncrude and others to support oil sands industry growth by enhancing local safety training resources and promoting worker mobility. Syncrude continues to serve on its working committees and Board of Directors.
SAFETY SYMPOSIUM  In January, Syncrude held another of its highly regarded safety symposiums. The event brought together more than 550 leaders from Syncrude, its contractors and the building trades to learn about leadership and its role in sustaining the safety culture at Syncrude during times of high worker turnover. The participants agreed that future areas of focus will include leadership visibility in the field, use of the Field Level Risk Assessment tool, and instilling a personal commitment to safety among workers.

Among other learning sessions, the event featured the story of a former power lineman who sustained three lost limbs and nearly died in a workplace incident in 1989. He has only recently been able to talk openly about the ordeal, which saw 14,000 volts of power surge through his body. His message was the importance of personal accountability and how workers need to be accountable to themselves and their families. He made the effort hoping that his experiences and the lessons he’s learned will help others take safety seriously and prevent injuries or death at work and at home.

COMBINED EFFORT ON HEALTH CARE  Syncrude’s Chief Medical Officer has assumed responsibilities as chair of a new oil sands industry committee that will work in cooperation with the regional health authority to improve health care delivery. The group will identify actions that industry can take on a range of issues to positively influence the ability of the health authority to meet community needs.

CRANE INCIDENT LESSONS  Syncrude has implemented new operating and maintenance procedures for cranes in the aftermath and forensic investigation of an incident in February in which a 500-tonne capacity mobile crane overturned while stationed at the Mildred Lake upgrader site. One worker sustained a lost-time injury and some buildings were damaged as a result of the incident.

Award for Health and Wellness Initiatives
In 2006, Syncrude received the Premier’s Award for Healthy Workplaces. The award recognizes Syncrude’s overall commitment to health and wellness both on and off the job. Syncrude’s Fatigue Buster’s Program was cited as an example of our best practices. It teaches employees about their exposure to health and safety risks due to fatigue, provides them with job-specific techniques to offset tiredness, and also provides information on healthy lifestyle choices.
A focus on doing the right thing is behind Syncrude’s ongoing efforts to reduce impacts on land, water and air. Through such initiatives as the Syncrude Emissions Reduction Project and our leading reclamation and water management programs, we are working towards further improvement in the years ahead.
Syncrude manages air emissions in order to minimize any operational impact on the environment. We operate our business in strict compliance with our regulatory requirements, and are also pursuing a variety of projects to improve our performance in the short- and long-term.

**Air Quality**

**GREENHOUSE GAS EMISSIONS** Syncrude recognizes the links between increasing global temperatures and greenhouse gas emissions. To address this challenge, our focus in 2006 was on energy conservation and a return to reliable operations at our Mildred Lake upgrader. Syncrude also continues to explore additional means of controlling greenhouse gas emissions and is committed to meeting imminent new provincial and federal regulations through both direct action and the offset mechanisms that are being proposed by regulators.

**SULPHUR EMISSIONS** The release of sulphur compounds from the Syncrude operation fell to an average of 218 tonnes per day in 2006, down from 227 tonnes per day in 2005, even as production of crude oil increased. The gains were enabled by the start-up of a new flue gas scrubbing unit, which captures sulphur dioxide from one of our three cokers which otherwise would be released into the atmosphere. The flaring and diverting of sour gas increased to 11.4 tonnes per day in 2006, due to start-up of new operating units built as part of the Stage 3 expansion, including the start-up of Coker 8-3 and its associated flue gas scrubbing unit (see discussion below).

**NITROGEN OXIDES EMISSIONS** The release of nitrogen oxides increased to an average of 65.6 tonnes per day in 2006, due to a larger mobile equipment fleet. Emissions intensity was consistent with previous years, at 0.25 kilograms per unit of production.

**FLUE GAS DESULPHURIZATION UNIT** A new flue gas desulphurization unit constructed as part of Syncrude’s Stage 3 expansion is now operating reliably after some initial start-up difficulties. The unit is designed to improve Syncrude’s environmental performance by capturing sulphur compounds which would otherwise be released into the atmosphere and is credited for an overall reduction in Syncrude’s SO₂ emissions. The unit also helped reduce by 20 per cent the intensity of Syncrude’s SO₂ emissions.

During start-up procedures in April and May, ammonia-like odours that were physically upsetting to residents were detected in surrounding communities. These were traced to the new unit. While limits for occupational exposure and ambient air quality were not exceeded, the unit was shut down by order of the provincial government on May 18th until it could be proven to operate without odours. Syncrude took the problem very seriously from start to remediation, and maintained constant contact with all affected stakeholders. Impurities in our internally produced ammonia are believed to have caused the odours. The unit is currently being operated using ammonia purchased from other sources. See further discussion on this topic in Stakeholder Consultation on pg. 32.

**EMISSIONS REDUCTION PROJECT** Preliminary site preparation for the Syncrude Emissions Reduction Project (SERP) began in 2006. The project will reduce emissions of sulphur compounds to an annual average of less than 100 tonnes per day after it is operating to specification in 2011. The civil construction phase of excavation, pilings and foundation work is slated for completion in mid-2007. SERP will retrofit flue gas scrubbing facilities into the operation of Syncrude’s two original cokers and, when combined with Stage 3 improvements, should reduce stack emissions of sulphur compounds by 60 per cent from current approved levels of 245 tonnes per day. Emissions of particulate matter also should be significantly reduced.

**MANAGING TRANSBoundary EMISSIONS** The continuing expansion of the oil sands industry has generated attention on the downwind effects of air emissions such as sulphur dioxide and nitrogen oxides. Several meetings between government officials in Alberta and Saskatchewan took place in 2006 to review an agreement on transboundary environmental effects and to discuss related issues. Analyses of the potential impacts of oil sands emissions on Saskatchewan are now to be included in environmental assessments and environmental monitoring also will increase.
Syncrude, through its Emissions Reduction Project, will achieve a major reduction in emissions of sulphur dioxide by 2010-11. As well, work is ongoing to further develop and implement nitrogen oxide reduction mechanisms. Our efforts in reducing sulphur dioxide and nitrogen oxide emissions will play a major role in reducing the cumulative impacts of oil sands development in the region.

**CARBON SEQUESTRATION** In 2006, Syncrude, along with three participants in the Syncrude Joint Venture and other companies, contributed funding as members of the Integrated CO₂ Network (ICON). The group was formed to explore the viability of developing a large scale Canadian carbon dioxide capture, transportation and storage network. Carbon sequestration is believed to be the single largest near-term opportunity to reduce greenhouse gas emissions stemming from power plants, oil and natural gas processing facilities and oil sands developments.

ICON, an undertaking of industry and the Alberta and Canadian governments, envisions a system whereby a portion of the captured CO₂ would be used for enhanced oil recovery in the conventional crude oil industry, and the balance would be sequestered indefinitely in secure geological formations thereby reducing atmospheric emissions of CO₂, perhaps by 20 million tonnes by 2015. While the technologies have been proven elsewhere, a large part of the current challenge relates to the significant costs required to construct the multi-billion dollar system and the limited opportunities for cost recovery.

**ANALYSIS OF KEY AIR INDICATORS** Main stack opacity hours over 40 per cent increased in 2006 due to problems with the electro-static precipitators that help remove particulates from Syncrude’s main stack emissions. The source of the problem has been identified and repairs to address this will be completed in early 2007.

The 40 odour complaints in 2006 relate largely to the incidents discussed above (see Flue Gas Desulphurization Unit). During this period, Syncrude referred concerned residents to Alberta Environment’s odour complaint line to ensure odour complaints were properly logged with regulators.
### Atmospheric Emissions

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<tr>
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<td>10.36</td>
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<tr>
<td>Tonnes per day (annual average)</td>
<td>210</td>
<td>218</td>
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<td>227</td>
<td>241</td>
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<td>Tonnes per 1,000 bbls of SSB (annual average)</td>
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<td>0.23</td>
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<tr>
<td>Hours per year</td>
<td>&lt;70</td>
<td>138</td>
<td>&lt;70</td>
<td>25</td>
<td>202</td>
<td>11</td>
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1 The calculation of GHGs from all point sources at Syncrude is a complex engineering effort. As such, final 2006 data was not complete at the printing of this report. The values stated in this document are a best estimate of total tonnes and tonnes per barrel. Finalized data will be available through Syncrude’s web site and through publicly disclosed reports to our regulators.


3 Diverter stack usage due to outages of CO Boilers 8-1 and 8-2 while they underwent emergency repairs. See 2004 Sustainability Report for discussion. See discussion below on Sulphur Emissions for explanation of 2006 diverter usage.

4 Figures restated from estimates published in Syncrude’s 2005 Sustainability Report.

### Key Air Indicators

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<td><strong>Main Stack SO₂</strong></td>
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<tr>
<td>Hours greater than 16.4 tonnes per hour</td>
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<td>Daily average greater than 292 tonnes per day (# of occurrences)</td>
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<tr>
<td><strong>Main Stack Opacity (# of hours &gt; 40%)</strong></td>
<td>&lt;5</td>
<td>19</td>
<td>&lt;5</td>
<td>0</td>
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<tr>
<td><strong>Main Stack NOx Emissions</strong></td>
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<td># of hours &gt; 1.5 tonnes per hour</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td><strong>Ambient Air Exceedences</strong></td>
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<td>H₂S hourly (#)</td>
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<td>0</td>
<td>38</td>
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<td>H₂S 24-hour period (#)</td>
<td>0</td>
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<td>0</td>
<td>8</td>
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<td>SO₅₁ hourly (#)</td>
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<tr>
<td>SO₂ 24-hour period (#)</td>
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<td><strong>Odour Complaints Received (#)</strong></td>
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<td>40</td>
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<td><strong>Environmental Fines (#)</strong></td>
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<td><strong>Environmental Administrative Penalties (#)</strong></td>
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<td><strong>Total Penalties by Year ($’000)</strong></td>
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<td><strong>Cumulative Total Penalties since 1978 ($’000)</strong></td>
<td>37</td>
<td>37</td>
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Alberta Environment conducts regular onsite audits of our stack sampling procedures to ensure compliance with requirements to maintain high quality data within tightly specified tolerances. Information relating to offsite air quality is measured, collected, and validated by an independent third party, the Wood Buffalo Environmental Association.
Resource Conservation

We employ significant effort to ensure the efficient use of our resources and the responsible extraction and upgrading of bitumen into a high quality crude oil product.

### Resource Conservation

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<tr>
<td><strong>Total Energy Consumption</strong></td>
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<tr>
<td>Billion BTUs</td>
<td>156,231</td>
<td>140,954</td>
<td>137,863</td>
<td>114,753</td>
<td>119,401</td>
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<td><strong>Energy Intensity</strong></td>
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<tr>
<td>Million BTUs per barrel</td>
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<td>1.48</td>
<td>1.36</td>
<td>1.43</td>
<td>1.35</td>
<td>1.37</td>
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<td><strong>Bitumen Recovery (%)</strong></td>
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<tr>
<td></td>
<td>90.3</td>
<td>91.3</td>
<td>89.6</td>
<td>89.1</td>
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<td><strong>Naphtha Losses</strong></td>
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<tr>
<td>Bbls per bbl of bitumen produced</td>
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<td>0.0032</td>
<td>&lt;0.0043</td>
<td>0.0038</td>
<td>0.0038</td>
<td>0.0044</td>
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<td><strong>Upgrading Yield (%)</strong></td>
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<td>89.1</td>
<td>84.7</td>
<td>88.8</td>
<td>85.3</td>
<td>85.5</td>
<td>85.8</td>
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</table>

**RESOURCE CONSERVATION ANALYSIS**  
Energy intensity in 2006 was up over three per cent from 2005 as a result of start-up energy demand on the new Stage 3 units. This demand should abate as operational experience with the units is gained. Many of the new units feature monitoring and management systems that allow for increased capture and use of waste heat, which will result in reduced energy intensity in coming years.

A significant increase in bitumen recovery was recorded in 2006 thanks to better material balance measurement and programming improvements that allowed for better monitoring and optimization in extraction operations. Several technical improvements in bitumen froth treatment also helped improve bitumen recovery. In 2007, work to modify primary separation vessels should enable long-term continued improvement in bitumen recovery rates.

Syncrude had its best ever year for naphtha recovery thanks to a new naphtha recovery unit and control system placed in service in April 2006. Overall naphtha losses on a per barrel basis were reduced by more than 15 per cent. Naphtha recovery was 87.3 per cent in 2006, an increase from 86.8 per cent in 2005.
Water Use

Syncrude is the most efficient user of water in the oil sands industry, and we continue to pursue a strategy of minimizing use of fresh water by maximizing the recycle of process water.

**WATER USE AND CONSERVATION ANALYSIS**  Syncrude’s 2006 import of water from the Athabasca River, at 33.9 million cubic metres, was less than target due to lower than planned production and higher than targeted use of recycled water. Overall water consumption increased over 2005 due to higher year-over-year production and start-up demand associated with the Stage 3 expansion. Water intensity was 2.26 cubic metres per barrel of production, an improvement of nearly one per cent over 2005. About half of the fresh water used at Syncrude is returned to the hydrologic cycle through evaporation.

Currently over 85 per cent of process affected water is recycled and total water recycled from all uses, including process affected water, is about 80 per cent of all water used. Toward continued gains, a tailings steering committee is working to identify and implement additional re-use opportunities. Three projects underway at the Mildred Lake site to recover condensate and cooling water are expected to reduce fresh water intake by 2.1 million cubic metres per year when fully implemented in 2009. At the Aurora site, diversion projects to prevent entry of fresh water into the mine pit and settling basins are expected to preserve the integrity of about 6.5 million cubic metres of water per year.

**NO IMPACTS FROM PIPELINE WATER LEAK**  On April 20th, a leak was discovered in the 35-kilometre-long recycle water pipeline that connects Syncrude’s Mildred Lake and Aurora North sites. About 1,400 cubic metres of recycle water, which contains trace amounts of hydrocarbons, were released. The line was immediately shut down for repairs and the leaked water was contained and recovered. As well, water samples were taken in the Beaver Creek and Athabasca River and testing of the samples showed little or no impact on river water quality. Testing continued after the pipeline was repaired. Syncrude believes the leak was caused by a large rock coming in contact with the pipe, damaging the external protective coating.

**Syncrude wins Stewardship Award**

In May, the Canadian Association of Petroleum Producers presented Syncrude with its Steward of Excellence Award for leadership in water conservation and management. Syncrude cut its water consumption by 9.7 million cubic metres between 2002 and 2004 while increasing production by almost four million barrels annually over the same period.
Syncrude is the most efficient user of water in the oil sands industry. Of all the water used at our operation, we import only about 20 per cent from the Athabasca River which flows north through the Athabasca Oil Sands Deposit.

### Water Use

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<td><strong>Imported from Athabasca River</strong></td>
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<tr>
<td>Millions of cubic metres per year</td>
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<td>47.4</td>
<td>28.2</td>
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<td>Cubic metres per cubic meter SSB produced</td>
<td>2.4</td>
<td>2.26</td>
<td>2.4</td>
<td>2.3</td>
<td>2.2</td>
<td>2.6</td>
</tr>
<tr>
<td><strong>Process Water Recycled</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millions of cubic metres per year</td>
<td>240.0</td>
<td>234.5</td>
<td>240</td>
<td>228.0</td>
<td>228.4</td>
<td>189.1</td>
</tr>
<tr>
<td>Recycled as % of total water used</td>
<td>87</td>
<td>87</td>
<td>84</td>
<td>88</td>
<td>88</td>
<td>86</td>
</tr>
<tr>
<td><strong>Treated Waste Water Discharged to River</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>('000 cubic metres)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sanitary</td>
<td>–</td>
<td>314.5</td>
<td>–</td>
<td>382.4</td>
<td>345.4</td>
<td>353.2</td>
</tr>
<tr>
<td>Other</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

1 Increase due to growth in planned oil production.

2 Recycled water volumes reflect the combined volumes for Syncrude’s Mildred Lake and Aurora facilities.

3 Syncrude does not discharge any process-affected water to river systems.
Reclamation

Syncrude reclaimed a total of 312 hectares of mining land in 2006 though changes to mining activity necessitated the re-disturbance of 45 hectares that had been previously reclaimed, resulting in a net gain of 267 hectares. Almost half of the reclamation in 2006 was located at the Aurora site, which has been an operating mine for only six years. In total, $30.5 million was spent on reclamation activities during the year.

Syncrude aims to directly place material from a disturbed area to a reclamation site wherever possible; in fact, two million banked cubic metres (bcm) of reclamation material were so placed in 2006, while a further 1.4 million bcm were stockpiled. Beyond this, an existing stockpile of 869,000 bcm was also placed on reclamation sites.

Reclamation in 2007 is anticipated to be about 100 hectares, less than previous years due to ongoing construction that will restrict the amount of land available for permanent reclamation. Stockpiling of reclamation material will continue to support an enhanced level of reclamation in future years.

Encouraging Public Stewardship

On Labour Day, more than 200 employees, contractors, and their families participated in Syncrude’s second annual tree planting day. The event, which included a tour of Syncrude’s various reclamation sites, showcased Syncrude’s commitment to the environment and progress on reclamation, and was also aimed at developing a more informed stakeholder constituency.

Syncrude’s lead role in coordinating the second annual Energy in Action day, in September, helped beautify Good Shepherd and Beaconhill School Park by involving students in the planting of 60 shrubs on the grounds. The program, which is an initiative of the Canadian Association of Petroleum Producers, is designed to help young people learn about reclamation and sustainable resource development.

Stacked Tailings Pilot Project

A new tailings management technology that has been tested by Syncrude in a pilot project could result in significant environmental benefits. Stacked Tailings is a promising technique that involves a combination of cyclone stacking and thickening of oil sands tailings. The technique offers potential for significant energy conservation through the recycle of warm water and also for earlier land reclamation.

Through this process, the tailings—sand, silt, clay and water—left over after bitumen has been extracted from oil sand are pumped to a mobile cyclone stacker that separates the tailings into two streams. The coarse dry fraction is deposited as a self-supporting mound of sand that can be used as a solid base for reclamation material. The other stream, primarily a suspension of silt, clay and water, is pumped to a thickener tank and flocculated.

### Land Reclamation

<table>
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</tr>
</thead>
<tbody>
<tr>
<td>Land Disturbed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(cumulative hectares)</td>
<td>20,733</td>
<td>19,973</td>
<td>19,627</td>
<td>19,160</td>
<td>18,653</td>
<td>18,335</td>
<td>17,653</td>
</tr>
<tr>
<td>Land Reclaimed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(cumulative hectares)</td>
<td>4,724</td>
<td>4,624</td>
<td>4,639</td>
<td>4,357</td>
<td>4,056</td>
<td>3,402</td>
<td>3,215</td>
</tr>
<tr>
<td>Net Land Disturbed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(cumulative hectares)</td>
<td>16,009</td>
<td>15,349</td>
<td>14,907</td>
<td>14,800</td>
<td>14,598</td>
<td>14,933</td>
<td>14,438</td>
</tr>
<tr>
<td>Seedlings Planted</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annual</td>
<td>519,700</td>
<td>506,170</td>
<td>571,000</td>
<td>659,400</td>
<td>467,000</td>
<td>315,000</td>
<td>233,028</td>
</tr>
<tr>
<td>Cumulative</td>
<td>5,050,054</td>
<td>4,530,354</td>
<td>4,595,184</td>
<td>4,024,184</td>
<td>3,364,784</td>
<td>2,897,784</td>
<td>2,582,784</td>
</tr>
</tbody>
</table>
causing the fine solids to settle so they too can be used as reclamation material. The remaining layer of warm water is then recycled back to the bitumen extraction process.

While the technology was originally developed for use in the mineral sands industry, Syncrude is the first company in the oil sands to pursue it. Pilot project results are now being assessed.

**SULPHUR STORAGE** Syncrude produces and stores a significant amount of elemental sulphur, a by-product of oil sands processing, at its plant site. The sulphur is stored, as economic considerations do not make it a viable source of supply to established markets. In addition to the current practice of above-ground blocking and storage, Syncrude is now also researching the feasibility of soil capped storage, and part of the total $1.9 million spent on reclamation research in 2006 was dedicated to this purpose. Monitoring of the soil capped sulphur blocks will continue until the third quarter of 2007, after which time the effectiveness of the storage strategy will be assessed. Some of the sulphur produced at Syncrude is now also being processed on-site into agricultural fertilizer under an agreement with a third party.

**RESTORING LAND WITH NATURE’S GIFTS** Syncrude has partnered with the University of Alberta to evaluate the best way of using a natural material known as LFH (leaf litter, fibric and humic) in our reclamation efforts. Syncrude salvages LFH, which is the top layer of the forest floor, when clearing land for development. The material contains seeds, roots, micro-organisms, nutrients and decaying tree branches that are vital to the health of the forest ecosystem and which also help re-establish native plant species. Syncrude first established a test plot using white spruce and aspen LFH on existing tailings sand reclamation in 1998 and found that it was very effective helping re-establish native species. The partnership with the University of Alberta will investigate ways to speed up effective reclamation using LFH. Toward this goal, several additional test areas have been established around the Syncrude site.
FERTILIZER PLANT COMENCES OPERATION A fertilizer plant constructed by a third party on the Syncrude site commenced production of ammonium sulphate fertilizer in 2006. The plant uses as its feedstock waste sulphur and ammonia captured from Syncrude’s upgrading operation. This new facility will help reduce the amount of sulphur dioxide emissions from the Syncrude operation even as production is increased.

RECYCLING PARTNERSHIP In 2006, Syncrude continued its partnership with Sunset Recycle and Sales to recycle various kinds of plant waste, restore its usefulness and in the process keep it out of landfills. During the year, Sunset recovered nearly 11,000 tonnes of scrap metal from Syncrude, bringing the three-year total to about 28,000 tonnes. Sunset is a local Aboriginal-owned company whose service is unique in western Canada.

Waste Management

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Waste Recycled/Reused – Solid (tonnes) ¹</td>
<td>17,720</td>
<td>15,630</td>
<td>18,180</td>
<td>15,380</td>
<td>13,540</td>
</tr>
<tr>
<td>Waste Recycled/Reused – Liquid cubic metres) ²</td>
<td>3,070</td>
<td>3,360</td>
<td>3,040</td>
<td>3,010</td>
<td>2,610</td>
</tr>
<tr>
<td>Waste – Solid Hazardous sent for offsite treatment or destruction (cubic metres)</td>
<td>2.5</td>
<td>14</td>
<td>19</td>
<td>73</td>
<td>13</td>
</tr>
<tr>
<td>Waste – Liquid Hazardous sent for offsite treatment or destruction (cubic metres)</td>
<td>6.5</td>
<td>5</td>
<td>38.3</td>
<td>4.1</td>
<td>6.7</td>
</tr>
<tr>
<td>Waste Disposal – Onsite Industrial Non-Hazardous (tonnes)</td>
<td>32,760</td>
<td>28,680</td>
<td>33,320</td>
<td>61,730</td>
<td>53,410</td>
</tr>
<tr>
<td>Waste Disposal – Onsite Sanitary Non-Hazardous (tonnes)</td>
<td>2,000</td>
<td>2,880</td>
<td>2,350</td>
<td>1,900</td>
<td>1,360</td>
</tr>
</tbody>
</table>

¹ Includes catalyst, scrap metal, tires, conveyor belting and batteries.
² Includes used oil, used solvents and glycol.
Further information about Syncrude’s business performance and investing in Syncrude can be obtained through the web sites listed below. Canadian Oil Sands is the largest participant in the Joint Venture with a 36.74 per cent working interest, and is an open-ended investment trust.

Canadian Oil Sands Limited
(COS.UN – TSX)
www.cos-trust.com

ConocoPhillips Oilsands Partnership II
(COP – NYSE)
www.conocophillips.com

Imperial Oil Resources
(IMO – TSX/AMEX)
www.imperialoil.com

Mocal Energy Limited
www.noex.co.jp

Murphy Oil Company Ltd.
(MUR – NYSE)
www.murphyoilcorp.com

Nexen Oil Sands Partnership
(NXY – TSX/NYSE)
www.nexeninc.com

Petro-Canada Oil and Gas
(PCA – TSX/PCZ – NYSE)
www.petro-canada.ca

Participants in the Syncrude Joint Venture
- Canadian Oil Sands Limited 36.74%
- Imperial Oil Resources 25%
- Petro-Canada Oil and Gas 12%
- ConocoPhillips Oilsands Partnership II 9.03%
- Nexen Oil Sands Partnership 7.23%
- Mocal Energy Limited 5%
- Murphy Oil Company Ltd. 5%

JANTZI SOCIAL INDEX ADDS CANADIAN OIL SANDS
Strong performance by Syncrude in environment, health, safety and Aboriginal relations led the Jantzi Social Index to add Syncrude Joint Venture participant Canadian Oil Sands Trust to its roster of socially responsible companies in 2006. The Index is comprised of 60 publicly traded Canadian companies that pass a set of broadly based environmental, social and governance rating criteria. It is used by money managers and other investors to measure the performance of socially screened portfolios. The Index is compiled by Jantzi Research, which is Canada’s leading provider of social and environmental research for institutional investors.
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& Chief Financial Officer
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Vice President,
Bitumen Production – Aurora
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Project Executive
Doug Allen
Controller
Ray Hansen
General Counsel
Donald Thompson
Corporate Secretary & General Manager,
Environment, Health & Safety

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3 Environment, Health & Safety Committee
4 Compensation Committee
5 Management Committee
6 Strategy Implementation Advisory Group
Affiliations, Partnerships, Professional Accreditation

Syncrude is a member of Canadian Business for Social Responsibility (CBSR), a business-led, non-profit Corporate Social Responsibility consultancy and peer-to-peer learning organization. CBSR provides its members with candid counsel and customized advisory services to improve their social, environmental and financial performance.

Syncrude is a participant in the Stewardship initiative of the Canadian Association of Petroleum Producers; this designation certifies that our EH&S management systems and performance are audited by independent third parties.

Syncrude is accredited at the Gold Level in the Progressive Aboriginal Relations (PAR) Program of the Canadian Council for Aboriginal Business. PAR measures corporate performance in Aboriginal employment, business development, capacity development and community relations.

Syncrude is a platinum level participant in the Stewardship initiative of the Canadian Association of Petroleum Producers; this designation certifies that our EH&S management systems and performance are audited by independent third parties.

Syncrude is a participant in the Towards Sustainable Mining (TSM) initiative of the Mining Association of Canada, which is a strategy for improving the sustainability performance of Canada's mining industry.

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Design and production: Karo Design
Printed in Canada by: Rhino Print Solutions

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- saved 79.8 trees
- saved 33,895 gal. of water/wastewater flow
- 3,750 lbs. solid waste not generated
- 3,837 lbs. atmospheric emissions eliminated
- conserved 56,521,600 BTUs energy