Canadians want responsible development of the oil sands.
THE SYNNCRUDE BACKGROUNDER

Syncrude is a leader in Canada's oil sands industry, with a production capacity equivalent to over 15 percent of the nation's crude oil requirements. We are also among the top 50 companies in Canada for investment in research and development.

Located north of Fort McMurray, Alberta, our mission is to create wealth for all of our stakeholders from Canada's oil sands by producing high quality crude oil in an environmentally and socially responsible manner.

Syncrude was incorporated in 1964 and began producing crude oil in 1978. Today we are the world's largest producer of light, sweet crude oil from the oil sands. Our cumulative production is over 1.8 billion barrels.

The Syncrude Project is a joint venture undertaking among Canadian Oil Sands Limited (36.74%), ConocoPhillips Oilsands Partnership II (9.03%), Imperial Oil Resources (25%), Mocal Energy Limited (5%), Murphy Oil Company Ltd. (5%), Nexen Inc. (7.23%), and Petro-Canada Oil and Gas (12%).
Syncrude is committed to building a sustainable operation by making substantial investments in research, development and new technologies. We’re improving by building on everything we have learned through 30 years of production experience.
A year of change, achievement and focus on the issues.
In business, as in most other aspects of life, change is inevitable. Issues come and go. Technologies evolve. Processes and people and leadership are refreshed and renewed. And, if the business learns and gains wisdom from its experiences, it grows and prospers.

Among the changes at Syncrude in 2007 was the implementation of a management services agreement struck in late 2006 with Imperial Oil Resources. An Opportunities Assessment Team was comprised of representatives from Imperial, ExxonMobil, Syncrude and some other owners. In 2007, pursuant to this team’s recommendations, Syncrude embarked on a new path to strengthen its position as a leader in the oil sands industry. This included the introduction of a new management team. As well, five key operating philosophies were introduced across the site:

• People: Our employees are major stakeholders in Syncrude’s success and every person will be given the tools and resources they need to contribute and make a difference.
• Safety: Safety is a core value and will be considered in every decision we make.
• Reliability: Reliability is essential to safety, regulatory compliance, the satisfaction of Syncrude’s owners, economic viability, and our reputation.
• Margin: We must endeavour to make the highest value products at all times.
• Cost: We must direct our expenditures towards items that are required to sustain or grow the business in an environmentally and socially responsible manner.

We began producing this new product in the third quarter.

As always, our progress—and, indeed, much of the progress of the oil sands industry as a whole—hinges significantly on what we can do with science and technology, both at the mine face and in the plant. In fact, Syncrude was ranked Canada’s 35th largest corporate research and development spender in 2006.

Of many technologies in development, particular focus was given to research and testing of a new technology called In-Pit Bitumen Production, or In-bit. In-bit starts the process of preparing bitumen slurry closer to the mine face and it allows for more extensive use of hydrotransport, which was a key enabling technology introduced some years ago. This technology may also reduce emissions such as greenhouse gases and oxides of nitrogen. A prototype of the In-bit system was constructed in 2006 and was supplying bitumen for production by summer of 2007. Research continues and future applications are being considered.

Syncrude’s continued focus on safety resulted in improved performance in all main categories in 2007 compared to 2006. The lost-time injury frequency rate for both Syncrude employees and contractors declined, for example, by more than 60 percent to 0.05 per hundred person years worked. Total recordable injury frequency was 0.70 per hundred person years worked.

This is the fourth straight year Syncrude has spent more than $100 million with the local Aboriginal business community.

While the new organizational structure and its accompanying operating philosophies are still taking hold, performance in 2007 was generally reflective of the impressive results we seek.

For example, Syncrude set six new production records during the year, one of which was the production of 111.3 million barrels of Syncrude crude oil, an increase of 17 million barrels, or 18 percent, over 2006. Production averaged about 305,000 barrels a day, and we are working towards achieving productive capacity of about 350,000 barrels a day of high quality crude oil.

While not completely unexpected in this first full year of operation since the completion of a major expansion to our Mildred Lake upgrader, the capacity losses we experienced can be traced to learning curve challenges associated with new equipment and processes. Renewed effort will be placed on reliability targets as we move ahead.

Progress was also made producing a higher quality synthetic crude oil, a new and cleaner-burning oil product which we expect to be in high demand by refineries.

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Syncrude is also generating significant economic benefit from our oil sands development. Since start-up in 1978, participants in the Syncrude Joint Venture have made payments in excess of $9 billion to governments for royalties, payroll and municipal taxes, and other Crown charges. Of a total economic contribution of nearly $4.9 billion in 2007, about $2.1 billion was allocated to the purchase of goods and services from a variety of locations and enterprises, the vast majority from within Canada.

The strategic management of change breeds the kinds of performance improvements and achievements that Syncrude posted in 2007, and opens the door for future growth. But change should not occur without consideration given to history, experience, and an accounting of what works and what matters.

Clearly, what matters most to stakeholders inside and beyond the Syncrude organization is our journey toward sustainability, the value of which is clear. As one example, sustainability lends an appealing security to the economic futures of people, as lives can be planned around long-term employment opportunities. As another, Syncrude’s sustainability commitment also helps assure communities that they will participate in shaping our plans for growth, be consulted on matters of potential concern, and will share in the wealth that they help to create. For future generations, sustainability means they will benefit from the actions we take today to lessen our environmental footprint while providing energy to sustain quality of life.

Aboriginal communities have long been key participants in the development of our business plans and as stakeholders in the continued health and sustainability of the Wood Buffalo region. Of our total workforce of around 4,700 people, 415 or 8.5 percent are of self-declared Aboriginal descent. Another important metric is the more than $143 million spent by Syncrude in 2007 on 29 active contracts with local Aboriginal firms. This is the fourth straight year Syncrude has purchased more than $100 million in goods and services from the local Aboriginal business community. In total, Syncrude has spent a cumulative $1.1 billion with companies owned by First Nations and Métis people and communities since we began tracking this data in 1992.

The Fort McKay Elders Advisory Committee is one among many groups upon which Syncrude relies for guidance on our sustainability journey. We draw on this group for the experience and wisdom that Aboriginal Elders can provide in such areas as reclamation. Toward this, the committee in 2007 reconvened reclamation technical meetings focused on reviews and discussions of a variety of land preservation and related issues.

Syncrude is extensively engaged in providing support for the community-at-large as well. During the year, we invested $4.2 million in a variety of projects that will benefit people in the Wood Buffalo region. These projects include the Fort McMurray YMCA Sport and Cultural Enrichment preschool program, Keyano College’s Emergency Medical Technician program, and the Science Alberta Foundation’s Science-in-a-Crate classroom learning tool, to which Aboriginal schools in Wood Buffalo will get priority access.

In terms of sustaining the environment, Syncrude spent nearly $29 million in 2007 on land reclamation activities and leads the industry in land reclamation. The company has now reclaimed over 4,500 hectares of land and planted close to five million trees and shrubs. Importantly, early in 2008, Syncrude’s continued focus on safety resulted in improved performance in all main categories in 2007.
we were pleased to be the first oil sands operator to receive government certification for a parcel of reclaimed land.

Syncrude participates with other oil sands companies in a detailed operational water management agreement that limits water withdrawals from the Athabasca River during low flow periods. Companies use their own initiative to achieve targets and also work together on joint programs and initiatives to improve the management and efficiency of water use. Syncrude remains the most efficient user of water in the oil sands industry and, last year, reduced by 10 percent our water use per barrel of production.

Relating to atmospheric emissions, Syncrude continued construction on a major project that should substantially reduce total emissions of sulphur dioxide and particulate matter when it is operating to specification around 2011. Meanwhile, we are pleased to report that SO₂ emissions intensity in 2007 was reduced by more than 10 percent from the previous year. As well, flaring was reduced by 50 percent.

According to the calculation method established for the Alberta government's Specified Gas Emitters Regulation, greenhouse gas emissions intensity was reduced by about 11 percent as compared to the average of our per barrel GHG emissions between 2003 and 2005. Syncrude aims to continue this trend by implementing the Global Energy Management System, which is an ExxonMobil best practice.

Although total emissions of greenhouse gases from Syncrude continued to rise in 2007, we are working to reverse this trend. Toward that goal, Syncrude is an active member of the Integrated CO₂ Network, or ICON, which is exploring the viability of a large-scale Canadian carbon dioxide capture, transportation, and storage network. A successful sequestration system is believed by many to be a key technology for reducing carbon dioxide emissions and features prominently in government policies to achieve greenhouse gas emissions reduction targets.

In 2008, Syncrude will celebrate its 30th anniversary as a producing entity. Throughout these years, thousands of people have contributed in many ways to our success, and many improvements to the way in which we operate have been successfully introduced. Yet, for all that we have achieved, much more remains to be done to ensure stakeholders view Syncrude as a responsible steward of Alberta’s oil sands resource.

To help facilitate dialogue with Canadians about oil sands development, Syncrude has joined with other developers to launch an interactive website—www.canadasoilsands.ca. Through this effort, we hope to draw input and suggestions for improvement from all interested people and environmental groups and also respond to concerns. We recognize the issues at hand, we are responding to them with all of our resources, and we look forward to reporting once again on the progress we achieve in 2008.

MARCEL COUTU Chairman

TOM KATINAS President and Chief Executive Officer
Sustainable growth remains a key objective for Syncrude.

We understand that we have many stakeholders who wish to stay informed about the impacts of our operation. We discuss some areas of common interest in this section. Further information on the work undertaken in 2007, and our future plans, are discussed throughout the balance of this report.

<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>EXPECTED RESULTS</th>
</tr>
</thead>
</table>
| Production and Product         | • Increase production to current productive design capacity of 350,000 barrels per day  
                                  • Improve product quality in all volumes of Syncrude crude oil blend                                                                                     | • Sustained production at higher levels through increased upgrading capacity and long-life mines  
                                  • Meet market demand for premium quality product with lower sulphur and nitrogen content  
                                  • Downstream refineries will meet increasing environmental regulations and more easily produce cleaner burning fuel and more environmentally-friendly petroleum products |
| Employment                     | • Create and support strategic education and training programs  
                                  • Implement Workforce Development strategies  
                                  • Provide supportive work environment                                                                                                                      | • Workforce sustainability through education and training initiatives that create qualified new employees and retain current employees |
| Infrastructure Needs           | • Continued work with regional associations and governments to highlight the risks presented by the lack of public infrastructure and services needed to support a growing local community  
                                  • Ongoing investments in community infrastructure                                                                                                       | • Increased infrastructure funding for health, education, roads, and recreation  
                                  • Improved quality of life in the Wood Buffalo region  
                                  • Approval from stakeholders and regulators to expand operations                                                                                     |
<p>| Air Quality                    | • Investment in emissions reduction technology for existing cokers                                                                                     | • Reduction in total SO₂ emissions by 60% from current approved levels and reduction in particulate matter by 50%, upon completion of the Syncrude Emissions Reduction Project |</p>
<table>
<thead>
<tr>
<th>ACTIONS</th>
<th>EXPECTED RESULTS</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Land Reclamation</strong></td>
<td>• Continued land reclamation progress</td>
</tr>
<tr>
<td></td>
<td>• Continued work with Land Reclamation Technical Advisory Panel of external experts</td>
</tr>
<tr>
<td></td>
<td>• Ongoing guidance from and dialogue with Aboriginal Elders</td>
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<tr>
<td></td>
<td>• Reduce volumes of mature fine tailings (MFT) by introducing supplemental MFT conversion technology</td>
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<td></td>
<td>• Successful reclamation of East Mine area with composite tailings as the landform foundation</td>
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<tr>
<td></td>
<td>• Successful reclamation of West Mine area into a lake through water capping of mature fine tailings</td>
</tr>
<tr>
<td></td>
<td>• Future land reclamation progress consistent with closure plans and endorsed by stakeholders</td>
</tr>
<tr>
<td><strong>Water</strong></td>
<td>• Technology development and process improvements aimed at reducing fresh water consumption and increasing recycled water use</td>
</tr>
<tr>
<td></td>
<td>• Optimized and efficient use of fresh water resources</td>
</tr>
<tr>
<td><strong>Energy and Climate Change</strong></td>
<td>• Investment in technology that will reduce energy consumption and improve bitumen recovery and upgrading yields</td>
</tr>
<tr>
<td></td>
<td>• Dedicated energy efficiency specialists and energy conservation assessments on processes and equipment</td>
</tr>
<tr>
<td></td>
<td>• Continued assessment of the viability for large scale carbon capture and storage through participation in the Integrated CO₂ Network (ICON) and work with the Alberta government on carbon capture and sequestration</td>
</tr>
<tr>
<td></td>
<td>• Continued reduction in energy intensity</td>
</tr>
<tr>
<td></td>
<td>• Further reductions in emissions of CO₂ per barrel of production</td>
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<tr>
<td><strong>Aboriginal Relations</strong></td>
<td>• Continued focus on six key commitment areas of our Aboriginal Development program:</td>
</tr>
<tr>
<td></td>
<td>– Corporate Leadership</td>
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<tr>
<td></td>
<td>– Employment</td>
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<tr>
<td></td>
<td>– Business Development</td>
</tr>
<tr>
<td></td>
<td>– Education</td>
</tr>
<tr>
<td></td>
<td>– Community Development</td>
</tr>
<tr>
<td></td>
<td>– Environment</td>
</tr>
<tr>
<td></td>
<td>• Continued dialogue and cooperation on operations, environmental stewardship and development plans</td>
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<tr>
<td></td>
<td>• Increased secondary and post-secondary graduation rates</td>
</tr>
<tr>
<td></td>
<td>• Increased Aboriginal representation in the workforce</td>
</tr>
<tr>
<td></td>
<td>• Continued development of sustainable Aboriginal business enterprises</td>
</tr>
<tr>
<td><strong>Safety</strong></td>
<td>• Continued investment in training, awareness activities, incentives and other initiatives to facilitate further improvements in workplace safety</td>
</tr>
<tr>
<td></td>
<td>• Progress toward our objective of an injury-free workplace</td>
</tr>
</tbody>
</table>
Canadians want to receive economic benefit from oil sands development.
RESPONSE

Syncrude has contributed over $9 billion in royalties and taxes since 1978.

Syncrude contributed $1.6 billion in payments to governments in 2007.

97% of 2007 goods and services sourced in Canada

$4.9 billion economic contribution in 2007
ECONOMIC CONTRIBUTION

2007 ECONOMIC INDICATORS

Since start-up in 1978, the Syncrude participants have made payments in excess of $9 billion to governments for royalties, payroll and municipal taxes, and other Crown charges. Royalties paid to the Province of Alberta by Syncrude’s Joint Venture participants over this period have amounted to about $5.2 billion. In 2007, total payments to governments were $1.6 billion, compared to $901 million in 2006.

GEOGRAPHIC DISTRIBUTION OF ECONOMIC CONTRIBUTION

Of a total economic contribution of nearly $4.9 billion in 2007, about $2.1 billion was allocated to the purchase of goods and services from a variety of locations and enterprises. Nearly 97 percent, or $1.9 billion, was spent within Canada. Of that, $1.8 billion, or 92 percent of the Canadian total, was spent on goods and services provided by Alberta-based enterprises. Firms in the Wood Buffalo region accounted for just over 50 percent of Alberta spending. Firms in the Edmonton region accounted for about 30 percent, and Calgary companies for 20 percent. As stated elsewhere in this report, procurement from Aboriginal firms based in the Wood Buffalo area totalled nearly $144 million in 2007.

Syncrude recognizes that its procurement strategy must benefit Alberta. The province will remain Syncrude’s primary supply hub, and expenditures on sustaining capital and operations will remain substantial in the years ahead.

As well, the majority of Syncrude’s 4,733 employees reside in the Wood Buffalo region. (They represent more than nine percent of the 2006 Fort McMurray population). Their support of local businesses, combined with Syncrude’s procurement of goods and services from Aboriginal and other local firms, continue to contribute in a substantial way to the economic base of the region.

SYNCRUDE’S TOTAL ANNUAL ECONOMIC CONTRIBUTIONS

($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>4,232</td>
</tr>
<tr>
<td>2004</td>
<td>4,455</td>
</tr>
<tr>
<td>2005</td>
<td>4,721</td>
</tr>
<tr>
<td>2006</td>
<td>4,216</td>
</tr>
<tr>
<td>2007</td>
<td>4,872</td>
</tr>
</tbody>
</table>

GEOGRAPHIC DISTRIBUTION

$4,872 million

- Aboriginal Community: 3%
- Municipality of Wood Buffalo: 27%
- International: 2%
- Rest of Alberta: 59%
- Rest of Canada: 9%

PROCUREMENT OF GOODS AND SERVICES

$2,036 million

- Contracted Services: 61%
- Materials and Supplies: 32%
- Other Expenditures: 7%
A directional signpost in Fort Chipewyan.

**TOTAL EXPENDITURES**

$4,872 million

- Capital Program: 14%
- Operating Costs: 56%
- Royalties and Other: 30%

**TOTAL EXPENDITURES BY CATEGORY**

- Royalties, Payroll and Municipal Taxes: 34%
- Purchased Energy: 12%
- Employees (net): 12%
- Materials and Supplies*: 14%
- Contracted Services*: 25%
- Other Expenditures*: 3%

* Data include Below the Line Pension (not included in Operating Costs but included in Total Expenditures).

$2.1 billion in goods and services purchased in 2007
FUTURE GROWTH POTENTIAL

The production potential of Syncrude’s Stage 3 expansion, which was completed in 2006, has yet to be fully realized and future plans call for further production growth. The Syncrude Emissions Project is projected to reduce SO₂ emissions to 100 tonnes per day, a 60 percent decrease from pre Stage 3 average daily SO₂ emissions, when completed.

Syncrude believes it has the potential to increase production to more than 500,000 barrels per day on a sustained basis for decades to come. Development of future expansion projects will be contingent on meeting strict economic, capital and operating cost criteria, as well as environmental performance criteria. More information is available in the Annual Information Form of Canadian Oil Sands Trust at www.cos-trust.com

A key component of the Stage 3 expansion is Coker 8-3, which has increased Syncrude’s daily production capacity to 350,000 barrels of light sweet crude oil.
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.
Investors want Syncrude to meet production and cost targets.
In 2007, Syncrude increased production by 18% while reducing costs by 7%.

305,000 barrels per day produced in 2007

$24.64 per barrel operating cost in 2007

Syncrude’s UE-1 expansion, completed in 2006, increased production capacity to 350,000 barrels per day.
In the face of many challenges, and in the midst of a major corporate reorganization, Syncrude set six new production records in 2007. Production of Syncrude crude oil was up by 17 million barrels, or 18 percent, over 2006 rising to 111.3 million barrels, or 305,000 barrels per day. This increased production reflects Syncrude's enhanced production capacity following the Stage 3 expansion completed in 2006.

Operating costs including purchased energy costs totalled $2,744 million or $24.64 per barrel of production, seven percent lower than the 2006 operating cost per barrel of $26.46.

Syncrude's capital expenditure program was $672 million in 2007 compared with $1,044 million in 2006. This decrease is due to a lower level of capital spending and development expense compared to 2006, the year in which Syncrude's Stage 3 expansion was completed.

### Financial and Operating Summary

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<tbody>
<tr>
<td><strong>Total Crude Oil Production</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millions of barrels per year</td>
<td>111.3</td>
<td>94.3</td>
<td>78.1</td>
<td>87.2</td>
<td>77.3</td>
</tr>
<tr>
<td>Thousands of barrels per day</td>
<td>305</td>
<td>258</td>
<td>214</td>
<td>238</td>
<td>212</td>
</tr>
<tr>
<td><strong>Annual Average WTI at Cushing</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>(US$ per barrel)</td>
<td>72.37</td>
<td>65.97</td>
<td>56.70</td>
<td>41.47</td>
<td>30.99</td>
</tr>
<tr>
<td><strong>Total Operating Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millions of dollars</td>
<td>2,744</td>
<td>2,494</td>
<td>2,077</td>
<td>1,623</td>
<td>1,629</td>
</tr>
<tr>
<td>Per barrel of Production</td>
<td>24.64</td>
<td>26.46</td>
<td>26.59</td>
<td>18.61</td>
<td>21.07</td>
</tr>
<tr>
<td><strong>Capital Program</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Millions of dollars</td>
<td>672</td>
<td>1,044</td>
<td>2,533</td>
<td>2,613</td>
<td>2,435</td>
</tr>
</tbody>
</table>

1 Production is Syncrude crude oil shipped.

2 Operating costs are costs related to the mining of oil sand, the extraction and upgrading of bitumen into Syncrude crude oil and maintenance of facilities; they also include administration costs, start-up costs, research, and purchased energy. 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.
NEW OPERATING APPROVAL RECEIVED

All oil sands developers must apply for an operating license under the Alberta Environmental Protection and Enhancement Act. Based on its application for the Mildred Lake and Aurora operations submitted in 2005, Syncrude’s operating license was renewed in 2007 for another ten years. This new combined approval regulates all of Syncrude’s activities that could potentially impact the environment. Among other issues, it specifically deals with emissions limits, industrial water management, potable water plant operations, storage and disposal of waste, monitoring and reporting requirements, and land reclamation.

CORPORATE SCORECARDS UNVEILED

A new corporate scorecard system was introduced in 2007. It features three different levels: site wide, business unit, and technician/shift. The Improvement and Implementation team developed the site-wide scorecard based on a model that has been in use for years at ExxonMobil. The scorecards feature six categories that align with Syncrude’s corporate priorities: safety, health, and the environment; reliability; gross margin; operating expenses; people initiatives; and financial outcomes. The purpose of the scorecard is to provide line-of-sight accountability so employees can see how their work affects the organization as a whole.

NEW GLOBAL RELIABILITY SYSTEM

Syncrude is introducing the Global Reliability System (GRS) to its facilities. The system is a collection of best practices and procedures developed by ExxonMobil at its facilities worldwide. The system is being implemented over a three-year period and has 11 key elements including risk assessment and management, operations and maintenance, and incident investigation and analysis.

For example, a project to maximize the operability of Syncrude’s extensive pipeline transport system was introduced in 2007.

HYDROTRANSPORT RELIABILITY GAINS

The North Mine’s two hydrotransport trains topped 95 percent availability in the first quarter of 2007, a new high. This is attributed to regular inspections and maintenance of its pump system, the growing expertise of a crew of outstanding specialists and other staff, and increased knowledge of a maturing system.

MANAGEMENT SERVICES AGREEMENT

Syncrude signed a management services agreement with Imperial Oil Resources late in 2006. The agreement aims to capture improved performance and profitability from the Syncrude operation by combining the skills and collective experience of Syncrude employees with the best practices and resources of ExxonMobil, a global leader in refining and Imperial’s majority shareholder. Pursuant to the terms of the agreement, a variety of actions have taken place since its signing, including an assessment of Syncrude’s operation to identify and confirm areas of opportunity for improvement. Syncrude is now acting on these, including opportunities in the areas of safety, production, organization, work processes, and cost structure.

BASE MINE CLOSES

Syncrude’s Base Mine, which opened in 1977, was officially mined out in 2007. Over its life, the mine yielded 4.2 billion tonnes of material, about a third of it mined by the dragline-bucketwheel reclaimer-conveyor system now retired in favour of shovel-and-truck mining. Of that material, 2.5 billion tonnes was oil sand, which, after processing, yielded more than a billion barrels of crude oil.
Research and Development Highlights

IN-PIT BITUMEN PRODUCTION

Research and testing continued during the year on a potentially revolutionary new technology, known as In-Pit Bitumen Production, or In-bit. The technology starts the oil sands slurry preparation process at the mine face and allows more extensive use of hydrotransport, thereby reducing the need to transport oil sands ore by haul trucks. The change should also reduce emissions of greenhouse gases and oxides of nitrogen. A $50 million prototype of the system was constructed at the Base Mine late in 2006 and, by the following summer, it was supplying oil sands slurry to bitumen extraction units. The test was initially slated for decommissioning in November 2007, but successful results have led to continued use of the new technology on a supplementary basis. Research continues and future applications are being considered.

ODOUR ELIMINATION PROJECT

A project to find a long-term solution to the odours that forced the temporary 2006 shutdown of Syncrude's Coker 8-3 and the coker's flue gas desulphurization (FGD) system was started during the year. The odours were caused by impurities in the Syncrude-produced ammonia that was being used in the flue gas desulphurization process. Imported ammonia that does not cause odours is currently being used. Toward a permanent remedy, staffers at Syncrude's Edmonton Research Centre have developed a mock-up of the FGD that allows them to study the chemistry of the plant's reactor and develop processes to eliminate potential odours once we again start using ammonia produced on-site.

WATER CAPPED TAILINGS

During the year, Syncrude continued to explore options for reclaiming certain kinds of tailings materials, such as composite and thickened tailings. While tailings may be used in creating dry landscapes, water capping offers another potentially efficient and environmentally attractive way to incorporate mature fine tails in the reclamation of mined-out areas. Laboratory and field tests have taken place over two decades and collaborative research with several universities has yielded pilot-scale end-pit lakes constructed in former mines with soft tailings forming sedimentary bottoms. Research indicates that these lakes will, over time, become self-sustaining aquatic landscapes capable of supporting plant life and wildlife.

Minnow sampling from a pond of mature fine tails capped with fresh water.
SYNCRUDE RANKED A TOP RESEARCH COMPANY

Research Infosource Inc. ranked Syncrude as Canada’s 35th largest corporate R&D spender for 2006, up from 50th the year before. Syncrude’s spending, at $68 million, was up 53 percent compared to 2005, and contrasted a general downward trend among the other 99 firms on the list. Syncrude has long been one of Canada’s largest research firms, operating a self-contained research centre in Edmonton, and spending tens of millions of dollars every year on technology aimed at improving the financial, operational and environmental aspects of bitumen recovery and processing.

COKER RESEARCH BREAKTHROUGH

Syncrude Research staffers have significantly improved their understanding of how gases flow in cokers, and their discoveries should help extend equipment life and improve product quality—with a side benefit of possibly improving the design of fluid cokers around the world. The work started in 2000 at Syncrude’s Mildred Lake site and led to similar efforts at ExxonMobil’s Baytown refinery and Imperial Oil’s Sarnia refinery in 2004. Other companies also contributed design ideas and, as a result, the current plan is to install baffles into Syncrude’s cokers during scheduled turnarounds in 2008 and 2009. The cost is estimated at $1 million for each project with potential savings of up to $9 million annually thanks to longer run times and improved product quality.

TECHNOLOGY DEVELOPMENT PLAN

To maximize and manage the benefits of technological change in the Syncrude operation, a new Technology Development Plan was developed in 2007. It envisions step-out technologies that will shape Syncrude’s future and is focused on reducing the number of haul trucks, eliminating the need to blend ore, and finding improved ways to conserve water and energy. The plan also addresses and helps guide present-day technology needs, such as troubleshooting problems and continuous improvement projects.
Many people are affected by oil sands development. How does Syncrude ensure these effects are positive?
By being a responsible employer and an engaged community member, Syncrude works towards positive socio-economic impacts for those within our sphere of influence.

Syncrude operations integrity advisor Don Valler participates with son Jonathan in the national Take Our Kids to Work Day. It gives students the opportunity to learn about their parents’ workplace and vocation, and also serves as a thought starter regarding the students’ own career interests.

Opposite: Syncrude executives and community leaders turn the sod for the new Syncrude Timberlea Athletic Park, a multi-sport field and clubhouse, to which Syncrude contributed $2.5 million.

RESPONSE

$1.1 billion spent with Aboriginal suppliers since 1992

761 new hires in 2007
EMPLOYEE ATTRACTION AND RETENTION

Syncrude’s workforce increased by 205 positions in 2007, to a total of 4,733 people. At 761, the number of new permanent employees hired continued a long trend of year-over-year hiring increases. About two-thirds of the new hires were recruited into trades and operating positions. Total employee attrition was about 12 percent in 2007, consistent with other regional oil sands developers.

Syncrude will continue to refine its attraction and retention strategies in support of our overall workforce needs. This effort includes an annual review of our compensation and benefits packages to ensure that we are competitively positioned.

LABOUR POOL INITIATIVES

Syncrude takes a three-stage approach to addressing its workforce needs. It begins by raising awareness of career opportunities in the oil sands through programs such as Take our Kids to Work Day and trades development initiatives.

This is followed by support for initiatives that develop the available pool of skilled labour, through college, technical and university-based programs. This then provides the foundation for comprehensive recruitment plans to address our specific labour requirements on an ongoing basis.

To address a shortage of available workforce skills caused by a robust local and provincial economy and changing workforce demographics, Syncrude is continuing work that has been underway for more than a decade to build workforce capacity. We focus on collaborative partnerships with educational institutions, businesses, industry associations, and governments.

Take Our Kids to Work Day
About 100 Grade 9 students, all of who are the children of Syncrude employees, participated in the nation-wide Take Our Kids to Work Day on November 7, 2007. The effort provided the opportunity for students to learn about their parents’ vocation and workplace, and also served as a thought-starter regarding the students’ own career interests.

Workforce by the Numbers

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<tr>
<td>Total Permanent Workforce</td>
<td>4,733</td>
<td>4,527</td>
<td>4,327</td>
<td>4,180</td>
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<tr>
<td>New Permanent Employees — all categories</td>
<td>761</td>
<td>744</td>
<td>557</td>
<td>383</td>
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<tr>
<td>Trades and Operators</td>
<td>529</td>
<td>492</td>
<td>384</td>
<td>251</td>
</tr>
<tr>
<td>Administrative, Professional &amp; Technical</td>
<td>232</td>
<td>252</td>
<td>173</td>
<td>132</td>
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<tr>
<td>New Employees — diversity</td>
<td></td>
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<tr>
<td>Aboriginal</td>
<td>35</td>
<td>54</td>
<td>50</td>
<td>27</td>
</tr>
<tr>
<td>Female</td>
<td>172</td>
<td>172</td>
<td>129</td>
<td>87</td>
</tr>
<tr>
<td>Recruiting Effectiveness</td>
<td></td>
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<tr>
<td>New hire acceptance rate:</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>% of job offers accepted</td>
<td>77</td>
<td>78</td>
<td>78</td>
<td>86</td>
</tr>
<tr>
<td>Local hires (% of all new hires)</td>
<td>70</td>
<td>64</td>
<td>70</td>
<td>66</td>
</tr>
<tr>
<td>Job Applications Received (#)</td>
<td>49,564</td>
<td>44,815</td>
<td>30,032</td>
<td>18,116</td>
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</table>
ISSUE
Syncrude must continue to attract and retain a highly skilled workforce to responsibly sustain and expand its oil sands operations.

RESPONSE
Syncrude has a comprehensive employee attraction and retention strategy that rewards our people and responds to changing conditions.
Process Operator Training (External) Syncrude’s Entry-Level Process Operator Trainee Program encourages candidates to consider a career as a process operator. Developed by Syncrude in association with the British Columbia Institute of Technology, the program consists of two months of intensive training, six months of evaluation in field-training situations, and two more months in the classroom. The experience rewards students by hiring them as paid casual employees during training. Syncrude has hired about 15 of the program’s graduates since 2006 and dozens more are currently enrolled.

Apprenticeships Apprenticeships in recognized trades and technologies can be accessed through Syncrude directly or via three widely available programs in which Syncrude participates. The Alberta Aboriginal Apprenticeship Program links employers and Aboriginal apprentices and offers additional assistance to help them build successful working and learning relationships. The Community Cooperative Apprenticeship Program is an industry-driven education partnership providing training through annual rotating work placements. The Registered Apprenticeship Program is offered to high-school students in the form of work experience courses, Career and Technology Studies courses, and part-time employment.

The Syncrude Higher Education Awards Program (SHEAP) Children of Syncrude employees can qualify for up to $2,400 for each year of their post-secondary degree or diploma education. A total of about $930,000 in program scholarships was granted in 2007.

Scholarships, Bursaries and Endowments

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<tr>
<td>Annual Contributions ($)</td>
<td>930,000</td>
<td>858,000</td>
<td>961,200</td>
<td>1,060,805</td>
<td>685,000</td>
</tr>
<tr>
<td>Number of Employee Student Scholarships</td>
<td>395</td>
<td>369</td>
<td>409</td>
<td>415</td>
<td>424</td>
</tr>
<tr>
<td>Number of Tuition Refunds to Syncrude Employees</td>
<td>153</td>
<td>122</td>
<td>136</td>
<td>96</td>
<td>128</td>
</tr>
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EMPLOYEE AND CORPORATE AWARDS

Syncrude salutes the employees whose work received external recognition in 2007. We are also proud to have received several corporate awards that reinforce our efforts toward continued improvement.

Syncrude retiree and CosSyn Technology senior associate Jatinder Singh (photo above) was recognized by the Association of Professional Engineers, Geologists and Geophysicists of Alberta with the Community Service Award. Jay is national president of the Guru Nanak Shrine Fellowship and recently helped raise $2 million for the Guru Nanak Dev Healing Garden at the Mazankowski Alberta Heart Institute in Edmonton.
Syncrude General Counsel Ray Hansen Q.C., received the University of Alberta Alumni Honour Award for his contribution to the community, the university and the law profession. Ray serves on the Board of Trustees of the Stollery Children’s Hospital Foundation and the Wood Buffalo Branch of the Canadian Diabetes Association and, formerly, on the board of the Fort McMurray YMCA. He has also lectured on business and energy law at Keyano College and the University of Alberta. Ray is active in the affairs of the Canadian Bar Association and was the 2002–2003 president of the Canadian Corporate Counsel Association.

The Canadian Business Aviation Association recognized the Syncrude Flight Centre with two safety awards: one for jets passing 36,000 flight hours without incident, and the other for the role maintenance played in support of that feat. Syncrude’s aircraft engineers have never had a lost-time incident or medical aid injury in more than two decades of aircraft maintenance. Syncrude’s two jets transport 20,000 passengers every year.

At the Provincial Surface Mine Rescue Competition, Syncrude received the John T. Ryan Safety Trophy for achieving the lowest reportable injury rate among Alberta surface mines not producing metal or coal for 2006. It was the third time in five years Syncrude received this recognition. Syncrude received the 2007 Premier’s Award of Merit for Healthy Workplaces for its overall commitment to a healthy workplace. One example of this is the Health Rewards Program, which provides gift incentives to employees who participate in a diverse wellness program that encourages healthy eating, regular physical activity, and smoking cessation, as well as efforts to build workplace teams and recycle and conserve energy.

The Mining Association of Canada recognized Syncrude with a Towards Sustainable Mining Performance Award. It acknowledges Syncrude’s commitment to sustainable development performance, especially in the areas of External Outreach and Crisis Management planning.

Syncrude mining specialist Ken Chekerda was recognized with the Canadian Institute of Mining and Metallurgy National Fellowship Award for outstanding contributions to the mining industry. Ken, who has been involved with CIM for more than 30 years, is active in the institute’s Fort McMurray chapter. He serves as mentor to younger mining engineers and is extremely well regarded for setting high standards for quality and quantity of work.

Syncrude was named by Alberta Venture Magazine as one of Alberta’s Most Respected Corporations in the category of Energy. The award cited Syncrude for corporate performance, culture of innovation, corporate brand, human resources practices, environmental stewardship, and community involvement. It was the seventh consecutive year Syncrude has been named as one of Alberta’s Most Respected Corporations.
Syncrude offers a variety of education and training opportunities to existing employees. These encourage people to develop the specific skills that Syncrude needs to run its operation.

WORKPLACE DEVELOPMENT AND RETENTION INITIATIVES

Process Operator Training (Internal) A best practice in Syncrude's bitumen upgrading area has been carried over to the Aurora mine; process operators working at the mine now sign a contract to learn specific skills and qualifications by a set date. The student-like experience is reinforced through interim skills assessments and a final exam. Panel operators have also been afforded new skills development opportunities thanks to new manuals and CD-ROM textbooks and the installation of a learning simulator that can mimic upsets in process units. The aim is to offer career development opportunities to employees and to foster a greater sense of job and facility ownership that builds site-wide reliability and safety.

Employee Tuition Refund Program This program supports professional development for regular employees who desire learning opportunities in fields of study that are relevant to Syncrude's business. Eligible courses must be provided through accredited Canadian colleges or universities. The program provides a 100 percent refund on tuition, textbooks and materials, and mandatory fees for approved post-secondary courses, to a maximum of $3,500 per year per employee.

The Initial Professional Development Program The IPDP is a core Syncrude workforce strategy and significant opportunity for new employees to grow. It replaced the Graduate Development Program in 2007, following a participant survey and extensive appraisal of practices regarding the development of new graduates. The IPDP is designed to help new employees with post-secondary educations make the most of their skills, abilities, and career ambitions at Syncrude. The new program provides an inclusive work environment that supports learning and each employee's unique talents. It will evolve with experience to assure maximum impact.

Mentorship Program Imparting the fruits of experience and hard-earned wisdom to a younger generation is a process encouraged throughout the Syncrude organization. At Syncrude's Research Centre, for example, employees are developing measures to actively transfer skill and knowledge through the work of the Research Mentorship Committee, which is supplying the tools and resources needed for mentorship to flourish. It is helping Research Centre employees reach their full potential through such initiatives as a "Buddy" system, and also furthering the evolution of new ideas and goals through group study and problem solving.

Impact 21: Improving the Rewards for Excellence Syncrude's Impact 21 program motivates our employees to reach business goals by paying financial rewards to them when Syncrude achieves or surpasses targets in safety, reliability, production, costs, and energy efficiency. In response to employee feedback, the program was changed and improved in 2007, and the changes were communicated to employees.

Shift Changes After a thorough review that included consultation with more than 1,400 employees, Syncrude adjusted and simplified its 24-hour schedule for shift workers. The option preferred by the majority of employees is a schedule of three day shifts and three night shifts followed by six days off. The single 24-hour shift schedule provides predictability for employees and their families and is expected to improve communications between teams on the worksite.

Plans to streamline the maintenance day shift were also completed in 2007 for implementation early in 2008. Affected employees were consulted (almost 90 percent shared their views) and most believe the change to reduce the number of shift schedules will be healthier and better for family life, as it allows for more frequent rest periods than the schedule previously in place.

Employee Performance Management A system to identify contribution objectives, assess the performance of administrative, professional and technical (APT) staff, and link the development needs of these employees with expectations, was introduced in response to employee feedback. The Syncrude Performance and Management and Development System provides an improved framework for employees and their leaders to set clear performance expectations, provide feedback and foster continuous improvement, while supporting Syncrude's core values. It also improves the linkage between performance, compensation and advancement.
### Human Resources Score Card

#### Employee Productivity

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<tbody>
<tr>
<td>Thousand barrels of Synthetic Crude Oil (SCO) per employee</td>
<td>23,516</td>
<td>20,831</td>
<td>18,049</td>
<td>20,861</td>
<td>19,200</td>
</tr>
<tr>
<td>Average employee service (in years)</td>
<td>11.3</td>
<td>12.2</td>
<td>13.2</td>
<td>13.7</td>
<td>14.1</td>
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#### Leadership Development

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<tbody>
<tr>
<td>% of leaders completed Leadership Basics Workshop</td>
<td>79</td>
<td>89</td>
<td>89</td>
<td>85</td>
<td>82</td>
</tr>
<tr>
<td>% of leaders completed Diversity Workshop</td>
<td>78</td>
<td>77</td>
<td>82</td>
<td>85</td>
<td>71</td>
</tr>
<tr>
<td>% of leaders completed Harassment &amp; Discrimination Workshop</td>
<td>65</td>
<td>81</td>
<td>81</td>
<td>82</td>
<td>76</td>
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#### Diversity

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<tr>
<td>Aboriginal representation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>415</td>
<td>418</td>
<td>410</td>
<td>393</td>
<td>388</td>
</tr>
<tr>
<td>% of permanent Syncrude workforce</td>
<td>8.5</td>
<td>9.0</td>
<td>9.2</td>
<td>9.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Aboriginal leaders (% of permanent Syncrude leaders)</td>
<td>6.0</td>
<td>6.0</td>
<td>4.9</td>
<td>4.8</td>
<td>3.6</td>
</tr>
<tr>
<td>Female representation:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>880</td>
<td>853</td>
<td>778</td>
<td>731</td>
<td>677</td>
</tr>
<tr>
<td>% of permanent Syncrude workforce</td>
<td>19.6</td>
<td>19.4</td>
<td>18.6</td>
<td>17.7</td>
<td>17.3</td>
</tr>
<tr>
<td>Female leaders (% of permanent Syncrude leaders)</td>
<td>10.1</td>
<td>11.0</td>
<td>9.7</td>
<td>9.7</td>
<td>9.8</td>
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#### Attrition (% of Syncrude workforce)

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<tbody>
<tr>
<td>All employees, including retirements</td>
<td>11.7</td>
<td>11.0</td>
<td>8.6</td>
<td>5.4</td>
<td>4.4</td>
</tr>
<tr>
<td>Employee initiated termination</td>
<td>7.4</td>
<td>6.4</td>
<td>4.5</td>
<td>2.6</td>
<td>1.7</td>
</tr>
<tr>
<td>Retirements</td>
<td>3.2</td>
<td>3.8</td>
<td>2.8</td>
<td>2.0</td>
<td>1.7</td>
</tr>
<tr>
<td>Aboriginal</td>
<td>9.8</td>
<td>9.8</td>
<td>8.0</td>
<td>7.0</td>
<td>6.2</td>
</tr>
<tr>
<td>Female</td>
<td>13.1</td>
<td>10.9</td>
<td>7.4</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Trades and Operators</td>
<td>10.8</td>
<td>10.2</td>
<td>8.6</td>
<td>4.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Administrative, Professional &amp; Technical</td>
<td>13.5</td>
<td>11.9</td>
<td>8.7</td>
<td>6.0</td>
<td>4.6</td>
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#### Employee & Family Assistance Program (EFAP) Utilization

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<tbody>
<tr>
<td># of clients as % of Syncrude workforce</td>
<td>11.2</td>
<td>13.0</td>
<td>13.4</td>
<td>14.2</td>
<td>13.2</td>
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#### Training

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<tbody>
<tr>
<td>% hours in training per employee/per annum</td>
<td>1.7</td>
<td>3.0</td>
<td>2.5</td>
<td>3.1</td>
<td>2.8</td>
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#### Employee Recognition

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<tr>
<td># of recognitions to employees</td>
<td>9,352</td>
<td>–</td>
<td>–</td>
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</tr>
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</table>

1 New metric established in 2007; includes service and safety awards.
ISSUE
Regional stakeholders want to be involved in Syncrude’s plans.

RESPONSE
Syncrude regularly invites stakeholders to participate in a consultation process. This helps us to understand and act on their ideas and concerns.
HOW WE CONSULT WITH STAKEHOLDERS

Syncrude’s stakeholder engagement cycle helps us understand the questions and concerns stakeholders have about the potential impacts of proposed Syncrude activities. 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/community).

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 page 26.)

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 2007.

Fort McKay Elders Advisory Committee

The Fort McKay Elders Advisory Committee draws on the experience, wisdom, and guidance of Aboriginal Elders. In 2007, the group convened reclamation technical meetings that focused on reviews and discussions of a variety of land preservation and related issues. Continuing discussions will address such topics as the establishment of productive wetlands habitat, the impacts of emissions on forest health, and landscape design and tree-planting prescriptions. (See further discussion on this topic on page 52.)

Environmental Group Consultation

Syncrude is a financial supporter and, along with many other community, government, non-profit, and industry organizations, a member of each of the three main environmental groups in Wood Buffalo: the Cumulative Environmental Management Association, the Regional Aquatic Management Program, and the Wood Buffalo Environmental Association. Within the scope of their own mandates and areas of expertise, each of these groups assesses the actual and likely impact of oil sands operations on the environment. In doing so, they regularly consult and share information with both regulators and the public.
Budget Increase Allows Program Growth at WBEA
In December, the members of the Wood Buffalo Environmental Association endorsed a 2008 budget of $8.6 million for the group, a more than 50 percent increase from 2007. The WBEA is funded primarily by industry, and the additional funds will allow for an expansion of its air quality monitoring network from 14 to 15 stations and also an expansion of its passive sampling network from 25 to 35 sites. The WBEA is launching a regional hotline that will allow regional stakeholders to post and listen to messages about air quality. The WBEA’s Terrestrial Environmental Effects Monitoring Program is being enhanced to allow for the monitoring of both short- and long-term effects on forest health. As well, a new system to measure temperature, rainfall, wind speed and concentration of air pollutants will allow researchers to determine whether any effects on forest health are caused by changes in soil chemistry due to pollution or by changes in climate. Visit www.wbea.org for more information about environmental monitoring.

WATER MANAGEMENT IMPLEMENTATION PLAN
In January 2007, Syncrude and eight other oil sands companies submitted an implementation plan to the federal and Alberta governments regarding the oil sands companies’ participation in a detailed operational water management agreement. The work is being done by the Athabasca Regional Issues Working Group Environment Committee under the auspices of the Water Management Framework for the Athabasca River. The framework, developed by Alberta Environment and the Federal Department of Fisheries and Oceans, limits water withdrawals from the river during low flow periods. Companies will use their own initiative to achieve framework targets and will also work together on joint efforts to improve the management and efficiency of water use.

SYNCRUDE DONATES MONITORING VAN TO WBEA
Syncrude donated an air quality monitoring van to the Wood Buffalo Environmental Association in 2007. The specially equipped vehicle, valued at $71,000, will improve the association’s ability to independently monitor and report on regional air quality. The mobile resource allows the WBEA to monitor air quality in areas not covered by the Association’s network of permanent air quality monitoring stations.
REGIONAL INFRASTRUCTURE MANAGEMENT AND FUNDING

Syncrude was one among many organizations consulted in the preparation of an Alberta government report, Investing In Our Future: Responding to the Rapid Growth of Oil Sands Development. The report was issued during the last days of 2006. Through the Regional Issues Working Group, Syncrude also provided feedback on the report’s recommendations.

In response to the report, the government announced (in February 2007) nearly $400 million in new infrastructure funding for Fort McMurray. Over three years, the funds will go toward water and wastewater treatment, affordable housing, health care, and other improvements. Additional funding announced subsequently resulted in transportation network upgrades, including the widening of parts of Highway 881. Future projects—valued at more than $400 million—include the construction of major new interchanges on Highway 63, school modernization, a new landfill, and RCMP detachment upgrades. Syncrude continues to collaborate with various provincial government departments on issues of importance to the local community.

ALBERTA ROYALTY REVIEW

Early in 2007, the Alberta government initiated a review of the province’s oil and gas royalty system, including conventional oil and gas, and oil sands. The intent of the review was to determine whether Albertans, as owners of the resources, are getting a fair share through royalties, taxes and fees. Syncrude provided its input to the Review Panel at a public session on June 4th and also provided written comment. In October 2007, the government announced a new royalty framework that will increase royalties from non-renewable energy by $1.4 billion per year, beginning in 2010. The government also announced that it would enter into discussions with Syncrude and another oil sands operator, which have separate Crown agreements that are in effect until 2016, to transition to the new oil sands royalty regime; the discussions with Syncrude and its owners are continuing. In 2007, Syncrude paid $1.3 billion in royalties to the provincial government.

Syncrude Welcomes the Prime Minister

Prime Minister Steven Harper visited the Syncrude operation in November 2007. Mr. Harper met with employees and leaders, and was briefed about the community impacts of oil sands development and Syncrude’s plans to remediate environmental effects.
ISSUE
Aboriginal people in the Wood Buffalo region want to benefit from oil sands development.

RESPONSE
Since 1992, Syncrude has spent $1.1 billion in supplier contracts with First Nations and Métis owned companies. We are a major employer of Aboriginal people.
Syncrude is a Seven Generations Patron of the Canadian Council for Aboriginal Business. In this role, we have committed to advancing the interests of Aboriginal employees, suppliers, and partners. One indication of our success toward that goal is Syncrude’s status as a Gold Level participant in the Council’s Progressive Aboriginal Relations Program. It verifies Syncrude’s efforts and outcomes to increase Aboriginal employment, assist Aboriginal business, build individual capacity and enhance relationships with the community.

The Council is one of the country’s leading advocates for Aboriginal business and economic development. It works with corporations across the nation to enhance the participation of Aboriginal people in the Canadian economy.

In 2007 Syncrude invested more than $1.2 million in Aboriginal community initiatives.

The Aboriginal Workforce
Of our total workforce of around 4,700 people, 415 or 8.5 percent are of self-declared Aboriginal descent. This is near the all-time high of 418 Aboriginal employees recorded in 2006. During 2007, Syncrude hired 35 Aboriginal people. Aboriginal employees comprise six percent of our Leaders; 5.3 percent of Administrative, Professional and Technical workers; and 11.4 percent of employees working in Trades and Operators roles.

Our long-term goal is to accurately reflect the proportion of Aboriginal people in the Wood Buffalo population, between 12 and 13 percent, in our own workforce.

We acknowledge that Aboriginal recruitment during the past year did not meet our expectations or those of the stakeholders who rated Aboriginal employment as a priority in an Aboriginal survey we conducted in 2005. However, we are confident that new recruitment initiatives—such as our expanded southern rotational program and a renewed focus on Aboriginal hiring—will assist us in attracting more skilled Aboriginal candidates in the future.

Expansion of the Rotational Employment Program
Syncrude’s rotational employment program in Fort Chipewyan has met with such great success that it has now been expanded to the southern communities of Janvier and Conklin.

The program offers career opportunities to people living in remote communities despite their distance from the Syncrude operation. Participants are provided either air or ground transportation to and from our site as well as accommodation for the duration of their shift cycle. The intent is to expand opportunities for people to work at Syncrude while understanding their interest in maintaining a physical link to their communities, family, and heritage.

Fourteen residents of Fort Chipewyan participate in the program, and in 2007 the program was officially launched in Janvier and Conklin. Four people have thus far been hired from these communities.
Investing in the Community

Syncrude invested more than $1.2 million in Aboriginal community projects and initiatives in 2007. These include:

- **The Janvier Elders Home Support Program.** Syncrude contributed $45,000 to a home care program that helps Elders in Janvier stay in their community and pass along their knowledge and traditions to the next generation.

- **Anzac Aboriginal Dance & Culture Group.** The group engages youth through traditional teachings in powwow and Métis dancing, including a 2007 trip for five young people to the Gathering of Nations Powwow in Albuquerque, New Mexico—one of the largest powwows in the world. Support from Syncrude has helped the group promote traditional Aboriginal values such as spiritual awareness, family, and community.

- **United Nations Youth Assembly.** In August, Syncrude supported a youth delegation from the Athabasca Tribal Council to speak at a United Nations conference in Edmonton. The delegation’s presentation focused on youth leadership and empowerment and addressed how traditional First Nations’ teachings related to peace and solidarity.

Investing in Education

Syncrude provides support for a variety of measures designed to help Aboriginal people succeed with their educational aspirations. These include:

- **The Helping Hands Early Intervention Program.** In 2007, Syncrude renewed its support for this program, which fosters childhood literacy in Fort McMurray schools, with a total investment of $210,000 over three years. Supplementary programming is offered at two schools with high Aboriginal populations. The ultimate aim of Helping Hands and similar programs is to increase the number of Aboriginal high school graduates.

- **The Syncrude Support Services Fund.** A $100,000 donation over four years to Norquest College in Edmonton is helping the College provide free tutoring and counselling to its students, 20 percent of who are Aboriginal. The fund also provides scholarships and emergency financial aid for students.

- **Support to Fort McKay School.** Syncrude renewed its sponsorship of the University of Alberta’s Regional Placement Program, which provides teaching placements for students at the Fort McKay School. Funding from Syncrude covers the cost of placement, travel to Fort McMurray and Fort McKay, and accommodation. Since the program started in 2005, five student teachers have been placed at the school and one accepted a full-time position there after graduation.

Above: Mara Nokohoo (standing) is the Aboriginal Liaison Worker at Good Shepherd School in Fort McMurray. She oversees the Reading on the Medicine Wheel program, supported in part by Syncrude.
Traditional Bison Harvest
Syncrude once again assisted the Fort McKay First Nation in arranging a traditional bison harvest. Twelve animals were donated to the community from the Beaver Creek Wood Bison Ranch, which is co-managed by Syncrude and the Fort McKay First Nation. The meat was distributed to Aboriginal residents across the Wood Buffalo region. The ranch, now in its 14th year of operation, is located on about 700 hectares of land reclaimed from Syncrude's mining operation.

2007 ABORIGINAL REVIEW
The seventh edition of Syncrude’s Aboriginal Review, titled Possibility Thrives on Common Ground, focuses on the things all residents of the Wood Buffalo region have in common as people and neighbours, and the values and goals we share as stakeholders with an interest in the future health of the economy, the community, and the natural environment. The Review was released at a luncheon with Aboriginal stakeholders, several of who were profiled in it. The document also discusses some of Syncrude’s efforts in 2007 to help further the aims and ambitions of Aboriginal people and communities. To view the report, visit www.syncrude.com

BISON HERD CONTINUES TO FLOURISH
Syncrude established a small bison herd on reclaimed land in 1993. Today, the herd numbers about 300 head, and roams on 700 hectares of pasture land, which represents about 15 percent of the total mining land that Syncrude has reclaimed to date.
COMMUNITY INVESTMENT HIGHLIGHTS

Syncrude’s investments in the community amounted to $4.2 million in 2007. A variety of projects were supported.

- $125,000 was donated to the Fort McMurray YMCA Sport and Cultural Enrichment preschool program in lieu of gifts to employees that are traditionally presented at Syncrude’s periodic Employee Forums. The gesture in support of the YMCA reflects the generosity of employees toward community causes.

- A donation of $300,000 over three years to the Science Alberta Foundation commenced in 2007. It will support the Foundation’s Science-in-a-Crate program, which provides classroom learning tools to Alberta schools. Aboriginal schools in the Wood Buffalo region will get priority access to the crates.

- $45,000 was donated to the Keyano College Foundation to purchase a SimMan for the College’s Emergency Medical Technician program. The SimMan is a portable and realistic simulation of a human patient and is used in student training exercises.

- Continued support of $160,000 was provided to the Northern Lights Regional Health Centre for the purchase of medical equipment.

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<td>Corporate Giving ($) 2</td>
<td>4,234,724</td>
<td>4,315,650</td>
<td>2,693,478</td>
<td>2,777,700</td>
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<td>Consultation and Monitoring ($) 3</td>
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<td>3,023,785</td>
<td>2,940,597</td>
<td>3,962,000</td>
<td>4,201,000</td>
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</tbody>
</table>

1 Includes donations made under the Community Investment Program, Aboriginal Community Investment Program, sponsorships, and gifts in kind.
2 Syncrude’s corporate giving program is governed by corporate policy and program guidelines to ensure the funds are administered and expended in keeping with Syncrude business objectives and community need.
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.
The Wood Buffalo region is facing significant social and infrastructure pressures due to robust growth.

Medical equipment. Classroom learning tools. Emergency medical technician training. Preschool programs. These are just some of the ways that our investment of $4.2 million dollars benefited our community in 2007.
In May 2007, the United Way of Fort McMurray honoured Syncrude with an award for Outstanding Campaign Organization and another award recognizing Syncrude’s Days of Caring volunteer program, which saw employees volunteer at the local SPCA, the Fort McKay School and the Fort McMurray Food Bank. Later in the year, Syncrude’s United Way employee campaign surpassed its 2007 goal of $1 million. The campaign also reached new records for employee participation and the average value of pledges.

Diane Faulkner was one of 30 Syncrude volunteers who assisted the Fort McKay school in painting everything from lockers to doors to shoe racks.
When all of the city’s fire crews were called to respond to a major blaze in a downtown Fort McMurray apartment building in April 2007, Syncrude’s firefighters and paramedics quickly filled in the resulting gap by staffing the empty fire stations, ready to handle any other emergency that might have come up. The action was in keeping with a mutual aid agreement between the region’s municipal government and oil sands operators such as Syncrude. Under the same agreement, Syncrude firefighters and their emergency equipment also responded to a June fire at the Elders Centre and daycare in Fort McKay.

Day of Caring Helps the Hungry

During the Christmas season, 35 employees volunteered their time to support the community Food Bank as part of the Syncrude Food Bank Drive. In addition to the hands-on support, Syncrude also donated $50,000 as part of its three-year commitment to the Food Bank. The drive raised a total of more than $250,000 and 46 tonnes of food.

Supporting WISEST Women

Women in Scholarship, Engineering, Science and Technology (WISEST) is a University of Alberta-based organization that aims to increase participation among women in science and engineering studies and careers. The group’s work includes a six-week summer research experience in university labs for high school students from western and northern Canada. In 2007, Syncrude sponsored the participation of three students from Fort McMurray.

Leadership Wood Buffalo

Leadership Wood Buffalo works to build community capacity by training the next generation of community leaders to take on the challenges and opportunities facing the region in the years ahead. Leadership Wood Buffalo received $25,000 from Syncrude to help establish and implement its program of leadership training. Two Syncrude employees—Marlene Lane and Jason Coady—participated in the course based on their leadership skills, commitment to Fort McMurray, and their willingness to get involved in the community. Along with 15 other participants, they completed their studies in May 2007.
**2007 Safety Performance**

Syncrude’s safety record improved in all main categories in 2007 compared to 2006. The lost-time injury frequency rate for both Syncrude employees and contractors declined, for example, by 70 percent to 0.05 per hundred person years worked, matching Syncrude’s previous best performance, in 2005. At five, the number of lost-time injuries was also at its lowest level in the last five years.

Total recordable injury frequency for Syncrude and its contractors reached a new low, at 0.70 per hundred person years worked. Employee injury severity, at 2.29 lost workdays per lost-time injury, was the lowest in five years; contractor performance on this metric also showed substantial improvement over 2006. A renewed focus on safety as the top priority throughout the organization contributed to the performance, and efforts to achieve an injury-free workplace are ongoing.

**GETTING HELP KICKING THE HABIT**

Syncrude adheres to all rules and regulations contained in the new Regional Municipality of Wood Buffalo’s Smoke-Free bylaw and the amended Provincial Tobacco Reduction Act. We offer a smoke-free work environment and also support smokers who want to quit. Employees can seek specific how-to advice and support from on-site medical staff and programs. As well, the company’s health benefits plan provides coverage for tobacco cessation aids.

**EMERGENCY NURSING CERTIFICATION**

Two registered nurses working at the Syncrude Health Centre received their Emergency Nursing Certification in 2007. Certification requires a great deal of hard work, dedication and study and, according to the Canadian Nursing Association “is a commitment to the leading edge in national health-care standards.” The two nurses are the first in Syncrude’s history to earn the designation.

**LOST-TIME INJURIES (COMBINED SYNCRUDE AND CONTRACTOR) VS. EQUIVALENT WORKFORCE HOURS**

(millions of hours)

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Lost-time Injuries</th>
<th>Workforce Hours (millions of hours)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>2.4</td>
<td>31.6</td>
</tr>
<tr>
<td>2004</td>
<td>3.6</td>
<td>35.9</td>
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<tr>
<td>2005</td>
<td>4.9</td>
<td>36.4</td>
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<tr>
<td>2006</td>
<td>2.3</td>
<td>22.5</td>
</tr>
<tr>
<td>2007</td>
<td>1.5</td>
<td>18.9</td>
</tr>
</tbody>
</table>
ISSUE

4,700 employees and their families expect Syncrude to maintain a safe and healthy workplace.

RESPONSE

Our continued focus on safety initiatives has resulted in a 70 percent decrease in lost-time injuries since 2006.
Bus Transport
a Safe Way to Ride

As an alternative to driving to and from work in their personal vehicles, Syncrude encourages its workers to take the safer and more environmentally friendly option of company-provided bus transport. Almost 1.8 million employees and contractors travelled to and from work using Syncrude’s bus system in 2007. The 120-bus fleet, operated by Diversified Transportation Ltd., carries as many passengers in a year as some major metro transit systems. The bus service takes the equivalent of more than 4,900 vehicles off the road each day, eliminating the air emissions they would otherwise generate.

SAFE CONTAINMENT STRATEGIES

Syncrude has 21 dams of various kinds on its sites. To ensure their integrity and safe containment of materials held within, Syncrude has a comprehensive program comprising dam design and construction, operation, maintenance, and surveillance, which is in accordance with the Mining Association of Canada’s liquid impoundment storage guidelines. The program relies on a skilled staff of geotechnical engineers and technologists and also benefits from advice solicited from internationally recognized geotechnical experts. The program ensures the ongoing geotechnical stability of these structures and has enabled 29 years of safe dam operation. External assessments were completed on the Aurora Settling Basin in 2006 and the Mildred Lake Settling Basin in 2007. On-site dam structures were also subject to two management and structural safety reviews by Syncrude’s Geotechnical Review Board in 2007.
ALWAYS READY FOR AN EMERGENCY

Syncrude’s emergency response personnel prepare in part by participating in regional and national events that provide training in a competitive atmosphere. Syncrude’s teams routinely deliver strong performances at these events, giving all stakeholders confidence in the event of a real emergency. In 2007, for example, Syncrude emergency response teams posted world-class performances in events like the Prairie Regional FireFit Competition, the Canadian Nationals, and the Western Regional Surface & Underground Mine Rescue Competition.

HEALTHY WORKFORCE INITIATIVES

Syncrude offers a number of company-wide initiatives to foster the emotional and physical well-being of our employees and reduce the risk of injuries on- or off-the-job. These include programs that support physical activity, healthy eating, smoking cessation, stress management, responsible use of drugs and alcohol, and occupational health and safety.

Syncrude’s on-site health centres allow employees and contractors to conveniently address their health issues, whether work-related or not. The majority of health centre visits are for preventative health surveillance, and evaluative testing and monitoring of employees in key occupational areas. Nearly one-third of health centre visits are for non-occupational reasons.

Registered nurses (left to right): Tammy Gale-MacPherson, Kristi Pinkney, Lynn Clark, Donna McNab, Lori Biggs, Marlene Gordon and Betty White-Dover.
SHARING SAFETY BEST PRACTICES

Toward sustained excellence in safety performance, Syncrude’s Safety, Health and Environment group continues to draw on the experience and expertise of others through its participation in a wide variety of external groups, including:

- Alberta Construction Safety Association
- Canadian Association of Process Safety & Loss Management
- Canadian Society of Safety Engineering (local and provincial)
- Centre for Chemical and Process Safety
- Construction Owners Association of Alberta
- Health and Safety Association Network
- Oil Sands Safety Association
- Rapid Site Access Program Administrative Committee
- Responsible Organization for the Safety of Everyone Committee
- Wood Buffalo Safe and Healthy Community Network

OIL SANDS SAFETY ASSOCIATION

To the end of 2007, the Association, in which Syncrude plays a leadership role, had accredited 60 training providers that meet the required standards for OSSA approved training. These training providers have issued 135,000 OSSA training credentials to oil sands workers. Several OSSA training standards and Codes of Practice are now in place, some which are accepted by employers not related to the oil sands industry.

OSSA’s current roster of standards and Codes of Practice includes:

- Fall Protection Training Standard
- Aerial Work Platforms Training Standard
- Fire Watch Training Standard
- Confined Space Regional Code of Practice
- Confined Space Entry Training Standard
- Confined Space Monitoring Training Standard
- OSSA Regional Orientation Program

OSSA initiatives in the review and approval stage include:

- Safe Work Permits Regional Code of Practice
- Safe Work Permits Issuers Training Standard
- Safe Driving in the Mine Regional Code of Practice
- Overhead Cranes Training Standard
- Basic Rigging and Hand Signals Training Standard

RAPID SITE ACCESS PROGRAM

Syncrude has joined the Rapid Site Access Program. This effort was implemented in September 2007 as a pilot for the construction industry. It involves volunteers who are unionized members of the Insulators Local of the Alberta Building Trades Council. Participants authorize on-site random testing for alcohol and drugs in lieu of having to take pre-site access tests. The program has been met with very positive worker support and helps foster the efficient and rapid dispatch of workers to our sites.

70% reduction in lost-time injuries since 2006

NATIONAL INCIDENT MANAGEMENT SYSTEM

In 2007, Syncrude began work to align its emergency preparedness program with an incident command system that meets the standard of the National Incident Management System. Emergency responders across North America are increasingly adopting the NIMS standard for crisis response. It focuses on incident management, preparedness and communications. Many experts view a unified approach such as NIMS as helpful when emergency situations require a coordinated response among the groups that are called to help. Syncrude expects to be fully aligned by the end of 2008.
## Health and Safety Performance

<table>
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<tr>
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<td><strong>Lost-time Injury Frequency</strong>&lt;sup&gt;1&lt;/sup&gt;</td>
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<td>0.17</td>
<td>0.07</td>
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<td>0.14</td>
<td>0.04</td>
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<td>Combined</td>
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<td>0</td>
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<td>Maximum Hours Between LTIs (millions of hours)</td>
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<td>–</td>
<td>3.98</td>
<td>14.15</td>
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<td>Temporary Disability Absenteeism (% of Syncrude Workforce)</td>
<td>3.8</td>
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<td>4.0</td>
<td>3.9</td>
<td>3.8</td>
<td>4.0</td>
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<tr>
<td>New Long-Term Disability (LTD) Cases</td>
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<td>–</td>
<td>17</td>
<td>14</td>
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<td>16</td>
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<tr>
<td>Health Centre Visits&lt;sup&gt;2&lt;/sup&gt;</td>
<td>23,892</td>
<td>–</td>
<td>25,049&lt;sup&gt;3&lt;/sup&gt;</td>
<td>37,209</td>
<td>37,052</td>
<td>19,000</td>
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<tr>
<td><strong>On Site Workforce</strong></td>
<td></td>
<td></td>
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<td></td>
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</tbody>
</table>
| (full-time equivalent employees & contractors) | 9,363       | –           | 11,277      | 18,205      | 15,806      | 13,208      

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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.
Syncrude leads the industry in site restoration with 22 percent of land now reclaimed.

ISSUE

The environment is on everyone’s mind. What is Syncrude doing to minimize its impact?
Every day, Syncrude’s employees are dedicated to finding better ways to meet our environmental challenges.

50% reduction in flaring in 2007

60% reduction in SO₂ emissions expected by 2011

88% of water recycled

**FIRST**
- reclamation certificate in industry

**14,000**
- tonnes of waste recycled

Reclaimed wetland area on the Syncrude site.
REDDUCING ODOURS

Throughout 2007, Syncrude took a variety of measures to reduce emissions and odours stemming from our operation. Scientists at our research facility in Edmonton made significant progress on identifying the compounds that caused odour issues during the start-up of the new flue gas desulphurization (FGD) plant in May 2006. The FGD is designed to eliminate virtually all sulphur dioxide emissions from our new coker. To do this, it uses ammonia, which we were producing on our site. Our research discovered that certain compounds created during the process caused the odours. Since then, we have been using commercial ammonia purchased from an off-site source that does not contain those compounds. As a result, there have been no further odours sourced back to this unit due to this cause. In the future, Syncrude aims to once again use ammonia produced on our site, and research is underway to ensure it is free of odour-causing compounds.

Odours coming from Syncrude’s effluent pond also were noticed between October 2006 and May 2007. To address this concern, we took actions to modify equipment and operating practices, all of which were in place by mid-year 2007. As well, the Alberta government issued an Environmental Protection Order to Syncrude in August 2007 calling for additional mitigation efforts. Since then, we have been working closely with government officials to ensure we are doing everything practically possible to reduce further odours.

Syncrude appreciates that area residents have a right to good air quality. To ensure the timely identification of anything that could negatively impact this, we continually monitor air quality across our site, and are also kept informed by the Wood Buffalo Environmental Association, which operates 12 air quality monitoring stations throughout the oil sands region, including the communities of Fort McKay, Fort Chipewyan, Anzac, and Fort McMurray. Syncrude also encourages regional residents to report odours to Alberta Environment’s 24-hour hotline at 1-800-222-6514.

Atmospheric Emissions

\[
\begin{array}{ccccccc}
\text{Atmospheric Emissions} & \text{2007} & \text{2007} & \text{2006} & \text{2005} & \text{2004} & \text{2003} \\
\text{Actual} & \text{Target} & \\
\hline
\text{Sulphur Dioxide All Sources} & \\
\text{Tonnes per day (annual average)} & 226 & <250/210 & 218 & 227 & 241 & 212 \\
\text{Tonnes per 1,000 bbls of SSB (annual average)} & 0.74 & 0.97 & 0.83 & 1.05 & 1.00 & 0.99 \\
\hline
\text{Sour Gas Flaring/Diverting} & \\
\text{Tonnes per day SO}_2 & 6.1 & <1.0 & 11.4 & 4.8 & 5.0 & 5.6 \\
\hline
\text{Sour Gas Flaring} & \\
\text{Tonnes per day SO}_2 & 4.3 & <0.8 & 10.1 & 4.6 & 3.3 & 5.5 \\
\hline
\text{NO}_x \text{ All Sources} & \\
\text{Tonnes per day} & 69.6 & - & 66 & 55 & 56 & 57 \\
\text{Kilograms produced per 1,000 barrels of SSB} & 0.23 & - & 0.25 & 0.25 & 0.23 & 0.27 \\
\hline
\text{Diverter Stack Usage} & \\
\text{Hours per year} & 261 & <70 & 138 & 25 & 202 & 11 \\
\end{array}
\]

1 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.
What is Syncrude doing to improve air quality?

Once completed around 2011, Syncrude’s Emission Reduction Project (SERP) should reduce stack emissions by 60 percent.

A flare management system was implemented in 2007 to reduce the flaring of excessive energy inputs. By the end of the year, this effort successfully reduced flaring by 50% from 2006. Flare reductions serve to reduce air emissions such as sulphur dioxide and also improve Syncrude’s overall energy efficiency.
Emissions reduction project

Construction on Syncrude's Emissions Reduction Project (SERP) continued in 2007. The project should reduce emissions of sulphur compounds to an annual average of less than 100 tonnes per day after it is operating to specification around 2011. 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 percent from current approved levels of 245 tonnes per day. Emissions of particulate matter also should be significantly reduced.

### Key Air Indicators

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<tbody>
<tr>
<td><strong>Main Stack SO₂</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Hours greater than 16.4 tonnes per hour</td>
<td>0</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Daily average greater than 292 tonnes per day (# of occurrences)</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Main Stack Opacity (# of hours &gt; 40%)</strong></td>
<td>&lt;5</td>
<td>27</td>
<td>&lt;5</td>
<td>19</td>
<td>0</td>
<td>11</td>
</tr>
<tr>
<td><strong>Main Stack NOₓ Emissions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of hours &gt; 1.5 tonnes per hour</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Ambient Air Exceedences</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>H₂S hourly (#)</td>
<td>0</td>
<td>17</td>
<td>0</td>
<td>20</td>
<td>38</td>
<td>20</td>
</tr>
<tr>
<td>H₂S 24-hour period (#)</td>
<td>0</td>
<td>4</td>
<td>0</td>
<td>3</td>
<td>8</td>
<td>3</td>
</tr>
<tr>
<td>SO₂ hourly (#)</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>SO₂ 24-hour period (#)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Odour Complaints Received (#)</strong></td>
<td>0</td>
<td>7</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Environmental Fines (#)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Environmental Administrative Penalties (#)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Penalties by Year ($ thousands)</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Cumulative Total Penalties since 1978 ($ thousands)</strong></td>
<td>–</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
</tbody>
</table>

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.
ISSUE

Stakeholders want the land we mine to be returned to equivalent capability.

RESPONSE

We are leaders in reclamation science. To date, we have reclaimed 22 percent of the land we have disturbed and have planted millions of trees.
Syncrude spent $29 million on land reclamation activities in 2007 and leads the industry in land reclamation.

We have now reclaimed over 4,500 hectares of land and planted close to five million trees and shrubs. Early in 2008, Syncrude also achieved another first when the Government of Alberta formally certified the reclamation of a 104-hectare parcel of land known as Gateway Hill.

Reclamation work on Syncrude’s former East Mine is continuing, using a layer of capping sand over a foundation of composite tailings. Full-scale reclamation and planting will occur from 2010 through to 2015. As per the reclamation and closure plan submitted to Alberta Environment in 2006, this area will evolve into an area similar to its pre-disturbance state—a mixture of indigenous aspen and white spruce forests, grassland and marshy wetlands.

Reclamation work on Syncrude’s former West Mine also continues. This area is currently being filled with mature fine tailings, which will be capped with water in 2012 to form a lake. Syncrude conducted extensive research on water capping through the 1980s and 1990s, using pilot-scale test ponds. Results have shown the water capping method is conducive to establishing and supporting a healthy aquatic ecosystem.

Understanding that our stakeholders need assurance and confidence in the water capping method, Syncrude is continuing with extensive research in this area, in collaboration with industry, government and academic institutions.

**OUR COMMITMENT**

Syncrude is committed to ensuring that the land disturbed by our operation is returned to a stable, safe condition that is capable of supporting biologically self-sustaining communities of plants and animals. Our long-term vision is to create a landscape that sustains an integrated mosaic of land uses that meet stakeholder expectations.

Toward this, Syncrude has plans in place for closure and reclamation of its Mildred Lake and Aurora sites that meet the conditions and expectations contained in our operating approvals. Thorough monitoring of all reclamation areas allows Syncrude to track and compare their performance to design intent and also provides the database for reclamation certification, which is the formal testing of reclamation success against government standards.

Toward excellence in reclamation practices, Syncrude’s ongoing reclamation research has evolved to emphasize integrated programs within watersheds that are intensively instrumented and monitored, and several such watersheds have been established. This approach leads to cross-fertilization between research disciplines as well as better, more integrated insights from research findings. As part of these efforts, Syncrude routinely collects information on soil and vegetation development, drainage feature performance, and wildlife habitat development.

## Land Reclamation

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</thead>
<tbody>
<tr>
<td>Land Disturbed (cumulative hectares)</td>
<td>21,282</td>
<td>20,572</td>
<td>20,488</td>
<td>19,973</td>
<td>19,160</td>
<td>18,653</td>
<td>18,335</td>
</tr>
<tr>
<td>Land Reclaimed (cumulative hectares)</td>
<td>4,668</td>
<td>4,556</td>
<td>4,724</td>
<td>4,624</td>
<td>4,357</td>
<td>4,056</td>
<td>3,402</td>
</tr>
<tr>
<td>Net Land Disturbed (cumulative hectares)</td>
<td>16,516</td>
<td>16,016</td>
<td>15,764</td>
<td>15,349</td>
<td>14,803</td>
<td>14,598</td>
<td>14,933</td>
</tr>
<tr>
<td>Seedlings Planted</td>
<td>110,000</td>
<td>459,075</td>
<td>519,700</td>
<td>506,170</td>
<td>659,400</td>
<td>467,000</td>
<td>315,000</td>
</tr>
</tbody>
</table>

1. 104 hectares of land were reclaimed during 2007. However, loss of land classified as “permanent reclamation” resulted in a net reduction of cumulative permanent reclamation. The losses originated from activities and plans associated with the Southwest In-Pit project, development activities in the Southwest Sand Storage area, coke deposition activities in the Mildred Lake Settling Basin, and the relocation of Highway 63.
As part of Syncrude's annual Tree Planting Day, more than 120 Syncrude employees and family members dug in on September 8th to help plant trees on land undergoing reclamation. The event educates people who are not directly involved in reclamation activities and increases awareness of Syncrude’s commitment to successful reclamation.

Bison Update

The herd of approximately 300 wood bison that lives on 700 hectares of reclaimed land continues to thrive. The herd, which is managed by Syncrude in partnership with the Fort McKay First Nation, brought home several major livestock awards in 2007, helping the animals live up to their reputation for excellence. Thanks to its disease-free status and excellent health, the Syncrude-Fort McKay herd also is contributing to a genetic preservation project that aims to create a sustainable future for the entire wood bison species, which has seen a large reduction in its total population over the last century. The project involves the collection and study of genetic material related to reproductive biology. It is being led by scientists from the Universities of Calgary and Saskatchewan and several government agencies.

Operating License Reflects Advice from Elders

The wishes of Aboriginal Elders from the community of Fort McKay to reclaim disturbed land with materials from the original landform have been incorporated into the conditions of Syncrude’s recently renewed operating license. Syncrude will now separate the material it removes from the forest floor (which contains twigs, root pieces, seeds and spores) into stockpiles and use these stockpiles to help re-establish native plant species into later landform design. Syncrude had previously been experimenting with this practice and, in June 2007, conducted a tour for Elders on plots of land that had been reclaimed in this way. (See further discussion on this topic on page 29.)
To make crude oil, Syncrude consumes energy and natural resources.

Our improved water recycling process has doubled our heat recovery. This innovation has reduced both our natural gas consumption and greenhouse gas emissions.
ENERGY CONSERVATION HIGHLIGHTS

Syncrude has a variety of initiatives and measures in place to encourage site-wide energy conservation and energy-efficient behaviours and attitudes among employees. In 2007, these included:

- The introduction of the Global Energy Management System, an ExxonMobil program that aims to significantly reduce energy use across the organization. Toward this goal, a major energy audit will take place across the Syncrude site in 2008, and results from it will provide guidance for conservation initiatives over the next five years. An early success was a reduction in the temperature of water used in the Primary Separation Vessel at the Aurora Mine; a Syncrude research project discovered that colder water can be used without affecting bitumen recovery rates.

- The establishment of the Syncrude Energy Conservation Team, or ENCON, that looks for energy savings opportunities across the organization. Examples of energy efficiency achievements in 2007 include $338,000 in fuel gas savings from improved furnace operations and the creation of an energy conservation awareness campaign that, among other things, encourages employees to turn off the lights when they leave a room.

- A near doubling of the heat recovered from preheaters since 1997 thanks to improvements in the water recycling process. The gains, which also result in greenhouse gas emissions reductions, arise from a strategic drop in natural gas use and a greater focus on energy efficiency and conservation by operators and other staff.

- Participation in Canadian Industry Program for Energy Conservation, which is a best practice initiative of the Government of Canada.

A cyclofeeder at the North mine is part of the Low Energy Extraction process. It uses significantly less energy than earlier bitumen extraction processes thanks to lower water temperatures.

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<tbody>
<tr>
<td>Total Energy Consumption</td>
<td>146,647</td>
<td>137,863</td>
<td>140,954</td>
<td>114,753</td>
<td>119,401</td>
<td>107,163</td>
<td></td>
</tr>
<tr>
<td>Billion BTUs</td>
<td>–</td>
<td>1.20</td>
<td>1.30</td>
<td>1.18</td>
<td>1.48</td>
<td>1.43</td>
<td>1.35</td>
</tr>
<tr>
<td>Energy Intensity</td>
<td>Million BTUs per barrel</td>
<td>90.7</td>
<td>91.8</td>
<td>90.4</td>
<td>90.3</td>
<td>89.1</td>
<td>87.3</td>
</tr>
<tr>
<td>Bitumen Recovery (%)</td>
<td>0.0043</td>
<td>0.0036</td>
<td>&lt;0.0043</td>
<td>0.0032</td>
<td>0.0038</td>
<td>0.0038</td>
<td>0.0038</td>
</tr>
<tr>
<td>Naphtha Losses</td>
<td>Bbls per bbl of bitumen produced</td>
<td>87.5</td>
<td>84.3</td>
<td>89.0</td>
<td>84.9</td>
<td>85.3</td>
<td>85.5</td>
</tr>
<tr>
<td>Upgrading Yield (%)</td>
<td></td>
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CLIMATE CHANGE

GREENHOUSE GASES

In 2007, Syncrude emitted 15.01 million tonnes of carbon dioxide (CO₂). The oil sands industry in total accounts for about five percent of Canada’s emissions and 0.1 percent of global emissions. Canada’s emissions of greenhouse gases comprise about two percent of the global total.

Specified Gas Emitters Regulation

In 2007, through the Specified Gas Emitters Regulation, Alberta became the first province in Canada to regulate greenhouse gases by establishing intensity targets for Large Final Emitters of carbon. The regulation requires Syncrude to, beginning in the second half of 2007, reduce its per barrel emissions of greenhouses gases by 12 percent from the average of its annual per barrel emissions between 2003 and 2005. If Syncrude is unable to meet this target directly, it must purchase offset credits or pay into a government fund dedicated to the development of emissions reduction technology.

Syncrude met 90 percent of its reduction target under the new regulation and offset the remainder through the payment of about $867,000 to the Alberta government’s technology fund. Syncrude’s emissions calculation method and its data were externally verified.

SYNCRUDE CHAIR ENDORSES CLIMATE CHANGE ACTION

In October, the Chairman of Syncrude’s Board of Directors attached his signature to a statement from the Canadian Council of Chief Executives calling for aggressive action to tackle climate change, drive energy innovation and strengthen economic performance. Marcel Coutu is a member of the Council’s Task Force on Environmental Leadership, whose statement says that the goal of Canadian public policy must be to cut emissions of carbon dioxide and other greenhouse gases while strengthening Canada’s competitive advantage and economic performance. It also says the ultimate goal must be to achieve a substantial absolute reduction in emissions of greenhouse gases in Canada and globally.

CARBON SEQUESTRATION

Syncrude is a member of the Integrated CO₂ Network (ICON), which was formed to explore the viability of a large-scale Canadian carbon dioxide capture, transportation, and storage network. A successful system is believed by many to be a key technology for reducing carbon dioxide emissions. In December 2007, ICON released a report, Carbon Capture and Storage: A Canadian Environmental Superpower Opportunity, which detailed what is needed to implement the system in Canada.

The report targets large sources of industrial emissions in Alberta, including coal-fired electrical generation and energy production. 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 in geological formations. Costs are, as yet, uncertain, but a substantial investment (in the billions of dollars) and supportive public policy would be required. Industry is prepared to contribute to significant up-front costs and also believes there is an important role for government.

Greenhouse Gas Emissions

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<tbody>
<tr>
<td>Millions of tonnes</td>
<td>15.01</td>
<td>13.49</td>
<td>11.09</td>
<td>10.99</td>
<td>10.58</td>
</tr>
<tr>
<td>Tonnes per barrel</td>
<td>0.133</td>
<td>0.141</td>
<td>0.140</td>
<td>0.124</td>
<td>0.135</td>
</tr>
</tbody>
</table>

1 CO₂ equivalent emissions reported in this table include all possible Syncrude sources, including combustion of clear diesel and gasoline, biomass combustion, aerobic decomposition, and industrial process. They have been restated from previous years. Emissions calculations for the purpose of provincial and federal regulatory reporting will differ, as certain sources of emissions are excluded.

2 Syncrude’s GHG emissions calculations were subject to a series of audits in 2007, and these audits resulted in improvements and refinements to our methodologies.
Canadians want reductions in greenhouse gas emissions from all sectors of the economy, including the oil sands.

The oil sands account for five percent of Canada’s total greenhouse gas emissions. To help manage the global challenge, Syncrude is working with others to develop carbon capture technology.

**CLIMATE CHANGE GUIDE**

Syncrude provided financial support for a new Climate Change Guide, which was published in 2007 by Canadian Business for Social Responsibility. CBSR is a non-profit organization that works with companies across Canada to improve their social, environmental, and economic performance. The guide aims to help business managers identify strategic opportunities to improve environmental performance and also provides a basic framework for inspired business action.
WATER USE

Water Use and Conservation Analysis

Syncrude’s total import of fresh water from the Athabasca River increased to 36 million cubic metres in 2007 due to a substantial increase in crude oil production. However, successful efforts to use recycled water in our processes resulted in a more than 10 percent decrease in water intensity per barrel of production as compared to 2006. Syncrude’s use of fresh water, at 2.03 cubic metres per cubic metre of production, is the most efficient in the oil sands industry. About 88 percent of all water used at Syncrude now comes from a continuous recycle loop.

Efforts to increase water efficiency continue through the work of our water management team and our tailings steering committee, which are focused on identifying and implementing further conservation and re-use opportunities.

10% decrease in water intensity per barrel of production in 2007

Fresh water resources from the Athabasca River need to be conserved.

Response

We are the most efficient user of fresh water in the oil sands. 88 percent of all water used at Syncrude now comes from a continuous recycle loop.

### Water Use

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</thead>
<tbody>
<tr>
<td>Imported from Athabasca River</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millions of cubic metres per year</td>
<td>36.0</td>
<td>44.3</td>
<td>33.9</td>
<td>28.2</td>
<td>30.6</td>
<td>32.3</td>
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<tr>
<td>Cubic metres per cubic meter SSB produced</td>
<td>2.03</td>
<td>2.40</td>
<td>2.26</td>
<td>2.28</td>
<td>2.21</td>
<td>2.63</td>
</tr>
<tr>
<td>Process Water Recycled</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Millions of cubic metres per year</td>
<td>256.0</td>
<td>240.0</td>
<td>234.5</td>
<td>228.0</td>
<td>228.4</td>
<td>189.1</td>
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<tr>
<td>Recycled as % of total water used</td>
<td>88</td>
<td>87</td>
<td>87</td>
<td>88</td>
<td>88</td>
<td>86</td>
</tr>
<tr>
<td>Treated Waste Water Discharged to River (thousands of cubic metres)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sanitary</td>
<td>261.0</td>
<td>–</td>
<td>314.5</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 Recycled water volumes reflect the combined volumes for Syncrude’s Mildred Lake and Aurora facilities.
2 Syncrude does not discharge any process-affected water to river systems.
Syncrude’s industrial operation creates waste.

Syncrude recycles or reuses waste materials of all kinds, and captures value from byproducts and co-products of our operation.

**Using it Again**
Syncrude has a variety of measures in place to encourage or require the recycling of waste in the workplace. To ensure safe and proper disposal, for example, collection points have been established in all auto shops for spent lead-acid batteries. Syncrude also participates in the international battery recycle program, Call2recycle, which ships all rechargeable nickel-cadmium batteries to a recycling facility to be broken down and used in new products.

Waste oil, cardboard and paper, oil filters, and other common materials also are recycled. The recycling of beverage cans and bottles across the site is encouraged, with proceeds donated to the United Way. Another program collects used printer cartridges—up to 1,000 a year—which are donated to the Edmonton Food Bank and then sold for cash. And another recycles fluorescent light bulbs; thousands are shipped to Edmonton each year where mercury is removed and glass and metal recycled.

Waste Management

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<tbody>
<tr>
<td>Waste Recycled/Reused—Solid (tonnes) ¹</td>
<td>12,080</td>
<td>17,720</td>
<td>15,630</td>
<td>18,180</td>
<td>15,380</td>
</tr>
<tr>
<td>Waste Recycled/Reused—Liquid (cubic metres) ²</td>
<td>2,653</td>
<td>3,070</td>
<td>3,360</td>
<td>3,040</td>
<td>3,010</td>
</tr>
<tr>
<td>Waste—Solid Hazardous sent for offsite treatment or destruction (cubic metres)</td>
<td>18</td>
<td>2.5</td>
<td>14</td>
<td>19</td>
<td>73</td>
</tr>
<tr>
<td>Waste—Liquid Hazardous sent for offsite treatment or destruction (cubic metres)</td>
<td>4.0</td>
<td>6.5</td>
<td>5</td>
<td>38.3</td>
<td>4.1</td>
</tr>
<tr>
<td>Waste Disposal—Onsite Industrial Non-Hazardous (tonnes)</td>
<td>61,862</td>
<td>32,760</td>
<td>28,680</td>
<td>33,320</td>
<td>61,730</td>
</tr>
<tr>
<td>Waste Disposal—Onsite Sanitary Non-Hazardous (tonnes)</td>
<td>1,712</td>
<td>2,000</td>
<td>2,880</td>
<td>2,350</td>
<td>1,900</td>
</tr>
</tbody>
</table>

¹ Includes catalyst, scrap metal, tires, conveyor belting and batteries; catalyst recycle volumes in 2007 are lower due to reduced catalyst use.
² Includes used oil, used solvents and glycol. Starting in 2007, glycol is disposed.
Shaping our plans

**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.

**CUSTOMER CONSULTATION**
Syncrude and its owners work continuously to understand present and future requirements for refinery customers that process our Syncrude crude oil 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 about $70 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.

Operating with excellence

**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 hydrotreatment technology to extraction facilities.

**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 cleaned bitumen.

**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. The oil is then transported via pipeline to refineries throughout North America.

**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.
Creating positive outcomes

**RECLAMATION**
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 percent of our Mildred Lake site, planted over five million tree and shrub seedlings, and achieved the first-ever government reclamation certification in the oil sands. Ongoing research is directed at finding ways to incorporate tailings into reclaimed landscapes. We have also successfully developed wood bison habitat in cooperation with the Fort McKay First Nation.

**SYNCRUDE CRUDE OIL**
Refineries process our oil to make high quality gasoline and diesel fuels, jet fuels and chemical feedstocks. The completion of our upgrader expansion has resulted in product quality improvements to our Syncrude crude oil blend.

**BENEFITS TO PEOPLE**
Through our work to produce Syncrude crude oil, we directly and indirectly employ many thousands of people. In fact, Syncrude is one of the largest industrial employers of Aboriginal people in Canada. Through our community investment activities, we help support programs and initiatives that are important to our stakeholders. In 2007, we contributed over $4.2 million to community projects and initiatives.

**BENEFITS TO THE ECONOMY**
Syncrude helps sustain local and regional economies through the purchase of goods and services. In 2007, non-energy procurement amounted to $2 billion. Governments also benefit through Syncrude’s payment of taxes and royalties—$1.6 billion in 2007 and more than $9 billion since 1978.
Syncrude has many partners in its sustainability journey. Together, we are working to address and improve the economic, environmental and social performance of Canada’s resource industry. In many cases, Syncrude is a leading contributor through the provision of staff expertise and funding. Readers are invited to learn more by visiting the websites listed below.

Aboriginal Human Resource Council:
www.aboriginalhr.ca

Alberta Chamber of Resources:
www.acr-alberta.com

Canadian Association of Petroleum Producers:
www.capp.ca

Canadian Business for Social Responsibility:
www.cbsr.ca

Canadian Council for Aboriginal Business:
www.ccab.com

Canadian Oil Sands Network for Research and Development:
www.conrad.ab.ca

Mining Association of Canada:
www.mining.ca

Oil Sands Developers Group:
www.oilsands.cc

Syncrude is a platinum level participant in the Stewardship initiative of the Canadian Association of Petroleum Producers; this designation certifies that our SH&E 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.

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 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 Integrated CO2 Network, or ICON, which is exploring the viability of large scale carbon capture, transportation and storage for a cross-section of Canadian industry.
Syncrude Canada Ltd. is a private company incorporated under the Business Corporations Act of Alberta.

Syncrude’s bylaws stipulate that shares in the corporation may only be held by the shareholders 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.

BOARD OF DIRECTORS
The Board of Directors of Syncrude 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 two Board Committees, the CEO Committee and the Human Resources, Compensation and Pension 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.

CEO COMMITTEE
The CEO Committee provides a chief executive officer review and approval, or endorsement of the following matters, and any other review, direction or approval as the Committee in its sole discretion deems appropriate and in the interests of the Corporation:

- review and approve the Corporation’s succession plans for its senior management team;
- conduct an annual performance review of the Chief Executive Officer of the corporation;
- review and approve the compensation of the Chief Executive Officer as well as the other officers of the corporation and any changes to their compensation as recommended by the Compensation Committee; and
- review and endorse the long term strategic plan of the Syncrude Project and the business plans of the corporation.

HUMAN RESOURCES, COMPENSATION AND PENSION COMMITTEE
The Human Resources, Compensation and Pension Committee develops, for consideration by Syncrude’s Board of Directors, recommendations on the following matters:

- The management structure and senior management succession planning for Syncrude;
- Compensation, benefits and other issues concerning human resources programs;
- Oversight of the Retirement Plan for Syncrude employees to discharge the corporation’s duties as administrators of the Plan under the Employment Pension Plans Act;
- Endorsement of the appointment of the Actuary and the Trustee & Custodian of the Syncrude Retirement Plan;
- Reviewing or amending the Statement of Investment Policies and Procedures and the Statement of Investment Principles and Beliefs for the Syncrude Retirement Plan and any similar statements or documents that are intended to replace them;
- Reviewing the annual audited statement of the Syncrude Retirement Plan;
- Reviewing actuarial valuations of the Syncrude Retirement Plan fund and the post-retirement benefits and request any additional valuations of the fund as the Committee deems necessary;
- Reviewing and evaluating methods to secure funds for any unfunded liabilities arising from the pension obligations of the corporation to its employees, including those in respect of post-retirement health and dental benefits, retiree life insurance, and the Excess Pension Benefit Plan, to the extent the members of the Committee deem necessary or appropriate;
• Receiving and reviewing any pension governance, administration or funding recommendations; and

• Reviewing the communication and education policy in respect of retirement benefits, options and risks for employees of the corporation.

**MANAGEMENT COMMITTEE**

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.

The Management Committee has appointed sub-committees, and has delegated powers and duties as appropriate, to effectively support Syncrude and its owners. The sub-committees report to the Syncrude Management Committee. Each Joint Venture participant may bring any required knowledge experts to sub-committee meetings. The Chairman and Secretary are appointed by the Management Committee. The Sub-committee can create work groups reporting to the sub-committee to facilitate detailed analysis, investigation and recommendations on any matter.

**OPERATIONS, TECHNICAL, SECURITY, SAFETY, HEALTH AND ENVIRONMENT SUB-COMMITTEE**

The Operations, Technical, Security, Safety, Health and Environment Sub-Committee oversees all aspects of Syncrude operations, security, safety, health and environment and the associated investments and technical/business plans to support the existing operations.

**GROWTH/DEVELOPMENT PLANNING/ MAJOR PROJECTS SUB-COMMITTEE**

The Growth/Development Planning/Major Projects Sub-Committee oversees all aspects of growth and business development planning and all matters related to stewardship of major projects.

**CRUDE SUPPLY AND COORDINATION SUB-COMMITTEE**

The Crude Supply and Coordination Sub-Committee provides feedback to the operator (Syncrude Canada Ltd.) on short-term shipment plans and transportation issues with emphasis on both quality and volume. The Sub-Committee also discusses long-term market development strategies in order to provide advice and guidance to the Joint Venture on quality investment and long-term marketability.

**AUDIT AND BUSINESS CONTROLS SUB-COMMITTEE**

The Audit and Business Controls Sub-Committee oversees all aspects of Syncrude’s internal control systems and financial and related disclosures as required under relevant legislation and by all Joint Venture participants for their respective regulatory reporting requirements.

**CODE OF ETHICS AND BUSINESS CONDUCT**

Syncrude has 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. Syncrude stewards the application of these policies and reports periodically to the Syncrude Audit and Controls Committee and to the Audit and Business Controls Sub-Committee of the Management Committee.

In addition to internal processes, Syncrude has an external system 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 or 1-800-493-1866. This information is available internally and through Syncrude’s external website at www.syncrude.com
In the interest of providing readers of this report with information regarding Syncrude, including management’s assessment of Syncrude’s future technologies, emissions and production levels and Syncrude operations, certain statements throughout this sustainability report contain “forward looking statements” under applicable securities law. Forward-looking statements in this report include, but are not limited to, statements with respect to: the expectation to grow production to 350,000 barrels per day (“bpd”) and eventually to 500,000 bpd; the expectation of achieving the production design rates and reduced CO₂ emissions from Stage 3; the actual recoverable amounts from any resources; the expected improvement in energy efficiency; the expected timing to fix the design issues around the hydrogen plant; the expectations with respect to In-Pit reducing emissions such as greenhouse gases and oxides of nitrogen; the expected emission reductions and costs relating to the sulphur emissions reduction project; the expected results from the production, safety, water and other initiatives outlined on page 7 of this report; the higher production and lower SO₂ emissions expected from Stage 3; the expected improvement in operations from implementing the global reliability system and other systems provided by ExxonMobil; the ability to attract and retain employees with current and future retention policies and programs at Syncrude; and reclamation plans for Mildred Lake and Aurora. You are cautioned not to place undue reliance on forward looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur.

By their nature, forward looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur. Although Syncrude believes that the expectations represented by such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Some of the risks and other factors that could cause results to differ materially from those expressed in the forward-looking statements contained in this sustainability report include, but are not limited to: the impact of technology on operations and processes and how new complex technology may not perform as expected; risks inherent to the operation of any large, complex refinery units, especially the integration between mining operations and an upgrader facility; regulatory changes which may impact the penalties on greenhouse gas emitters, or the amount of Crown royalty or taxes paid to the government; changes in business strategy; regulatory decisions; the effects of competition and pricing pressures; shifts in market demands; changes in laws and regulations including environmental and regulatory laws; potential increases in costs; timing of completion of capital or maintenance projects; various events which could disrupt operations.
including severe weather conditions; technological changes and management retention and development; the supply and demand metrics for oil and natural gas; general economic, business and market conditions; and such other risks and uncertainties described from time to time in the reports and filings made with regulatory authorities by Syncrude.

You are cautioned that the foregoing list of important factors is not exhaustive. Furthermore, the forward-looking statements contained in this report are made as of the date of this report and unless required by law, Syncrude does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this report are expressly qualified by this cautionary statement. In any reference to resources in this report, there is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources. Unless otherwise specified, all dollar amounts are expressed in Canadian dollars, all references to “dollars” or “$” are to Canadian dollars and all references to “US$” are to United States dollars.

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 percent 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
BOARD OF DIRECTORS
Canadian Oil Sands Limited
M. Coutu 1,2,3
T. Roberts 3
T. Curran
ConocoPhillips Oil Sands Partnership II
K. Meyers 1
M. Fox
L. Lisitza
Imperial Oil Resources
R. Broiles 1
M. Konopczynski 1,2,3
Mocal Energy Ltd.
T. Ohmura 1
S. Fly 1
T. Omori
Murphy Oil Company Ltd.
S. Crosby 1
C. Buchanan 3
Petro-Canada Oil and Gas
R. Brenneman 1
N. Camarta 3

1 CEO Committee
2 Human Resources, Compensation and Pension Committee
3 Syncrude Management Committee

OFFICERS OF SYNCRUDE CANADA LTD.
M. Coutu
Chairman of the Board
T. Katinas
President and CEO
P. Papaluca
Vice President,
Business Services and Chief Financial Officer
G. Ball
Vice President,
Projects Development and Execution
G. Brennan
Corporate Secretary

EXTERNAL FINANCIAL AUDITORS
KPMG

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Website: www.syncrude.com
Printed on FSC-certified Mohawk Options
100% PCW manufactured entirely with wind energy and contains 100% post-consumer recycled fibre. This project resulted in:

- 63.4 trees preserved for the future
- 101,972 litres wastewater flow saved
- 1,353 kilograms solid waste not generated
- 2,663 kilograms net greenhouse gases prevented
- 44,934,400 BTUs energy not consumed
Engage in dialogue about the oil sands at www.canadasoilsands.ca

Comments or questions?
Email info@syncrude.com