Syncrude Canada Ltd. is the major player in Canada's growing oil sands industry, producing 13 per cent of Canada's crude oil requirements. Our mission is to create wealth for our stakeholders from Canada's oil sands through the 21st century by safely, reliably and profitably producing high quality crude oil and other products in an environmentally and socially responsible manner.

Toward this, Syncrude operates technologically advanced oil sands mines, extraction and upgrading facilities, and utilities plants at its sites north of Fort McMurray, Alberta. Syncrude also operates one of western Canada's largest private research centres, in Edmonton, Alberta.

Syncrude was incorporated in 1964 and began producing crude oil in 1978. Today, our company is the world's largest producer of light, sweet crude oil from oil sand with cumulative production surpassing 1.3 billion barrels. In 2003, the company will commemorate its 25th anniversary of production.

The Syncrude Project is a joint venture undertaking among AEC Oil Sands Limited Partnership (5%), Canadian Oil Sands Commercial Trust (10%), Canadian Oil Sands Trust (managed by Canadian Oil Sands Limited) (21.74%), ConocoPhillips Partnership II (9.03%), Imperial Oil Resources (25%), Mocal Energy Ltd. (5%), Murphy Oil Company Ltd. (5%), Nexen Inc. (7.23%) and Petro-Canada Oil and Gas (12%).
In the early 1990s, we sat down with a diverse cross-section of employees to translate our operating philosophy into words. The result was our Vision and Values statement. This statement articulated our view of the kind of company we wanted Syncrude to be as we moved forward. Our Vision and Values guided us through some of the most successful years of our operation, not to mention some of the most challenging, as we entered the heaviest period of capital investment in our history.

We take pride and ownership in what we wrote and today, our Vision and Values continue to guide the decisions we make. They reflect our commitment to responsible development of the oil sands resource.

We continue to stick to our convictions because while many things have changed, our philosophy has not. Our business, as our report theme of One Sweet Blend suggests, is to produce our high quality crude oil reliably and economically while generating many benefits for our stakeholders and respecting our people, our neighbours and our environment.

While we have a long and demonstrated track record of achievement in these areas, Syncrude is firmly gearing for growth. We expect our output of crude oil will nearly double over the next decade. Clearly, our sustainability depends on even greater emphasis on responsible development going forward. We must live our values and this report documents the benchmarks upon which our success will be measured.

The oil sands resource represents truly outstanding opportunity for Canada to meet continental needs for oil energy as well as economic and social advancement. And, from our very first barrel some 25 years ago, we have shown these outcomes to be possible.

Syncrude has now produced more than 1.3 billion barrels of high quality Syncrude Sweet Blend and from these, numerous socio-economic benefits have flowed. Our Joint Venture owners have paid nearly $6 billion in taxes and royalties to governments. Thousands of people have found rewarding careers. Our key communities have prospered. Aboriginal people have been engaged and their skills unleashed.
While these are all desirable outcomes, we are ever mindful of our environmental impacts. Land has been disturbed and it must be reclaimed. Energy and water have been consumed and these resources must be conserved. Emissions have been released to the atmosphere and they must be reduced.

To improve our environmental performance, we continue to build on a large and growing knowledge base. Syncrude has for almost 40 years operated the oil sands industry’s only dedicated research and development program. Annual R&D investments of $30 to $40 million have led to many sustainability improvements. Composite tails is one example. It is integrating soft tailings materials into the creation of stable reclaimed landforms that will support a mix of forest vegetation. Pioneered by our research team, composite tails is one among a suite of enabling technologies that are helping to increase the pace and success of land reclamation throughout the oil sands industry.

Low energy bitumen extraction is another example. It has enabled extraction process temperatures to be reduced from 80°C to 35°C Centigrade and has resulted in a significant drop in energy consumption on a per unit of production basis.
This and other energy conservation measures have led to Syncrude achieving year-over-year reductions of about 1.7 per cent in per unit energy consumption, and earning recognition from Canada’s Voluntary Challenge and Registry as an industry leader in reducing greenhouse gas emissions.

Impressive as Syncrude’s progress is, climate change remains a key issue going forward, and we will continue to work toward improved energy efficiency. While this will lead to reduced emissions of greenhouse gases on a per unit of production basis, absolute emissions will increase because we are significantly increasing crude oil production. Syncrude is working with government and industry stakeholders to develop a plan that will allow Canada to meet its Kyoto obligations while protecting the economic and social benefits generated by oil sands development.

Syncrude is reducing plant emissions which impact air quality through a strategic emissions reduction program. The program will reduce total sulphur dioxide emissions by 60 per cent from today’s levels, building on efforts that have already reduced SO₂ emissions by about 50 per cent per barrel since 1983. Emissions of particulate matter, ammonia and metals also will be significantly reduced.

In the water area, Syncrude is already an industrial leader in its use of recycled water, which accounts for over 75 per cent of the total water we use. However, industry expansion is placing additional demands on finite water resources and we will continue to look for ways to conserve water.

Economic challenges, too, require our effort. These include the equitable sharing of long-term resource development benefits with local First Nations communities. As well, local infrastructure needs, which have increased due to growth in the oil sands industry, require funding through a revised municipal tax structure. Syncrude is a participant in multi-stakeholder mechanisms that will propose solutions to both of these issues.

We often say that people are our most valuable resource. Indeed, just as human ingenuity led to the economic viability of the oil sands industry, applied brainpower is helping us meet the high expectations of our stakeholders and of ourselves.
In fact, our employees are genuinely engaged and motivated. They are well educated and take every opportunity to further upgrade and enhance the skills they bring to our organization. They are forthright with their views on Syncrude’s sustainability performance and, while proud of our many accomplishments, continue to champion improvements in the areas of environment, health and safety.

Their commitment to our journey remains crucial. As such, Syncrude aims to be an exceptional employer and has been nationally recognized in this regard. We reward our people well for their knowledge, experience and contribution. We respect their diversity. We endeavour to ensure their safety on- and off-the-job. We empower them to make decisions and are working with them to improve full-cycle communication.

As we introduce stakeholders to this, our first ever sustainability report, we are making a commitment to continue with Syncrude's leadership in corporate social responsibility. Many corporate social responsibility principles are embodied in our vision and values. As we work towards securing Canada’s energy future we will continue to live our values and thereby meet the evolving needs and expectations of our neighbours, our community and all Canadians. To us, that really is one sweet blend.

Eric P. Newell
Chairman and
Chief Executive Officer

Jim E. Carter
President and
Chief Operating Officer
SYNCRUDE’S VISION AND VALUES guide the decisions and actions we take toward the goal of being a competitive and responsible company. They are the foundation upon which we are working to link economic performance with sustainable environmental and social outcomes. Such linkages are found in:

- our commitment to our people, which has made Syncrude a great place to work and also resulted in an increase in workforce productivity;
- our work to foster a more reliable plant operation, which has reduced unplanned environmental releases while also allowing for more steady crude oil production;
- our investments in safety, which have reduced the personal suffering and family impact resulting from injuries and reduced the expense associated with accident investigations, production downtime, medical services, insurance claims, training of replacement staff and other such costs;
- our business strategy to produce crude oil with superior environmental properties such as low sulphur content, which provides more attractive financial returns while reducing downstream air emissions;
- our history of increasing energy efficiency, which has reduced energy inputs on a per unit of production basis and also reduced per unit emissions of greenhouse gases;
- our community investment work, which helps create a higher quality of life in our key communities and serves to retain and attract high quality employees;
- our advocacy of education and our involvement in many education initiatives, which are means toward community sustainability that also help Syncrude meet our own workforce needs for highly skilled people;
- our Aboriginal development initiatives, which are leading to more self-sufficient Aboriginal communities while also helping Syncrude meet our human resource and procurement needs; and
- our value-added in Alberta crude oil product, which delivers higher taxes and royalties to governments and generates significant socio-economic benefits for all Canadians.
Yet, as far as Syncrude has come, we clearly have further work to do toward more fully integrated sustainability performance. Accordingly, our business strategies, management systems and research programs are increasingly integrating aspects of economic, social and environmental performance. (see page 50 for a summary of Syncrude’s integrated performance)

Our plan to substantially increase crude oil production, for example, is being shaped by inputs and findings from Syncrude’s stakeholder consultation and engagement processes. The plan incorporates measures to further reduce air emissions and increase Aboriginal participation in our workforce and supply chain. Crude oil product quality also will be further improved. In combination, these moves will sustain the significant economic benefits that are generated by the Syncrude operation, mitigate environmental effects and enhance the ability of local communities to develop their capacity.

As a way of doing business, full integration of performance measures makes sense for Syncrude and our record thus far shows its potential. Looking ahead, Syncrude will continue to integrate and leverage our proven abilities in managerial leadership, employee engagement, community partnerships, research and development, capital investment and operations excellence as we aim for better sustainability performance.
Maintenance leader Wayne McKenzie says if you like meeting people then Fort McMurray is one of the best places to be. “So many people from so many different countries come here to work.” As a result, Syncrude attracts top people in the field. People like Wayne, who helped the company produce a record 83.8 million barrels in 2002.
ECONOMIC PERFORMANCE

GROWTH AND RETURNS

NEW RECORDS

$3.4 billion in Pro Forma Revenue

$1.9 billion in Operating Cash Flow

83.8 million barrels of Syncrude Sweet Blend shipped

$2.3 billion spent on goods and services

$499 million in contracts to Wood Buffalo firms

$82 million to Aboriginal companies

25.6% return on capital employed

Above 20 per cent four years in a row

Syncrude has generated nearly $6 billion in royalties and payroll and municipal taxes to governments over the last 25 years.

Total cumulative production of Syncrude Sweet Blend now surpasses 1.3 billion barrels.
Economic Performance

Growth and Returns

New Records

$3.4 billion in Pro Forma Revenue

$1.9 billion in Operating Cash Flow

83.8 million barrels of Syncrude Sweet Blend shipped

$2.3 billion spent on goods and services

$499 million in contracts to Wood Buffalo firms

$82 million to Aboriginal companies

25.6% return on capital employed

Above 20 per cent four years in a row

Syncrude has generated nearly $6 billion in royalties and payroll and municipal taxes to governments over the last 25 years.

Total cumulative production of Syncrude Sweet Blend now surpasses 1.3 billion barrels.
SYNCRUDE IS A MAJOR ENGINE of the Alberta economy and an important contributor to Canada’s economy and energy needs. We contribute to the economic well-being of Canadians by being profitable in our work to produce crude oil from oil sand, and through such measures as corporate and payroll taxes and procurement of goods and services. Fully 13 per cent of Canada’s crude oil needs are supplied by Syncrude. Our financial success also allows us to re-invest in new and better ways of doing things, which is in keeping with our philosophy of continuous improvement in everything we do.

2002 FINANCIAL PERFORMANCE

Crude oil shipments in 2002 were a record 83.8 million barrels (230,000 barrels per day), three per cent higher than 2001. These shipments generated record pro forma revenues of $3.4 billion and operating cash flow of $1.9 billion. The cash was fully reinvested in the business as Syncrude is mid-way through the largest capital program in its history.

High crude oil prices averaging Cdn $40.50 per barrel mitigated higher than anticipated operating costs, which were $17.46 per barrel including purchased energy costs of $2.37 per barrel. However, Syncrude’s strategy to provide the market with a high quality value-added crude oil contributed to strong financial results for the year. Return on capital employed was 25.6 per cent, while per barrel netback before depreciation, depletion and amortization was $22.63.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Syncrude Sweet Blend (SSB) production (millions of barrels)</td>
<td>83.8</td>
<td>81.4</td>
<td>74.2</td>
<td>81.4</td>
<td>76.7</td>
</tr>
<tr>
<td>Operating cost per barrel ($)</td>
<td>17.46</td>
<td>18.47</td>
<td>17.20</td>
<td>12.51</td>
<td>13.51</td>
</tr>
<tr>
<td>Owners’ revenue ($ millions)*</td>
<td>3,393</td>
<td>3,211</td>
<td>3,300</td>
<td>2,272</td>
<td>1,566</td>
</tr>
<tr>
<td>Netbacks per barrel ($)*</td>
<td>22.63</td>
<td>17.99</td>
<td>19.49</td>
<td>14.88</td>
<td>6.90</td>
</tr>
<tr>
<td>before depreciation, depletion and amortization</td>
<td>22.63</td>
<td>17.99</td>
<td>19.49</td>
<td>14.88</td>
<td>6.90</td>
</tr>
<tr>
<td>Capital investment ($ millions)</td>
<td>1,857</td>
<td>828</td>
<td>510</td>
<td>752</td>
<td>481</td>
</tr>
<tr>
<td>Return on capital employed (%)*</td>
<td>25.6</td>
<td>25.7</td>
<td>23.9</td>
<td>29.7</td>
<td>11.2</td>
</tr>
</tbody>
</table>

* Pro forma data
Economic Performance

Syncrude’s business activities are restricted to the operation of the Syncrude Project, which is a Joint Venture. Accordingly, Syncrude is not able to report results using conventional financial statements.

The financial information contained in this report is based on the pro forma financial analysis done by Syncrude for itself and for its Owners to meet internal review requirements. It is theoretical and not intended to represent the actual financial results of any individual Owner. Each Owner’s actual tax position and basis for financial reporting may vary.

The pro forma financial information presented has been prepared as an estimate of what the financial position, changes in financial position, and results of operations might have been if the Syncrude Project was operated on a stand-alone, separate company basis. It also assumes Syncrude had beneficial ownership of all the Syncrude Project assets, sold all production under normal commercial terms, made all royalty payments, and was responsible for all costs of financing.

Financial information has been prepared by management in accordance with accounting principles generally accepted in Canada and includes certain amounts based on estimates and management’s best judgments. This information is presented in un-audited form.

Management maintains a system of internal controls that provides reasonable assurance that all transactions are recorded, that the financial information realistically portrays the operating and business results, and that the assets of the Syncrude Project are safeguarded. Syncrude’s internal auditors review and evaluate compliance with internal controls and report to the Board of Directors Audit and Pension Committee. The Board of Directors of Syncrude is responsible for ensuring that management meets the requirements for internal control and financial reporting. This responsibility is primarily discharged by the Audit Committee of the Board of Directors.

Syncrude’s practice and policy is to meet the highest ethical standards in all of its activities. Syncrude’s general business objective is the creation of stakeholder value in everything it does.

### Highlights of Joint Venture Operating Results by Quarter

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Shipment of Syncrude Sweet Blend</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of barrels</td>
<td>20.6</td>
<td>21.3</td>
<td>16.2</td>
<td>19.1</td>
<td>24.0</td>
<td>19.4</td>
<td>22.9</td>
<td>21.6</td>
</tr>
<tr>
<td>thousands of barrels/day</td>
<td>229</td>
<td>237</td>
<td>178</td>
<td>210</td>
<td>261</td>
<td>211</td>
<td>249</td>
<td>235</td>
</tr>
<tr>
<td>Direct Production Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>289</td>
<td>270</td>
<td>297</td>
<td>267</td>
<td>221</td>
<td>249</td>
<td>227</td>
<td>256</td>
</tr>
<tr>
<td>per barrel</td>
<td>14.02</td>
<td>12.66</td>
<td>18.29</td>
<td>13.98</td>
<td>9.21</td>
<td>12.87</td>
<td>9.94</td>
<td>11.88</td>
</tr>
<tr>
<td>Purchased Energy 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>43</td>
<td>134</td>
<td>52</td>
<td>79</td>
<td>39</td>
<td>38</td>
<td>66</td>
<td>37</td>
</tr>
<tr>
<td>per barrel</td>
<td>2.08</td>
<td>6.30</td>
<td>3.21</td>
<td>4.14</td>
<td>1.61</td>
<td>1.94</td>
<td>2.86</td>
<td>1.73</td>
</tr>
<tr>
<td>Turnaround Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>5</td>
<td>8</td>
<td>92</td>
<td>36</td>
<td>5</td>
<td>20</td>
<td>6</td>
<td>14</td>
</tr>
<tr>
<td>per barrel</td>
<td>0.24</td>
<td>0.39</td>
<td>5.67</td>
<td>1.89</td>
<td>0.20</td>
<td>1.04</td>
<td>0.25</td>
<td>0.64</td>
</tr>
<tr>
<td>Corp G&amp;A/Research</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>25</td>
<td>16</td>
<td>27</td>
<td>19</td>
<td>33</td>
<td>26</td>
<td>36</td>
<td>35</td>
</tr>
<tr>
<td>per barrel</td>
<td>1.21</td>
<td>0.73</td>
<td>1.69</td>
<td>1.01</td>
<td>1.39</td>
<td>1.32</td>
<td>1.56</td>
<td>1.61</td>
</tr>
<tr>
<td>Total Expense</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>362</td>
<td>428</td>
<td>468</td>
<td>402</td>
<td>298</td>
<td>333</td>
<td>335</td>
<td>342</td>
</tr>
<tr>
<td>unit costs per barrel</td>
<td>17.55</td>
<td>20.08</td>
<td>28.86</td>
<td>21.02</td>
<td>12.41</td>
<td>17.17</td>
<td>14.61</td>
<td>15.86</td>
</tr>
</tbody>
</table>

1 Includes costs to upgrade sour product to sweet.
TOTAL EXPENSE

Total expense for 2002 was $1,463 million, or $17.46 per barrel of SSB. This compares to 2001 expenditures of $1,504 million, or $18.47 per barrel. These unit cost decreases were a result of record production and lower purchased energy costs primarily due to lower natural gas prices; they were partially offset by an increase in turnaround maintenance costs.

Purchased energy costs were lower in 2002 and represent $2.37 of the total $17.46 per barrel unit costs. Natural gas prices for 2002 averaged $3.79 per gigajoule and totaled $200 million for the year. This compares to an annual average price of $6.00 per gigajoule in 2001.

OWNERS’ PRO FORMA REVENUE

For the year ended December 31, 2002, the Owners’ pro forma revenue from Syncrude Sweet Blend crude oil, based on Deemed Unit Prices, and net of transportation costs, was $3,393 million, compared to revenue of $3,211 million in 2001. This increase in pro forma revenue was a result of higher SSB shipments and modestly higher oil prices as compared to 2001.

Oil prices in 2002 rose steadily through the first three quarters. After a modest decline in November, prices at the end of the year were near the 12-month peak. West Texas Intermediate (WTI) fluctuated from a monthly low of $19.73 U.S. in January to a high of $29.67 U.S. in September. Average WTI for 2002 was $26.15 U.S. up from $25.90 U.S. in 2001.

Deemed Unit Prices for Syncrude Sweet Blend in 2002 averaged $40.50 Cdn per barrel at the plant gate ($26.15 U.S. per barrel for WTI crude), up $1.07 per barrel from the 2001 average price of $39.43 per barrel ($25.90 per barrel U.S. – WTI). The average exchange rate for 2002 was $0.64 U.S. per Canadian dollar.

FIVE-YEAR REVIEW OF PRO FORMA INFORMATION

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>millions of dollars</td>
<td>3,393</td>
<td>3,211</td>
<td>3,300</td>
<td>2,272</td>
<td>1,566</td>
</tr>
<tr>
<td>annual average deemed unit price at Plant Gate (per barrel Cdn)</td>
<td>40.50</td>
<td>39.43</td>
<td>44.46</td>
<td>27.91</td>
<td>20.43</td>
</tr>
<tr>
<td>annual average WTI at Cashing (per barrel U.S.)</td>
<td>26.15</td>
<td>25.90</td>
<td>30.20</td>
<td>19.24</td>
<td>14.40</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>millions of dollars</td>
<td>1,896</td>
<td>1,465</td>
<td>1,447</td>
<td>1,212</td>
<td>530</td>
</tr>
<tr>
<td>netback per barrel of SSB</td>
<td>22.63</td>
<td>17.99</td>
<td>19.49</td>
<td>14.88</td>
<td>6.90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>millions of dollars</td>
<td>(16)</td>
<td>579</td>
<td>918</td>
<td>448</td>
<td>45</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>50.6%</td>
<td>25.6</td>
<td>25.7</td>
<td>23.9</td>
<td>29.7</td>
<td>11.2</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>estimated equivalent SSB (millions of barrels)</td>
<td>8,261</td>
<td>8,316</td>
<td>8,420</td>
<td>8,418</td>
<td>8,464</td>
</tr>
</tbody>
</table>

1 All years restated to exclude changes in working capital.
2 Capital employed includes all capital, as spent, including assets not yet producing.
3 Includes proven (developed and undeveloped), probable and possible.
Economic Performance

### Five-Year Review of Joint Venture Operating Results

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shipments of Syncrude Sweet Blend</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of barrels</td>
<td>83.8</td>
<td>81.4</td>
<td>74.2</td>
<td>81.4</td>
<td>76.7</td>
</tr>
<tr>
<td>thousands of barrels per day</td>
<td>230</td>
<td>223</td>
<td>203</td>
<td>223</td>
<td>210</td>
</tr>
<tr>
<td><strong>Direct Production Expenditures</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>1,034</td>
<td>1,042</td>
<td>875</td>
<td>769</td>
<td>802</td>
</tr>
<tr>
<td>per barrel of SSB</td>
<td>12.35</td>
<td>12.80</td>
<td>11.78</td>
<td>9.45</td>
<td>10.47</td>
</tr>
<tr>
<td><strong>Purchased Energy</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>199</td>
<td>288</td>
<td>208</td>
<td>132</td>
<td>104</td>
</tr>
<tr>
<td>per barrel of SSB</td>
<td>2.37</td>
<td>3.54</td>
<td>2.80</td>
<td>1.62</td>
<td>1.35</td>
</tr>
<tr>
<td><strong>Turnaround Costs</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>108</td>
<td>79</td>
<td>132</td>
<td>33</td>
<td>64</td>
</tr>
<tr>
<td>per barrel of SSB</td>
<td>1.28</td>
<td>0.96</td>
<td>1.78</td>
<td>0.41</td>
<td>0.84</td>
</tr>
<tr>
<td><strong>Corp G&amp;A/Research</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>122</td>
<td>95</td>
<td>62</td>
<td>84</td>
<td>66</td>
</tr>
<tr>
<td>per barrel of SSB</td>
<td>1.46</td>
<td>1.17</td>
<td>0.84</td>
<td>1.03</td>
<td>0.85</td>
</tr>
<tr>
<td><strong>Total Expense</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>millions of dollars</td>
<td>1,463</td>
<td>1,504</td>
<td>1,277</td>
<td>1,018</td>
<td>1,036</td>
</tr>
<tr>
<td>per barrel of SSB</td>
<td>17.46</td>
<td>18.47</td>
<td>17.20</td>
<td>12.51</td>
<td>13.51</td>
</tr>
<tr>
<td><strong>Capital and Development Program ($ million)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>development expense</td>
<td>55</td>
<td>58</td>
<td>18</td>
<td>11</td>
<td>4</td>
</tr>
<tr>
<td>capital expenditures</td>
<td>1,857</td>
<td>828</td>
<td>510</td>
<td>752</td>
<td>481</td>
</tr>
</tbody>
</table>

1 Direct operating costs for production, including overburden removal.
2 Including production, purchased energy, maintenance turnarounds, corporate G&A and research and development.
3 Engineering and other costs to develop base plant capital and expansion capital programs.
4 Includes sustaining, maintenance and expansion capital.
5 Includes costs to upgrade sour product to sweet.

### PRO FORMA OPERATING CASH FLOW

Operating cash flow in 2002 reached an all time record of $1,896 million ($22.63 per barrel). This is a 29 per cent increase over the previous high of $1,465 million ($17.99 per barrel) in 2001. Operating cash flow is defined as revenue, less royalties, less direct production expenditures, corporate G&A, research, certain financing costs and purchased energy.

Net cash flow, after record capital expenditures to support expansion and before taxes, was $(16) million [$(0.19) per barrel], compared to $579 million [$7.11 per barrel] in 2001.

Royalties paid by the Owners in 2002 were $34 million and compare to $242 million in 2001. When payroll and municipal taxes are included, the 2002 payments equaled $206 million compared to $392.3 million in 2001. Royalties were lower in 2002 as a result of record capital spending. In total, the Syncrude Project has generated $3.0 billion in provincial royalties since plant start-up in 1978.

Netback performance remained strong in 2002. Netback established a new record of $20.15 per barrel after deducting DD&A of $2.48. This was up from the 2001 netback of $15.80 after DD&A. Over the past five years, Syncrude Sweet Blend has consistently generated higher netbacks than the average for the Canadian oil and gas industry.
CAPITAL EXPENDITURES

Capital expenditures in 2002, including investment and development and sustaining capital, were $1,857 million, compared to $828 million in 2001. Major capital initiatives in 2002 were costs associated with the design, engineering, procurement and construction for the Syncrude 21 Stage 3 expansion. The project, which includes the expansion of the Mildred Lake Upgrader and the addition of a second production train at the Aurora mine, was approved by Syncrude owners in July 2001.

In 2002, expenditures were $184 million for sustaining capital which is capital required to maintain current plant production levels. Investment capital totaled $1,673 million which is used for development and investment purposes such as increasing SSB production and to reduce operating costs. This compares to $183 million and $645 million respectively in 2001. Syncrude spent an average of $1.84 per barrel on sustaining capital over the past five years.

RETURN ON CAPITAL EMPLOYED (ROCE)

The after-tax Return on Capital Employed, on average capital of $4,422 million was 25.6 per cent, a slight decrease from the 25.7 per cent realized in 2001, based on average capital employed of $3,461 million. The 2002 results are the fourth consecutive year that ROCE has been higher than 20 per cent, a clear indicator of attractive industry performance. Capital employed is defined as total shareholders’ equity plus debt.

2002 ECONOMIC INDICATORS

During the year, Syncrude returned $2.3 billion to the national economy through its spending on goods and services.

Businesses in Syncrude’s immediate trading area, the Wood Buffalo region, received more than $499 million in contracts during the year, about 26 per cent of total procurement. Syncrude’s business volume with Aboriginal firms in the Wood Buffalo area was $82 million.

Royalties, payroll, municipal and other taxes paid to governments added a further $206 million to Syncrude’s contribution to Canada’s economy in 2002.
SYNCRUDE 21 – OUR LONG-TERM GROWTH PLAN

Syn crude is in the midst of a staged expansion to its oil sands business. This expansion will increase production from today’s volumes to 350,000 barrels per day once a major expansion to our Mildred Lake Upgrader is operational in 2005. Further expansion is being contemplated after that.

This planned increase in production will help Syn crude meet growing North American demand for high quality crude oil that can help refiners meet increasingly stringent environmental specifications. It also has several sustainability challenges which include:

- continuing excellence in work place safety and health;
- increasing production while reducing unit cost;
- managing production growth while simultaneously improving environmental performance, especially with respect to emissions and land reclamation;
- sourcing and developing appropriate human resources. At its peak, the construction workforce attached to the Upgrader expansion will total as many as 4,000 people. About 200 new permanent operational jobs will also be created; and
- earning the support of Aboriginal and community stakeholders through actions that meet their needs for sharing of long-term benefits as well as community capacity building.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>millions of dollars</td>
<td>206</td>
<td>392</td>
<td>731</td>
<td>192</td>
<td>141</td>
</tr>
<tr>
<td>millions of dollars – cumulative since 1978</td>
<td>5,930</td>
<td>5,724</td>
<td>5,332</td>
<td>4,601</td>
<td>4,409</td>
</tr>
<tr>
<td>Total Procurement</td>
<td>2,297</td>
<td>1,485</td>
<td>1,160</td>
<td>1,189</td>
<td>1,035</td>
</tr>
</tbody>
</table>

C U R R E N T
2002 – 2005

- 130 MB nominal capacity per year of Syncrude Sweet Premium blend by 2005
- Aurora mine expansion
  - Train 2 (2003)
- Upgrader expansion 1 (2005)

F U T U R E  P O T E N T I A L
2005 – 2010

- 140-155 MB capacity per year of Syncrude Sweet Premium blend by 2010
- Aurora mine expansion
  - Train 3 (2009-2010)
- Upgrader expansion 2 (2010-2011)

- additional bitumen production and upgrading capacity
- further quality improvements to crude oil output
- full implementation of energy efficiency and environmental mitigation technology

2010 – 2015

- 185-200 MB capacity per year of Syncrude Sweet Premium blend by 2015
- Aurora mine expansion
  - Train 4 (2013-2014)

- completion of Aurora South production trains
- 4th train of primary and secondary upgrading
- enhancement of energy efficiency and environmental mitigation technology

FEATURES
- higher quality, cleaner crude oil output
- additional train of bitumen production
- new fluid coker
- lower overall SO2 emissions
Jim and Tanya Ford are truly like father, like daughter. Over 25 years ago, Jim moved his family from Ontario to join Syncrude. Tanya followed in his footsteps and is now combining a successful career with raising her own family. “Dad always talked highly of Syncrude. So I knew I couldn’t go wrong.”

Thanks to people like Jim and Tanya, Syncrude is one of the top companies to work for in Canada.
Syncrude named among Canada’s top 100 employers for third consecutive year

340 community development projects supported

700 Aboriginal people making the Syncrude operation Canada’s largest industrial employer of Aboriginal people

Capacity building agreement with Athabasca Tribal Council. New opportunities for Aboriginal development

175 meetings with regional stakeholders in 2002
SYNCRUDE IN THE COMMUNITY

Syncrude is a large industrial operation — one among a growing number — that exists in a remote and sparsely populated area of northeastern Alberta known as the Regional Municipality of Wood Buffalo. Oil sands development, which began in earnest in the late 1960s, drives the regional economy.

Wood Buffalo is comprised of the City of Fort McMurray (est. population: 47,000) and six smaller outlying communities. Fort McMurray is a diverse, modern and prosperous urban community that serves as the regional hub; the smaller communities feature populations comprised mainly of Aboriginal people.

Syncrude has been a presence now for the better part of 30 years and we strive to be a good neighbour. From the very beginning, we have worked to build an environment of trust with our local stakeholders through a dedicated and comprehensive regional consultation strategy that aims to align our values with the needs of our stakeholders.

OUR CONSULTATION PRINCIPLES

Syncrude is strongly committed to ensuring the public, whether individuals or interested groups, are consulted about corporate actions that could directly affect them. Accordingly, Syncrude stewards to a set of consultation principles that considers both process and outcomes:

- Syncrude has the responsibility to seek out and facilitate the involvement of those potentially affected.
- Public participants must be involved in designing the consultation processes and, as much as possible, the processes should meet the needs of all participants.
- The roles and responsibilities of participants in any consultation process must be clear and understood by all.
- Information relevant to the participants’ understanding and evaluation of a decision will be fully disclosed to allow meaningful participation.
- Contributions to the consultation processes of others will be considered where appropriate.
- Syncrude will continue to seek out opportunities to cooperate with others when it is appropriate to our business interests and the interests of the communities of the Wood Buffalo region.
Syncrude’s oil sands operation is a source of curiosity for many people. To meet public demand for knowledge about the resource and the work that goes into making crude oil from oil sands, Syncrude has for years operated a popular tour program. In 2002, we hosted more than 5,400 people who learned about oil sands history and production processes, as well as operational and environmental challenges and successes. Special tours are also hosted for local stakeholders to demonstrate progress on such subjects as land reclamation.

Recent Consultation Activities

Syncrude has ongoing and project-related consultation plans for key stakeholders.

- In 2002, Syncrude representatives had 175 meetings with regional stakeholders to identify, understand and address concerns.
- Syncrude has encouraged stakeholders to articulate key aims and concerns so we can determine how we might support these plans.
- Syncrude has formal consultation processes established with each First Nation community in the Regional Municipality of Wood Buffalo. These processes provide a mechanism to build multi-level relationships including leadership, organizations and individuals.
- A proactive working relationship has been established with all six Metis locals.

Stakeholder Agreements

Athabasca Tribal Council (ATC) All Parties Agreement – This agreement between the five First Nation members of the ATC, resource industry developers and three levels of government, is designed to ensure long-term mutually beneficial relationships that will aid all parties in maximizing the benefits of responsible industrial development while managing its impacts. The agreement aims to achieve three outcomes: development of community consultation capacity; identification and resolution of issues; and collaboration on joint advocacy in mutual areas of interest. A key feature of the agreement enables each First Nation community to establish an Industry Relations Corporation, with industry funding, as the primary vehicle for capacity development. A three-year agreement signed in 1999 was renewed and enhanced for a new three-year term in January 2003. Success measurements include an increase in First Nation access to industrial development opportunities for training, education, employment and contracting; as well as an increase in First Nation capacity to consult and build understanding between themselves and industry.

Environmental Mitigation Agreements – Syncrude struck Environmental Mitigation Agreements with the Fort McKay First Nation and the Athabasca Chipewyan First Nation in July 1999. The agreements address community issues associated with Syncrude’s Mildred Lake Upgrader Expansion Project, which is now under construction. The agreements include steps to mitigate air emissions, a notification system to report any exceedences, work toward better air quality modelling,
Community health monitoring, water monitoring, reclamation planning, and cultural retention initiatives.

Community Agreements – Syncrude and other resource industry developers have community specific consultation and capacity building agreements with the Fort McKay First Nation, Fort McKay Metis Local, Mikisew Cree First Nation and the Athabasca Chipewyan First Nation. These identify and address direct and potential cumulative impacts, and long-term sharing of benefits stemming from industrial development.

Mutual Aid Agreement – As part of our commitment to being a good neighbour, Syncrude is party to a mutual aid agreement with the neighbouring Suncor operation and the Regional Municipality of Wood Buffalo. The agreement calls on the parties to help each other in times of need. Syncrude, for example has extensive capabilities to fight fires, provide medical treatment and respond to other kinds of emergencies. Over the years, we have helped fight forest and building fires and have provided emergency response to highway traffic accidents, among other needs. We also provide mutual aid emergency response services to the community of Fort McKay, which is Syncrude’s closest neighbour. Syncrude responds to about 100 off-site emergencies each year.

REGIONAL CONSULTATION GROUPS

Alberta Oil Sands Developers Facilitation Committee – This group was founded by Syncrude and helps facilitate orderly economic development in the Wood Buffalo region. It is comprised of senior representatives of nine resource developers, two Alberta MLAs, and the Mayor and a Councillor representing the Regional Municipality of Wood Buffalo, who meet quarterly. For more information: 780-743-7098

Athabasca Regional Issues Working Group – This group promotes the responsible and sustainable development of resources within the Wood Buffalo region. To manage diverse issues ranging from highway infrastructure to housing to health services, it has developed a comprehensive process which involves resource developers and other affected stakeholders. The group also collects data from developers to provide accurate forecasts on needs such as housing and employment; these serve as a tool for infrastructure, education and service planning. For more information: 780-743-7098

Wood Buffalo Environmental Association – Syncrude is a founding member of this group, which operates 24-hour-a-day air quality monitoring across the Wood Buffalo region and which disseminates real-time reports to the public through its web site. The association provides regional stakeholders with high quality, credible air emissions data. It also has integrated and augmented environmental monitoring studies on terrestrial effects in the region. For more information: www.wbea.org
Regional Aquatic Monitoring Program – Syncrude is a founding member of this program, which conducts monitoring of surface waters. It provides the oil sands industry with data that provides a baseline for establishing trends, and assists in the understanding of aquatic issues such as influences by regional users as well as diversity of fish species and fish population densities. For more information: www.ramp-alberta.org

Cumulative Environmental Management Association – Syncrude is a founding member of this group, which was established in 2000 to develop management systems to monitor and reduce the long-term environmental impacts stemming from industrial development. CEMA’s members include stakeholders from industry, government, Aboriginal and environmental organizations. The provincial government implements CEMA’s recommendations through its regulatory processes. Funding is provided by regional oil sands developers. For more information: www.cemaonline.ca

Reclamation Advisory Committee – Syncrude is an active member of this multi-party group, which explores all aspects of land reclamation practice and post-reclamation land use objectives. While post-reclamation land use is under debate, reclamation rates and the cumulative area of land disturbed but not yet reclaimed have become priority issues with Aboriginal communities and regulators.

Municipal Taxation Committee – Syncrude is a founding member of this group. It is the only such committee in Alberta where industry, community and municipal government work together to develop municipal tax strategy. In 2002, this group developed property tax principles to guide members in developing the local tax strategy.

COMMUNITY INVESTMENT
At Syncrude, we believe in the growth and well being of the communities in which our employees work and live. Accordingly, we contribute to community betterment projects in the Regional Municipality of Wood Buffalo, where Syncrude’s headquarters and operations are located; and the City of Edmonton, which is home to the Syncrude Research Centre.

Syncrude’s owners complement our community investment efforts. These companies use a portion of their share of Syncrude’s annual operating profits to fund community investment programs of their own.

Reflecting the values of our employees and our company, Syncrude’s community investment program supports organizations and groups that enhance the quality of life through endeavours in education, environment, health and safety, science and technology, Aboriginal Development, local community development, arts and culture, and recreation.

In 2002, Syncrude provided $2.6 million to support monitoring work and other activities of consultation groups in the Wood Buffalo area.
Over the years, the community investment program has supported thousands of projects with cash and in-kind support such as materials and equipment or employees’ time and expertise. In 2002, the Wood Buffalo and Edmonton regions received 85 per cent of the program’s resources. Related projects in other areas of Alberta and Canada received 15 per cent.

In 2002, Syncrude enhanced its Community Investment Program by introducing two complementary initiatives that recognize the community-minded efforts of our employees:

- matching grants for employee donations to recognized educational institutions; and
- donations to community service organizations in recognition of significant volunteer commitment to these groups by Syncrude employees.

**SUPPORT FOR EDUCATION & LIFELONG LEARNING**

Syncrude is a strong believer in the role education plays in creating a better world for its citizens. We consider it to be the key tool that helps people realize their potential and expand their contribution to society.

Syncrude has invested about $4.5 million over the last five years to support education and learning through such groups as the Oilsands Discovery Centre, the Royal Tyrell Museum of Paleontology, Junior Achievement, the Fort McMurray Public Library, Athabasca University, Portage College, Partners in Education, Fort McMurray Public and Catholic schools, Skills Canada Alberta, Science Alberta Foundation, various faculties at the University of Alberta, Provincial Museum of Alberta, the Odyssium, and the Excellence in Teaching Foundation, among others.

We have a longstanding relationship with Keyano College, the only post-secondary institution in the Wood Buffalo region, and have over the years provided financial resources to support program initiatives as well as capital projects. The most recent example of this is the Syncrude Technology Centre, which is now under construction and which will help local students pursue rewarding careers in the growing oil sands industry.
Syncrude was a founding member of a multi-stakeholder initiative called Careers: The Next Generation, which is working across Alberta to promote the value of careers in the trades and technologies to students and their teachers and parents. The Careers program deals with the twin challenges of youth employability and skills shortages and helps students develop their career interests by providing paid work experiences along with apprenticeship opportunities.

Other education partnerships have been forged with Westwood High School in Fort McMurray, Centre High in Edmonton, University of Alberta, Northern Alberta Institute of Technology and Southern Alberta Institute of Technology.

ABORIGINAL DEVELOPMENT

Syncrude’s longstanding relationships with Aboriginal and Metis communities in the Wood Buffalo region are a cornerstone of our commitment to corporate social responsibility.

Our company is Canada’s largest industrial employer of Aboriginal people and we have done more than $500 million in business with Aboriginal firms over the past 11 years. We are a caring neighbour whose Aboriginal interests extend to employment, education, business development, community development, capacity building and environmental protection.

What unifies our approach to these many interests is a commitment to multi-stakeholder dialogue, consensus building and capacity building. As noted elsewhere in this report, we consult extensively with Aboriginal stakeholders (and others) and we report directly to them through a variety of means.

By engaging in a broad range of community-building activities we put into action our belief that to be a successful company, Syncrude must first be a good neighbour.

SUPPORT FOR COMMUNITY HEALTH

Syncrude’s interest in community health is reflected in our support of $2.4 million over the last five years to such groups as the Canadian Cancer Society, Rotary House Assisted Living Residence, Fort McKay Elder Care Facility, Northern Lights Regional Health Foundation, Wood Buffalo Homeless Shelter Society, Women’s Emergency Shelter, the Food Bank, Alberta Cancer Foundation, Youth Emergency Shelter, Royal Alexandra Hospital Foundation, and the Canadian Diabetes Foundation, among others.
ABORIGINAL DEVELOPMENT TEAM

Syncrude’s Aboriginal Development team is our link to the Aboriginal community and is fully integrated into our organization.

Our team maintains regular contact with Aboriginal leaders and community members and also connects with people further afield who can assist with local Aboriginal development.

CORPORATE LEADERSHIP IN ABORIGINAL DEVELOPMENT

As a longtime participant and stakeholder in Aboriginal development, Syncrude provides external support to the Athabasca Tribal Council; the Conference Board of Canada Council on Corporate Aboriginal Relations; the Aboriginal Human Resource Development Council of Canada; the Canadian Council for Aboriginal Business; and the Northeastern Alberta Aboriginal Business Association.

EMPLOYMENT

Syncrude is Canada’s largest industrial employer of Aboriginal people.

At the end of 2002, we had 390 people of Aboriginal heritage on our payroll, about 10 per cent of our employee population. They work in such positions as engineers, scientists, technologists, accountants, human resource representatives, systems analysts, nurses, programmers, designers, tradespeople, process operators and heavy equipment operators. They also serve in important leadership roles such as team leaders, advisors and senior managers.

Our goal is to maintain an Aboriginal employee population that mirrors the representation of Aboriginal people in the general population of Wood Buffalo, which is about 13 per cent. However, as the oil sands industry grows, we are experiencing increased competition for skilled Aboriginal candidates. As well, some of our Aboriginal employees choose not to declare their status.

To work toward our goal Syncrude is working to better understand attraction and retention issues associated with Aboriginal people, and to make appropriate changes to our practices and work environment. We are also increasing our efforts in Aboriginal education and training which are discussed below and elsewhere in this review.

Syncrude requires its contractors to hire qualified Aboriginal people and works with them to develop Aboriginal recruitment and development strategies. At the end of 2002, the combined Aboriginal employment rate of Syncrude and its contractors was 12.5 per cent.

our aboriginal employment policy

Syncrude recognizes the special effort required to ensure Aboriginal people obtain fair and appropriate opportunities to overcome barriers and disadvantages to employment and development. Syncrude’s Aboriginal employment initiatives will help manage to a company and site standard, representative of the distribution of Aboriginal people in the Regional Municipality of Wood Buffalo.

Special employment/training programs will be designed with the appropriate stakeholders in order to meet specific company needs, as identified by Syncrude. Syncrude will work collaboratively with government agencies, education institutions and community leaders to ensure that training programs are effective and ultimately lead to permanent employment opportunities. Syncrude will select the best qualified Aboriginal people who apply for employment, regardless of Aboriginal status. When hiring Aboriginal employees preference will be given to qualified candidates who meet Syncrude’s definition of “Local Indigenous”.

Syncrude’s goal is to continue working toward our “normal process” in the recruitment and placement of local indigenous Aboriginal people.
Working with Aboriginal communities to develop sustainable economic capacity is the primary objective of Syncrude’s Aboriginal business development strategy. In practice, this translates into opportunity for Aboriginal suppliers to supply goods and services to Syncrude while developing as competitive players in the broader marketplace.

In 2002, Syncrude’s business volume with Aboriginal firms was $82 million. The cumulative 10-year total is $553 million. These figures are well above Syncrude’s minimum annual target of $30 million.

Toward these positive outcomes, Syncrude enhanced its corporate policies in the early 1990s to designate work for local Aboriginal businesses, and work with them to develop their capacity to compete in the marketplace.

Syncrude’s Aboriginal Business Coordinator helps all Aboriginal entrepreneurs understand Syncrude and the opportunities presented by our large and growing operation.

This liaison mechanism enables better access to company information about procurement practices, policy and opportunities, and assists would-be suppliers in raising their qualifications to get business contracts with Syncrude.

For its achievements in Aboriginal business development, Syncrude is recognized by the Canadian Council for Aboriginal Business as a Gold Level member of the Progressive Aboriginal Relations (PAR) Program. Only four companies thus far have earned such recognition.

### A B O R I G I N A L  E M P L O Y M E N T

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Syncrude employees</td>
<td>4,004</td>
<td>3,874</td>
<td>3,544</td>
<td>3,495</td>
<td>3,584</td>
</tr>
<tr>
<td>Aboriginal employees (#)</td>
<td>390</td>
<td>382</td>
<td>360</td>
<td>358</td>
<td>374</td>
</tr>
<tr>
<td>Aboriginal employees (%)</td>
<td>9.7</td>
<td>9.9</td>
<td>10.2</td>
<td>10.2</td>
<td>10.4</td>
</tr>
<tr>
<td>Aboriginal employees Syncrude + contractors (#)</td>
<td>682</td>
<td>702</td>
<td>754</td>
<td>853</td>
<td>800</td>
</tr>
<tr>
<td>Aboriginal employees Syncrude + contractors (%)</td>
<td>12.5</td>
<td>11.3</td>
<td>13.3</td>
<td>15.3</td>
<td>13.8</td>
</tr>
</tbody>
</table>

### C O N T R A C T S  T O  A B O R I G I N A L  C O M P A N I E S ($ MILLIONS)

<table>
<thead>
<tr>
<th></th>
<th>93</th>
<th>94</th>
<th>95</th>
<th>96</th>
<th>97</th>
<th>98</th>
<th>99</th>
<th>00</th>
<th>01</th>
<th>02</th>
</tr>
</thead>
<tbody>
<tr>
<td>22</td>
<td>31</td>
<td>39</td>
<td>63</td>
<td>57</td>
<td>54</td>
<td>61</td>
<td>72</td>
<td>92</td>
<td>82</td>
<td></td>
</tr>
</tbody>
</table>

**S Y N C R U D E  C A N A D A  L T D.  2 5**
EDUCATION & TRAINING

Syncrude strongly believes in the value of education and training as key tools that enable Aboriginal people to develop their potential. Accordingly, we work with Aboriginal leaders to develop and support programs for Aboriginal people at all levels within the education and training spectrum. Among them are:

- Aboriginal Career Initiative (University of Alberta)
- Alberta Aboriginal Apprenticeship Project
- Community Co-op Apprenticeship Program
- High School Registered Apprenticeship Program
- Grade 12 Career Prep Program
- Aboriginal Accounting Internship Program
- Athabasca Tribal Council Apprenticeship Program
- Helping Hands Program
- Fort McKay School-Industry Committee
- Syncrude Aboriginal Scholarship Program

COMMUNITY DEVELOPMENT

Syncrude assists, when requested, with community development projects identified by the Aboriginal communities in the Wood Buffalo area. Our shared goal is to increase the communities’ long-term capacity to meet the development needs of their people. Syncrude also supports Aboriginal communities with their programs to promote cultural awareness and cultural retention. Among the community development projects supported by Syncrude in 2002:

- Janvier Youth Development Drop-In Centre
- Fort McKay Cultural Retention Video
- Alberta Future Leaders Program
- Provincial Museum of Alberta Syncrude Gallery of Aboriginal Culture

ENVIRONMENT

Given the proximity of several Aboriginal communities to oil sands development projects, Syncrude and our Aboriginal stakeholders are engaged in a variety of initiatives designed to maximize our positive impact on the local economy while minimizing and mitigating impacts on the land, water and air. Major multi-party initiatives are discussed in the Environment section of this report. Other notable projects include:
Beaver Creek Wood Bison Ranch – This project began in 1993 as a joint venture with the Fort McKay First Nation to determine how well reclaimed land would support large animal habitat. It has been so successful that about 300 wood bison now graze on 650 hectares of land. The ranch is currently co-managed by Syncrude and Fort McKay.

Environmental Stewardship Agreements – Syncrude is party to agreements with the Fort McKay First Nation and the Athabasca Chipewyan First Nation that commit us to responsible stewardship on emissions, reclamation and recovery, among other factors. The agreements call for openness and information sharing about issues of interest through quarterly meetings.

PEOPLE

Syncrude’s work to create value from the challenging oil sands resource is dependent on our people more than anything else. Indeed, our business goals are reached through the efforts of a committed, motivated and highly skilled workforce that today numbers 4,000. We value and respect their contributions to our business.

To recognize and support our people, Syncrude aims to be an exceptional employer. Our vision to be a great place to work is supported by policies and programs that in turn support diversity, enable employees to thrive in a challenging work environment and meet their career goals while achieving an appropriate work/life balance.

Employee commitment to Syncrude is demonstrated by historically high retention rates. In 2002, turnover was 4.7 per cent due to increased levels of people retiring and a very competitive labour market in the Wood Buffalo region.

In 2002, Syncrude was named among Canada’s Top 100 employers for the third consecutive year. In 2001 and 2002, Alberta Venture Magazine cited Syncrude for progressive human resources practices. Such recognition helps us to continue to attract the best and brightest to our workforce and it reflects our reputation for leading in competitiveness and social responsibility. (see table page 31)

WAGES AND BENEFITS

Syncrude conducts an annual survey among comparable employers and consistently ranks in the top quartile for salaries and benefits. The base salary for fully qualified professional, technical, trades and operator staff is in the $75,000 to $80,000 range.
Syncrude’s comprehensive flexible benefits program gives employees the opportunity to choose the benefits that are right for them and their family. Employees may choose from options for Health and Dental benefits, and may buy and sell vacation days. In addition, a health care reimbursement account is available to employees who wish to set funds aside on a tax effective basis for health related costs that are not otherwise covered.

**IMPACT 21 INCENTIVE PROGRAM**
Every eligible employee receives incentive compensation for their efforts in helping Syncrude meet continuous improvement goals related to safety, environment (energy efficiency), production, cost and profitability. In 2002, each eligible employee received $4,150 from the Impact 21 Program.

**RECRUITMENT**
Syncrude maintains an active recruitment program to replace retiring employees and meet increased workforce needs due to expansion. Recruitment efforts focus on our home region of Wood Buffalo, the province of Alberta and on university and college campuses across the country. During 2002, some 350 new permanent employees were hired, about half of who were from the local area.

Syncrude also hired about 450 people to fill casual positions in 2002, most of who were participants in our co-op and summer student employment programs. These programs help students develop skills and experience that match Syncrude’s needs. The students, who last year came from over 40 universities and colleges across Canada, comprise the primary pool from which permanent employees are hired.

The overall acceptance rate on job offers in 2002 was 80 per cent, five per cent lower than in 2001. We attribute the decline to a very competitive labour market in the local area.

**WORKFORCE DEVELOPMENT**
Syncrude invests in the ongoing development of its people and encourages employees to take advantage of learning opportunities that are relevant to their professional and individual development. These are offered within the workplace and through external providers of education and training courses. Syncrude typically pays all required course costs as well as out-of-pocket expenses.

Efforts are also underway to transfer knowledge from seasoned workers to new employees. This is an essential strategy to manage shifting workforce demographics and ensure long-term business success.
Eight years ago, as part of a workplace redeployment program, Syncrude office administrator Regina Payne was offered the chance to try something different. Regina traded in her computer for a hard hat and worked until recently as a process operator where she assisted with the training of other new process operators and shared her knowledge with other women interested in entering the field. Today Regina works as a loss management coordinator in Syncrude’s upgrading department where she consults with management and operations people on safety issues.

Syncrude has a strong commitment to ongoing development of the leadership capability within our organization. Each year, about 100 new and experienced leaders participate in our leadership development program. In 2002, The Corporate Leadership Council featured the program as a best practice. In addition, all leaders are required to attend training on Cultural Awareness, Diversity, Due Diligence and Dealing with Harassment. Current priority is on further developing the ability of leaders to coach for high performance and lead in a diverse workplace.

Children of Syncrude employees benefit from a company sponsored scholarship program for post-secondary education. In 2002, $943,000 was granted in 411 scholarships to children of our employees.

EMPLOYEE & FAMILY ASSISTANCE PROGRAM
All Syncrude employees and their dependents benefit from their access to Syncrude’s Employee and Family Assistance Program. It provides confidential assistance for personal and work related problems such as alcohol and drug abuse; emotional issues such as depression, anxiety and stress as well as grief and loss; family and couple issues; separation and divorce; financial matters; and work related concerns. The program also provides 24-hour-a-day emergency debriefing services to employees; and consultation to managers and leaders regarding employee concerns. As well, program counsellors present workshops to employee groups on a wide variety of wellness issues. While feedback indicates the program is highly regarded by those who have used it, Syncrude does not discuss the nature of employee issues nor the utilization rate as client confidentiality is essential to the effective operation of the program.

WORKPLACE DIVERSITY
Syncrude believes there is a strong business case for respecting Diversity, as it leads to increased employee satisfaction and therefore improved safety, retention, productivity and discretionary effort by employees. This, in turn, leads to enhanced business results.
Diversity at Syncrude is about creating an inclusive culture that is fair and equitable to all. Accordingly, we embrace Diversity and define it as *all the ways in which we differ that will contribute to the success of Syncrude… we do this by acknowledging, valuing and accommodating any difference that can impact the fair and equitable treatment of people.*

In 2002, Diversity was the focus of Syncrude’s Executive Learning Forum and it is now being more formally integrated with all of Syncrude’s people-related programs and activities. Most Syncrude leaders completed Diversity training in 2002 and additional workshops will be held in 2003 for new leaders. Diversity workshops for work teams will be held across Syncrude later in 2003.

A scorecard to track Syncrude’s results in people related matters in a clear and consistent manner is being developed. This scorecard will include measures such as employee satisfaction, attraction and retention, leadership and learning, workforce productivity, and health and safety results.

Syncrude is also committed to a Treatement of Employees policy that requires that all employees be treated with care, honesty and respect, and that the dignity and worth of every individual is upheld. Acts of discrimination or harassment are clearly defined and employees are required to address and/or report any such incidents they may observe or become aware of. All complaints are investigated and those with more serious allegations are handled using a formal process.

In 2002, eight investigations involving serious allegations were conducted.

**COMMUNICATION**

We believe direct and regular communication with employees fosters greater employee business knowledge and greater management understanding of employee issues.

In addition to regularly scheduled meetings within work units, Syncrude holds forums involving all employees every two years. These are hosted by the CEO and the President and provide the opportunity for an exchange of views by leaders and employees, as well as for the identification of actions for follow-up.

Syncrude’s President and Chief Operating Officer hosts quarterly information sessions with the company’s 300 most senior leaders. These sessions help leaders steward to operational performance objectives while developing their overall business acumen. Leaders also share session highlights with their teams.

Managers’ Forums with the top 125 company leaders are held twice annually to address business strategies and leadership challenges, and to ensure alignment moving forward. An annual executive learning forum is held with the top 35 leaders to engage them in various forms of formal learning pertinent to internal and external business drivers.
Employee surveys are also conducted. All employees were last surveyed in 2001 and asked for their views about Syncrude as a place to work. The 2001 survey was completed by 2,460 employees, or 65 per cent of the workforce. It provided measurements in such areas as work processes and efficiency, leadership, communication, fairness, equity and treatment, safety and commitment.

Survey respondents indicated strong support for Syncrude as an employer, with 66 per cent indicating that Syncrude is “above average” or “one of the best” in terms of organizations to work for. This is considerably higher than industry norms.

Opinions on areas for improvement also were provided and leaders have made behavioural changes in response. They now focus on spending more time interacting with line and field staff. In addition, leaders now receive performance feedback from direct reports as well as their own leaders. Such feedback is used to formulate individual development plans for leaders.

Progress on issues raised by employees is being communicated through leaders and corporate communications tools.

**CONTRACTOR TRADES**

While Syncrude is not a unionized workplace, we have a large business need for the construction trades — they have worked nearly 110 million hours on our site since 1974 — and our site is open to both union and non-union contractors.

In 1996, unionized contractors and building trades struck an agreement that stipulated terms for all work to be done on Syncrude sites. The agreement, which was recently renewed until 2008, recognizes the role of the building trades in the successful completion of Syncrude’s expansion projects. Among other things, the agreement calls for safe working conditions and open, honest communications with all workers. It recognizes their right to be treated with dignity and respect, and their value as being equal to Syncrude employees.

In appreciation of contractor efforts, workers and teams receive regular recognition for their contributions. This includes the President’s Annual Environment, Health & Safety Awards, which recognize excellence in contractor EH&S initiatives.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Production employees (#)</td>
<td>3,715</td>
<td>3,638</td>
<td>3,384</td>
<td>3,277</td>
<td>3,439</td>
</tr>
<tr>
<td>R&amp;D and projects employees (#)</td>
<td>289</td>
<td>236</td>
<td>160</td>
<td>218</td>
<td>138</td>
</tr>
<tr>
<td>Total employees (#)</td>
<td>4,004</td>
<td>3,874</td>
<td>3,544</td>
<td>3,495</td>
<td>3,577</td>
</tr>
<tr>
<td>New hires (#)</td>
<td>350</td>
<td>542</td>
<td>207</td>
<td>33</td>
<td>145</td>
</tr>
<tr>
<td>Local hires (% of new hires)</td>
<td>50</td>
<td>78</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>Employee turnover (%)</td>
<td>4.7</td>
<td>5.1</td>
<td>3.6</td>
<td>2.8</td>
<td>2.5</td>
</tr>
<tr>
<td>Women employees (#)</td>
<td>688</td>
<td>631</td>
<td>556</td>
<td>545</td>
<td>568</td>
</tr>
<tr>
<td>Women in management roles (%)</td>
<td>8.7</td>
<td>8.3</td>
<td>7.9</td>
<td>8</td>
<td>6.9</td>
</tr>
</tbody>
</table>
Scientist **Martin Fung** is a valued member of our environmental team. In 2000, he was named Reclamation Researcher of the Year by the American Society for Surface Mining and Reclamation. “Making the world greener is everyone’s responsibility.” Martin also was involved in creating Gateway Hill, which is hoped to be the first reclamation area in the oil sands industry to receive certification by the Alberta government.
ENVIRONMENT, HEALTH & SAFETY PERFORMANCE
RESPONSIBLE RESOURCE MANAGEMENT

AWARDED

Syncrude received a major award for our industry-leading work on reclamation research

RECOVERED

A successful technology pioneered by Syncrude to recover and recycle naphtha used in separation processes is enhanced

REDUCED

Syncrude announces plan to reduce air emissions. A two-stage program will reduce total sulphur dioxide emissions by 60% from today’s levels

RECYCLED

8,140 tonnes of metals, rubber and other materials

Syncrude and our contractors attained our best ever safety performance in 2002:

0.10 lost time injuries per 100 person years worked

A new safety training association for the oil sands is established
environment, health & safety performance

**SYNCRUDE’S EFFORTS** surrounding environment, health and safety are embodied in our integrated Loss Management Program, which is built on a fundamental commitment to preventing incidents, avoiding losses, protecting the health and safety of employees and the environment, and complying with government requirements. This commitment is stated in our Loss Management Policy and our Environment Policy and Principles for Environmental Management.

---

**SYNCRUDE’S LOSS MANAGEMENT POLICY**

All employees of Syncrude are fully committed to excellence in environment, health and safety performance in the conduct of business and in support of a safe, reliable and profitable operation.

We believe our success in meeting our business objectives is highly dependent on our ability to avoid loss and we will strive to ensure all our stakeholders share this understanding and commitment.

We will meet or exceed all governing legislation and regulations.

We will provide safe and healthy working conditions and demonstrate continuous improvement toward eliminating incidents and reducing the risk to people, environment, production and our facilities.

We will achieve performance excellence through the systemic application of loss management practices and the active participation of all employees and contractors.

---

**SYNCRUDE’S ENVIRONMENT POLICY**

Syncrude and its employees are fully committed to excellence in protecting the environment in which we work and live while achieving Syncrude’s other business goals.

We will comply with all laws and regulations and beyond compliance, will minimize the effects of our operation on the environment by demonstrating continuous improvement using Environmental Management Principles to guide our decisions, actions and strategies.
Our corporate loss management policies are implemented through standards and guidelines which are applied by Syncrude’s operating units. These include such activities as permits, planned inspections, job observations, field level risk assessments and also encompass such matters as waste management, purchase and handling of hazardous materials, chemical management, work protection, quality management and security.

2002 HEALTH & SAFETY PERFORMANCE
Syncrude and its contractors attained our best ever safety performance in 2002, with a total recordable injury frequency of 0.82 per 100 person years worked. Recordable injuries are comprised of medical aid incidents plus lost-time injuries. Total lost-time injuries were 0.10 per 100 person years worked. This performance is world class and leads Alberta industry, which experiences about 3.0 lost time injuries per 100 person years worked.

Syncrude’s annual safety symposium convened over 1,200 representatives from Syncrude, our contractors, building trades and other stakeholders — front line supervisors to executives — to focus on ways to meet our goal of an incident and injury free workplace, especially as they pertain to the major construction projects currently underway at Syncrude. The symposium has been tremendously successful in increasing leadership and commitment to safety on the Syncrude sites. Specific actions to significantly improve safety performance are developed and shared at the symposium.

A comprehensive review of the Loss Management Program was completed. The review concluded that while Syncrude has a strong program that has achieved excellent results, there are opportunities to streamline the program for even better results. As a result, an Action Team was established which will focus on efficiency and effectiveness to assure Syncrude of improved and sustainable EH&S performance into the future.
OIL SANDS SAFETY ASSOCIATION

A new association which aims to standardize safety training for the oil sands industry was established in 2002. The Oil Sands Safety Association includes Syncrude, other oil sands developers, labour representative groups, construction associations, safety groups, contractors and the provincial government. It will establish common safety training standards and accredit training providers that meet these standards. The move is expected to reduce duplicative training across various work sites while increasing safety proficiency and performance.

MENTORS FOR SAFETY

Many new employees are joining the Syncrude workforce, many of whom have never before worked on a large industrial site. Syncrude’s mentorship initiative pairs them with more experienced workers who have a wealth of knowledge to share as well as a long history of work to continuously improve our operation. The commitment of our veterans to an injury-free workplace also serves them well as guides and mentors to an emerging generation of oil sands workers.

WORKER TRANSPORT

To reduce highway vehicle traffic and enhance the safety of workers as they travel to and from the Syncrude site, Syncrude provides busing services for employees and many contract workers between Fort McMurray and the Syncrude sites. This initiative takes thousands of personal vehicles off a busy highway, thereby reducing air emissions while providing a safe and convenient method of transport for Syncrude workers.

EMERGENCY RESPONSE TEAM

Syncrude’s emergency response personnel provide professional, effective responses to emergencies on and off the Syncrude site on a round-the-clock basis. This group is comprised of 36 full-time employees and 297 employee volunteers, all of whom invest much time in readiness preparation. Emergency Response volunteers, for example, complete about 100 hours of training per year. Firefighters competitions and mine rescue competitions are also a primary source of training and Syncrude participants regularly place among the top performers.

OCCUPATIONAL HEALTH SERVICES

Syncrude supports and promotes the safety and health of our employees. We aim to ensure that the physical and mental demands faced by workers are properly matched with individual capabilities, needs and limitations.
We provide 24-hour-a-day programs and services that include health assessments for new hires and transfers; occupational injury and illness treatment, reporting and follow-up; administration of medications; surveillance programs to track the hearing, cardiopulmonary and respiratory health of employees working in at-risk areas; emergency nursing services; lifestyle counselling and referrals; smoking cessation programs; and health promotion programs and information. An industrial hygiene program anticipates, assesses and controls any health hazards that may arise in the workplace or be caused by it.

In 2002, our industrial hygienists completed a comprehensive review of potential chemical, physical, biological and ergonomic hazards at the Aurora site and at utilities operations. Noise is the most common health hazard in operating areas, while ergonomic hazards are common in office environments. To minimize any health impacts stemming from these, Syncrude has a well-regarded program to assess and promote hearing health, and is putting ergonomically designed workstations into service in office areas.

Other related Syncrude programs include a formal disability management program which provides income benefits and supports an employee’s rehabilitation and eventual return to work; our Employee and Family Assistance Program (see page 29); and financial planning survivorship services for families of deceased Syncrude employees.

### Health & Safety Performance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lost-Time Injury Frequency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syncrude</td>
<td>0.12</td>
<td>0</td>
<td>0.21</td>
<td>0.22</td>
<td>0.11</td>
<td>0.08</td>
</tr>
<tr>
<td>Contractors</td>
<td>0.08</td>
<td>0</td>
<td>0.08</td>
<td>0.12</td>
<td>0.34</td>
<td>0.26</td>
</tr>
<tr>
<td>Combined</td>
<td>0.10</td>
<td>0</td>
<td>0.15</td>
<td>0.17</td>
<td>0.23</td>
<td>0.16</td>
</tr>
<tr>
<td><strong>Recordable Injury Frequency</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syncrude</td>
<td>0.57</td>
<td>–</td>
<td>0.58</td>
<td>0.86</td>
<td>0.77</td>
<td>0.94</td>
</tr>
<tr>
<td>Contractors</td>
<td>0.97</td>
<td>–</td>
<td>2</td>
<td>2.35</td>
<td>1.81</td>
<td>1.70</td>
</tr>
<tr>
<td>Combined</td>
<td>0.82</td>
<td>–</td>
<td>1.29</td>
<td>1.57</td>
<td>1.31</td>
<td>1.26</td>
</tr>
<tr>
<td><strong>Employee Fatalities</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syncrude</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Contractors</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Combined</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Number of LTI Injuries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syncrude</td>
<td>5</td>
<td>0</td>
<td>8</td>
<td>8</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Contractors</td>
<td>5</td>
<td>0</td>
<td>3</td>
<td>4</td>
<td>12</td>
<td>7</td>
</tr>
<tr>
<td>Combined</td>
<td>10</td>
<td>0</td>
<td>11</td>
<td>12</td>
<td>16</td>
<td>10</td>
</tr>
<tr>
<td><strong>Number of Recordable Injuries</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syncrude</td>
<td>23</td>
<td>–</td>
<td>22</td>
<td>31</td>
<td>27</td>
<td>34</td>
</tr>
<tr>
<td>Contractors</td>
<td>61</td>
<td>–</td>
<td>76</td>
<td>77</td>
<td>63</td>
<td>45</td>
</tr>
<tr>
<td>Combined</td>
<td>84</td>
<td>–</td>
<td>98</td>
<td>108</td>
<td>90</td>
<td>79</td>
</tr>
<tr>
<td><strong>Injury Severity Rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Syncrude</td>
<td>2.72</td>
<td>0</td>
<td>3.30</td>
<td>21.14</td>
<td>0.79</td>
<td>1.02</td>
</tr>
<tr>
<td>Contractors</td>
<td>1.02</td>
<td>0</td>
<td>0.18</td>
<td>5.17</td>
<td>5.57</td>
<td>6.34</td>
</tr>
<tr>
<td>Combined</td>
<td>1.68</td>
<td>0</td>
<td>1.74</td>
<td>13.53</td>
<td>3.17</td>
<td>3.27</td>
</tr>
</tbody>
</table>

*Recordable injury frequency includes all injuries requiring medical attention or which resulted in a worker being absent from 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 number of lost workdays per 100 person years of work.

* Recordable injury frequency includes all injuries requiring medical attention or which resulted in a worker being absent from 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 number of lost workdays per 100 person years of work.
EH&S AUDITS
Environment, Health and Safety Audits are led by external consultants with Syncrude experts on the Audit Team. Audits are scheduled on the Syncrude Audit Master Plan where departments are audited every three to five years depending on risk.

2002 ENVIRONMENT PERFORMANCE
Syncrude works continually to find and implement ways to reduce its impact on the environment. This work is a key part of our sustainability challenge. Progress toward it is largely enabled by Syncrude’s unique research and development program, much of which is carried out at the Syncrude Research Centre and in the field at operating sites. The Centre is the largest private R&D facility in western Canada and the only research facility dedicated to oil sands issues in the world. Syncrude invests about $40 million per year in R&D.

Investing in new technology – A key feature of the Syncrude 21 expansion is major investment in technologies that will significantly improve product quality and our environmental performance. Within the Upgrader expansion now under construction, more than $1 billion will go toward environmental improvements such as sulphur removal technology, emissions reductions and energy conservation. Product quality improvements will enable downstream refiners to produce cleaner burning fuels. Technologies already implemented include hydrotransport and low energy extraction at the Aurora mine, which use much less energy than traditional processes. Also in our mines, energy efficient shovels and trucks are replacing draglines and bucketwheels.

AIR
Health Effects Study – Recognizing that increased levels of industrial development have the potential to impact on air quality in the Wood Buffalo region, Syncrude and other regional stakeholders co-sponsored a major study to benchmark regional air quality in Fort McMurray as a first step toward determining any possible links between air quality and human health.

World-renowned researchers led the 15-month independent study, which measured ambient and personal exposure levels of various air contaminants. Study results released in 2000 indicated that the local community has good quality air and that ambient levels of airborne contaminants are low compared to Alberta and national guidelines. A subsequent study has since been commissioned to determine air quality in the community of Fort McKay, which is in close proximity to oil sands operations.
Study data complements that gathered by the Wood Buffalo Environmental Association, which conducts comprehensive real-time air quality monitoring across the Wood Buffalo region.

**Climate Change and Energy Efficiency** – Syncrude is dedicated to addressing the climate change issue through actions that increase our energy efficiency and reduce our greenhouse gas (GHG) emissions per unit of production.

We have committed to achieving an energy efficiency gain of an average of at least one per cent per year. To date, our progress has been better, about two per cent per year. While energy savings translate into reduced GHG emissions on a per unit of production basis, absolute quantities of GHG emissions will rise because Syncrude is increasing crude oil production rates by nearly 60 per cent over current levels. Syncrude reduced GHG emissions by 23 per cent per barrel of production between 1990 and 2001.

Syncrude’s energy management efforts in 2002 once again earned it Gold level recognition from Canada’s Voluntary Challenge and Registry (VCR). Only 12 per cent of companies registered with the VCR attain this level of excellence. Syncrude has also twice earned the VCR Leadership Award for excellence in GHG management among upstream oil producers.

For the period 1988 to 2012, Syncrude anticipates its technology development and enhancement efforts will result in a one-third reduction in CO2 emissions per barrel, an average improvement of 1.7 per cent per year over more than two decades. The reduction over the period 1990 to 2012 is 24 per cent, which is an average improvement of 1.8 per cent over 22 years. From 1990 to 2001, CO2 emissions per barrel were reduced by 23 per cent. However, large increases in crude oil production from Syncrude mean that total GHG emissions will increase from 7.87 million tonnes in 2002 to an estimated 14.7 million tonnes by 2012.
Environment, Health & Safety Performance

SULPHUR DIOXIDE

In 2002, Syncrude recorded one exceedence of its regulated hourly, daily and 90-day rolling average limits for main stack sulphur dioxide emissions. It occurred in July for one hour. Syncrude also recorded one exceedence of its daily limit of 360 tonnes for SO2 emissions from all sources on April 21. This exceedence resulted from the flaring of H2S gas after a sulphur plant was shut down due to mechanical difficulties. During the year, SO2 emissions from all Syncrude sources averaged 222 tonnes per day, or 0.96 tonnes per thousand barrels. Syncrude did not meet its internal targets for flaring and diverting sour gas, which averaged 2.47 tonnes per day against the target of less than 1.0 tonnes per day. Flaring generally results from a breakdown or plant upset. To minimize the amount of SO2 emissions Syncrude will often cut feed rates to its processing units during significant flaring events.

In an ongoing effort to reduce particulate matter emissions, Syncrude’s Opacity Task Force conducts investigations when main stack opacity exceeds 20 per cent. These investigations lead to measures that help prevent occurrences of main stack opacity hours over the regulated limit of 40 per cent. In 2002, Syncrude recorded three such hours, which was within our target of fewer than five hours. In 2001, 12 hours of opacity in excess of 40 per cent were recorded.

While operational challenges in recent years have resulted in SO2 emissions performance that is less than optimal, Syncrude has achieved reductions of about 50 per cent per barrel since 1983. Reflecting confidence in our ability to reduce total SO2 emissions while raising crude oil production, Syncrude applied for and received a new lower limit for main stack sulphur emissions as part of the 1998-1999 process to gain regulatory approval for our upgrader expansion. This new limit took effect on April 1, 2001, and Syncrude has been successful in remaining compliant.

**SULPHUR DIOXIDE EMISSIONS REDUCTION TIMELINE (TONNES PER DAY)**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions</td>
<td>222</td>
<td>200</td>
<td>100</td>
<td>02</td>
<td>05</td>
</tr>
</tbody>
</table>

* Carbon dioxide equivalent.

Improvements in energy consumption, as well as the effects of a changing fuels balance, will substantially reduce the carbon dioxide emissions associated with production of a barrel of Syncrude Sweet Blend crude oil.

**GREENHOUSE GAS EMISSIONS & ENERGY USE**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Million tonnes of CO2E* per year</td>
<td>7.87</td>
<td>7.90</td>
<td>7.94</td>
<td>8.87</td>
<td>8.54</td>
</tr>
<tr>
<td>Tonnes of CO2E* per barrel</td>
<td>0.107</td>
<td>0.106</td>
<td>0.117</td>
<td>0.117</td>
<td>0.124</td>
</tr>
<tr>
<td>Energy Intensity (MBTUs per barrel)</td>
<td>1.30</td>
<td>1.34</td>
<td>1.28</td>
<td>1.23</td>
<td>1.30</td>
</tr>
<tr>
<td>Energy Intensity (Gigajoules per cubic metre of production)</td>
<td>8.63</td>
<td>8.89</td>
<td>8.49</td>
<td>8.14</td>
<td>8.62</td>
</tr>
</tbody>
</table>

* Carbon dioxide equivalent.

Improvements in energy consumption, as well as the effects of a changing fuels balance, will substantially reduce the carbon dioxide emissions associated with production of a barrel of Syncrude Sweet Blend crude oil.
Expansion in the oil sands industry and the resulting potential for regional cumulative effects have led Syncrude to take appropriate steps to significantly reduce air emissions stemming from our Mildred Lake upgrader. Our two-stage plan will reduce total emissions of sulphur dioxide by 60 per cent from today’s approved levels of 245 tonnes per day. It builds on Syncrude’s long track record of reducing emissions on a per unit of production basis.

A reduction to an estimated 200 tonnes per day will be realized in 2005 when a new flue gas desulphurization unit becomes operational as part of Syncrude’s upgrader expansion. This move will virtually eliminate all SO₂ emissions from a new fluid coker, which is a major feature of the expansion, as well as from the tail gas of all Syncrude sulphur recovery plants.

### SULPHUR DIOXIDE EMISSIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tonnes per day</td>
<td>222</td>
<td>&lt;250</td>
<td>238</td>
<td>202</td>
<td>209</td>
</tr>
<tr>
<td>Tonnes per 000 barrels</td>
<td>0.96</td>
<td>0.95</td>
<td>1.05</td>
<td>0.99</td>
<td>0.93</td>
</tr>
<tr>
<td>SO₂ gas flared &amp; diverted (tonnes per day)</td>
<td>2.47</td>
<td>1.0</td>
<td>5.57</td>
<td>5.63</td>
<td>1.01</td>
</tr>
<tr>
<td>Ground Level Concentration Exceedences</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>H₂S (hours above 10 ppb)</td>
<td>7</td>
<td>0</td>
<td>4</td>
<td>49</td>
<td>13</td>
</tr>
<tr>
<td>SO₂ (incidents of 24 hours above 57 ppb)</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

### NITROGEN OXIDE EMISSIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Tonnes annually</td>
<td>20,727</td>
<td>20,140</td>
<td>17,725</td>
<td>19,126</td>
<td>17,799</td>
</tr>
<tr>
<td>Tonnes per 000 barrels</td>
<td>0.25</td>
<td>0.25</td>
<td>0.24</td>
<td>0.23</td>
<td>0.23</td>
</tr>
</tbody>
</table>

### OTHER AIR EMISSIONS

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ozone depleting substances HCFC-22 (kg)</td>
<td>615</td>
<td>599</td>
<td>507</td>
<td>1,032</td>
<td>N/A</td>
</tr>
<tr>
<td>Total VOC (tonnes/year)</td>
<td>N/A*</td>
<td>N/A</td>
<td>12,679</td>
<td>9,286</td>
<td>9,362</td>
</tr>
<tr>
<td>VOC emission intensity (kg VOC/m³ SSB produced)</td>
<td>N/A*</td>
<td>N/A</td>
<td>1,064</td>
<td>712</td>
<td>762</td>
</tr>
<tr>
<td>- benzene (tonnes/year)</td>
<td>N/A*</td>
<td>53.0</td>
<td>59.0</td>
<td>62.4</td>
<td>65.2</td>
</tr>
<tr>
<td>- toluene (tonnes/year)</td>
<td>N/A*</td>
<td>210.3</td>
<td>209.0</td>
<td>154.5</td>
<td>156.6</td>
</tr>
<tr>
<td>- ethylbenzene (tonnes/year)</td>
<td>N/A*</td>
<td>70.1</td>
<td>70.7</td>
<td>65.3</td>
<td>67.4</td>
</tr>
<tr>
<td>- xylene (tonnes/year)</td>
<td>N/A*</td>
<td>477.4</td>
<td>476.6</td>
<td>315.5</td>
<td>315.8</td>
</tr>
<tr>
<td>NPRI on-site releases to all media (tonnes/year)</td>
<td>N/A*</td>
<td>3,501</td>
<td>3,320</td>
<td>3,042</td>
<td>3,496</td>
</tr>
<tr>
<td>Flared gas (MSCF/year)</td>
<td>1,686</td>
<td>4,924</td>
<td>2,222</td>
<td>797</td>
<td>1,334</td>
</tr>
</tbody>
</table>

* National Pollutant Release Index data for 2002 will be reported in 3Q 2003.

**EMISSIONS REDUCTION PLAN**

Expansion in the oil sands industry and the resulting potential for regional cumulative effects have led Syncrude to take appropriate steps to significantly reduce air emissions stemming from our Mildred Lake upgrader. Our two-stage plan will reduce total emissions of sulphur dioxide by 60 per cent from today’s approved levels of 245 tonnes per day. It builds on Syncrude’s long track record of reducing emissions on a per unit of production basis.

A reduction to an estimated 200 tonnes per day will be realized in 2005 when a new flue gas desulphurization unit becomes operational as part of Syncrude’s upgrader expansion. This move will virtually eliminate all SO₂ emissions from a new fluid coker, which is a major feature of the expansion, as well as from the tail gas of all Syncrude sulphur recovery plants.
Syncrude’s intent also is to add desulphurization technology to its two existing cokers after the upgrader expansion is complete. If approved by Alberta regulators, this major project will reduce total SO$_2$ emissions to about 100 tonnes per day through an investment of about $400 million. As well, it will reduce emissions of particulate matter and metals by as much as 50 per cent.

These emission reduction efforts ensure that our growth plan can occur while total environmental effects are reduced.

**CREATING VALUE FROM WASTE BY-PRODUCTS**

Technology proprietary to Marsulex Inc. has been licensed by Syncrude for the current expansion desulphurization initiative. It uses waste ammonia as an active “scrubbing” agent. This material is then combined with captured sulphur to produce granular ammonium sulphate fertilizer. In addition to creating added value, this move will eliminate any emission issues otherwise associated with the disposal of the ammonia and sulphur by-products.

**NITROGEN OXIDES**

Emissions of nitrogen oxides are an area of regional concern due to the potential for acid deposition on land and in water systems. The transition to diesel-powered mining equipment from electric-powered equipment, as well as increased levels of regional oil sands development, have the potential to increase NO$_x$ emissions.

Diesel-operated mining equipment account for about 40 per cent of NO$_x$ emissions from Syncrude. About 250 mobile mining units on our site are powered by diesel engines, which in 2001 consumed about 150 million litres of diesel fuel. Syncrude produces its own diesel fuel and it has especially low sulphur content. When burned, it produces fewer NO$_x$ and SO$_2$ emissions than commercially available diesel fuels.

Syncrude and its equipment suppliers have put concerted effort in recent years into reducing emissions from off-road diesel powered equipment. This work has included research into engine hardware, combustion process, electronics, and diesel fuel quality, and has generated positive results, such as a reduction in NO$_x$ per tonne of material moved.

Fixed plant combustion sources account for about 60 per cent of NO$_x$ emissions from Syncrude. Control actions considered and underway include the retrofit of existing equipment and low-NO$_x$ burners on all new furnaces.
MORE THAN A RECLAMATION SUCCESS:
The Beaver Creek Wood Bison Ranch

Syncrude’s innovative partnership with the First Nations community of Fort McKay to test the viability of reclaimed land to support large animal habitat continues to flourish. The Beaver Creek Wood Bison Ranch, as it is now known, comprises 650 hectares of reclaimed land on which about 300 Wood Bison graze. The ranch has been co-managed since 1993 by Syncrude and the Fort McKay First Nation.

TRACE AIR CONTAMINANTS

Trace air contaminants released from Syncrude include volatile organic compounds (VOCs), reduced sulphur compounds, particulate matter, polycyclic aromatic hydrocarbons and ammonia. These are released as fugitive and point source emissions from Syncrude’s mine and plant areas.

Trace air contaminant emissions may contribute to visible plumes or smog and are a potential source of odour at site and in local communities. In large concentrations they may also negatively impact human health and the environment.

Syncrude manages fugitive emissions through improved recovery of naphtha from tailings, enhanced tank venting processes, and by implementing a state-of-the-art leak detection and repair program across the site. As well, releases of trace air contaminants from flaring and diverting have been significantly reduced by focusing on steady and reliable plant operation. The flue gas desulphurization project associated with Syncrude’s upgrader expansion will also further reduce releases of trace air contaminants.

ODOURS AND AMBIENT AIR QUALITY

Syncrude recorded eight exceedences of either one-hour or 24-hour Alberta Ambient Air Quality Guidelines for sulphur dioxide and hydrogen sulphide. When Syncrude receives an odour complaint or a notice from government authorities about an ambient air exceedence, we immediately conduct an onsite investigation to determine possible sources. If Syncrude is the source, we implement measures to reduce or, if possible, eliminate the source.

In 2001, Syncrude implemented a $7 million program to reduce odours associated with tank venting. The program increased the recovery of gas that is vented as large hydrocarbon storage tanks are filled. This work continued into 2002 and resulted in a 67 per cent reduction in venting incidents; the number of incidents fell to 61 in 2002 from 183 in 2001. The volume of material released during venting incidents also was reduced. Additional improvements to Syncrude’s vapour recovery facilities are planned for 2003.
WATER

Syncrude diverted 40.7 million cubic metres of raw water from the Athabasca River for industrial and potable (drinking) water purposes in 2002. This amount was about two-thirds of our licensed raw water allocation of 61.6 million cubic metres. Due to our ongoing expansion, Syncrude anticipates its raw water requirements will increase to near license limits by 2006.

Our raw water import primarily supports upgrading, tailings and utilities processes. Water is recovered from these processes and incorporated into a recycle system which provides the water used for bitumen extraction processes.

The high value Syncrude places on water resources is evidenced in our work to integrate water management as a key component in our development planning. The goal is to continue to improve water conservation and minimize our withdrawal of water from the natural watershed. In 2002, about 25 per cent of our water came from the Athabasca River while the remaining 75 per cent came from our recycle pond.

At Syncrude’s Aurora and Mildred Lake sites, clean water diversion strategies have been implemented. Fresh rainwater and shallow ground water are captured in ditches located at the outer reaches of our development area. Treated sanitary sewage is discharged to the Athabasca River from the Mildred Lake site. Process-affected water is not discharged into the river, nor is it injected into groundwater aquifers. Instead, it is stored and recycled about three times per year.

Syncrude employs an extensive network of groundwater monitoring wells. As required by our licenses, we monitor groundwater flow and conduct analyses on a broad number of indicators to demonstrate groundwater quality.

In recent years, flow volumes in the Athabasca River have come under scrutiny as oil sands developers seek additional water withdrawal licenses for planned new projects. A study to establish the minimum water flow necessary to meet industrial needs while also supporting in-stream requirements for fish habitat is currently underway by the Cumulative Effects Management Association. Based on historical water flow patterns and anticipated license needs, Syncrude expects that water withdrawals by Syncrude and others will prove to be sustainable.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Million m³</td>
<td>40.7</td>
<td>37</td>
<td>40.2</td>
<td>40.3</td>
<td>31.6</td>
</tr>
<tr>
<td>Million m³ (cumulative since start-up)</td>
<td>844.4</td>
<td>803.7</td>
<td>766.7</td>
<td>726.5</td>
<td>686.2</td>
</tr>
<tr>
<td>M³ per barrel</td>
<td>0.49</td>
<td>0.45</td>
<td>0.54</td>
<td>0.49</td>
<td>0.41</td>
</tr>
</tbody>
</table>
**LAND**

Syncrude’s surface mining operation disturbs large tracts of land. Our commitment is to ensure that the land is returned to a stable, safe condition with 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.

Achieving that goal starts with planning for the future closure of a fully reclaimed site. Syncrude completed the third iteration of the Closure and Reclamation Plan for its Mildred Lake site in 2001. Alberta Environment accepted that Plan as meeting all relevant Approval conditions and expectations. The next generation Closure and Reclamation Plan for the Aurora site will be completed in 2004.

The next step, field execution, starts with design and construction of stable landforms, with particular emphasis on surface drainage features that in the future will be valleys, creeks and streams. During 2002, Syncrude enhanced its internal design tools for drainage features through further description and analysis of relevant natural drainage features in the northeast boreal forest. These tools have been applied to overburden placement areas at both the Mildred Lake and Aurora sites, which in the future will be hills.

Total land disturbance since Syncrude’s inception, combining both the Mildred Lake and Aurora sites, grew to 17,653 hectares during 2002. In 2002, reclamation material, the outer skin that will develop into the future soil layer, was placed on 269 hectares of land, exceeding the target of 263 hectares. The net area achieving the “permanently reclaimed” standard for reporting to Alberta Environment was 191 hectares, bringing to 3,290 hectares the total land reclaimed since 1978.

Direct land reclamation expenditures in 2002 were just under $10 million.

Perhaps the most challenging component of landform construction and reclamation at oil sands mines is integration of soft tailings materials into the stable, productive final landscape. In 2002, Syncrude produced 6.9 million m³ of composite tailings. This material is a combination of mature fine tailings from the Mildred Lake Settling Basin and fresh sand tails from the extraction process. It is being placed in the East Base Mine, which is now depleted. With the addition of a final capping layer of sand, a solid landscape capable of supporting a mix of forest vegetation communities will be created within a decade.
Mature fine tailings also are being placed in the mined-out West Base Mine. This material will be capped with a layer of water to create a lake capable of supporting a diverse range of aquatic species. As well, the lake will provide important water quality and storm flood attenuation services to the post-closure drainage system.

In support of our closure and reclamation goals, and recognizing the significant challenges involved, Syncrude undertakes considerable monitoring, research and development into land reclamation processes and integrates the knowledge gained into planning and design.

Thorough monitoring of all reclaimed areas tracks conformance with design intent and regulatory requirements. It yields valuable information on soil and vegetation development, landform design practices, reclamation methods development and wildlife habitat enhancement. It also provides the database for reclamation certification, which is the formal testing of reclamation success against government standards.

In 2002, Syncrude prepared our application for reclamation certification of the 100 hectare Gateway Hill area, and will submit that application for approval during 2003. If successful, Syncrude will be the first company to receive a certificate for oil sands reclamation.

Syncrude has been conducting reclamation research since 1971, eight years prior to the start of production at the Mildred Lake site. The current research emphasis is on intensively instrumented and monitored watersheds established on each of the major underlying material types and situations. Two watersheds have been established to date, in 1999 and 2001, and a third is planned for 2004.

Syncrude bolsters its R&D resources, by partnering with the external research community. Several universities are active on each of the instrumented watersheds, with specific projects designed and executed by graduate students under the overall direction of highly qualified academic staff.

In 2003, Syncrude received a major environmental award from the Alberta Chamber of Resources for excellence in reclamation research.
**REGULATORY COMPLIANCE**

Syncrude’s legislated environmental obligations are detailed in operating approvals issued by Alberta Environment under the Alberta Environmental Enhancement and Protection Act, and by the Alberta Energy and Utilities Board under the Oil Sands Conservation Act.

We regard compliance with legislated requirements as our minimum obligation and steward to internal targets that are often more stringent.

In addition to immediate reporting of environmental incidents, Syncrude provides regulators with updates on environmental performance relating to air emissions, industrial wastewater, groundwater, revegetation and land use, among many others. Some reports are filed monthly, while others are filed quarterly or annually.

In recent years, Syncrude has been challenged to stay within licensed limits for sulphur dioxide emissions. As a temporary mitigation and compliance strategy, crude oil production has been reduced. Longer-term sustainability investments in desulphurization technology are also taking place, and these will significantly reduce total sulphur emissions while allowing for growth in crude oil production.

**ENVIRONMENTAL MONITORING**

As indicated in the discussion on consultation initiatives elsewhere in this report, the effects of environmental releases from Syncrude and other oil sands operators are extensively monitored and studied by multi-party groups including:

- **Wood Buffalo Environmental Association**, which provides third party verification of plant emissions and overall regional air quality. ([www.wbea.org](http://www.wbea.org))

- **Regional Aquatic Monitoring Program**, which provides continuous monitoring of river water quality. ([www.ramp-alberta.org](http://www.ramp-alberta.org))

- **Cumulative Effects Management Association**, which develops management systems to monitor and reduce the long-term environmental impacts stemming from industrial development. ([www.cemaonline.org](http://www.cemaonline.org))

In addition to these activities, Syncrude also conducts monitoring into such issues as soil acidification. The studies have been ongoing since the 1980s.
WASTE MANAGEMENT AND RECYCLING

Waste management at Syncrude aims to minimize waste generation, maximize recycling opportunities, reduce hazardous waste and provide for the safe management of hazardous waste, including storage, transportation, recycling, treatment and disposal.

In 2002, Syncrude generated 5,420 tonnes of solid hazardous waste, and 4,540 cubic metres of liquid hazardous waste. Of this material:

- 5,400 tonnes of solid waste (including catalyst) and 3,590 cubic metres of liquid waste was recycled;
- 19.2 tonnes of solid waste and 8.4 cubic metres of liquid waste was sent off-site for treatment or destruction; and
- 940 cubic metres of liquid waste was retained on-site in the Industrial Wastewater Control System.

Where possible, recycling, treatment and destruction of hazardous waste occur instead of disposal. Syncrude categorizes and measures all hazardous waste streams.

Non-hazardous waste generation was 64,700 tonnes of solid waste and 13,600 litres of liquid waste in 2002. Of this, some 8,140 tonnes of metals, plastics, rubber and other materials were diverted from the landfill as a result of comprehensive recycling efforts. One example of this involves worn tires from Syncrude trucks. They are now being used to construct barricades, barriers and engineered structures such as retaining walls and embankments, on and off the Syncrude site. Partnerships also have been struck with companies that have practical uses for the scrap material.

All non-hazardous liquid, with the exception of waste glycol, is stored on site and used as industrial recycle water. Some 227 cubic metres of waste glycol were used on site as belt wetting solution.
NAPHTHA RECOVERY
Syncrude uses large volumes of naphtha to separate water and solids from bitumen. To reduce the losses and environmental emissions associated with this process, Syncrude developed and introduced naphtha recovery technology some years ago. It has since been licensed to other oil sands developers. This technology initially recovered about 65 per cent of the naphtha, which would otherwise be lost to the tailings stream. In 2001, a Syncrude taskforce worked to find ways to further enhance naphtha recovery and was successful in increasing it to 85 per cent. While 100 per cent recovery is likely not achievable, further gains are anticipated with the incorporation of even more efficient technology as part of Syncrude’s upgrader expansion.

RESOURCE RECOVERY
Syncrude aims to recover as much bitumen from oil sand as is possible, thereby maximizing the value of oil sands resource development. Recovery for 2002 reached 92 per cent, up from 91 per cent in 2001.

In addition to bitumen, oil sand also contains heavy minerals such as titanium, zirconium and vanadium. These minerals are by-products of the bitumen extraction process. Vanadium has been recovered from our upgrading processes since 1988. While it is possible to produce other marketable mineral materials, the concentration of minerals in oil sand varies greatly and this condition makes economic evaluations difficult. Producing minerals from the oil sand tailings stream remains an area of interest, and would reduce the land disturbance and emissions issues associated with other mining operations that currently extract such products.
PERFORMANCE SUMMARY – 2002

**ENVIRONMENT**

- **Greenhouse Gases**
  - million tonnes CO₂ equivalent/year: 7.87, 7.90, 7.94, 8.87, 8.54
  - tonnes CO₂ equivalent/barrel: 0.107, 0.106, 0.117, 0.117, 0.124

- **Sulphur Dioxide**
  - tonnes/day: 222, 238, 202, 209, 187
  - tonnes/thousand barrels: 0.107, 0.106, 0.117, 0.117, 0.124

- **Nitrogen Oxide**
  - tonnes/day: 56.8, 55.2, 48.4, 52.4, 48.8
  - tonnes/thousand barrels: 0.24, 0.25, 0.24, 0.23, 0.23

- **Land Cleared**
  - cumulative hectares – Aurora Mine added as of 2000: 20,135, 19,091, 17,706, 15,759, 15,374

- **Land Reclaimed**
  - cumulative hectares: 3290, 3,021, 2,931, 2,665, 2,505

- **Energy Intensity**
  - million BTUs/per barrel: 1.30, 1.34, 1.28, 1.23, 1.30
  - gigajoules/m³ production: 8.63, 8.89, 8.49, 8.14, 8.62

- **Water Diverted From Athabasca River**
  - million cubic metres: 40.7, 37, 40.2, 40.3, 31.6

**HEALTH AND SAFETY**

- **Total Recordable Injury Frequency Rate**
  - Syncrude + contractors: 0.82, 1.29, 1.57, 1.31, 1.26

- **Employee lost time injury frequency rate**
  - 0.12, 0.21, 0.22, 0.11, 0.08

- **Contractor lost time injury frequency rate**
  - 0.08, 0.08, 0.12, 0.34, 0.26

**ECONOMIC AND SOCIAL CONTRIBUTION**

- **Royalties and Payroll and Municipal Taxes**
  - millions of dollars: 206, 392.3, 731.2, 191.9, 141.0

- **Cumulative Royalties and Payroll and Municipal Taxes**
  - millions of dollars: 5,930, 5,724, 5,332, 4,601, 4,409

- **Aboriginal Contracts**
  - millions of dollars: 82.0, 92.0, 72.0, 61.0, 52.4

- **Cumulative Aboriginal Contracts**
  - millions of dollars: 571, 489, 397, 325, 264

- **Aboriginal Workforce**
  - % of Syncrude workforce only: 9.7, 9.9, 10.2, 10.2, 10.4

---

1. Greenhouse gas emissions – Greenhouse gas emissions include all CO₂ and other greenhouse gases on a CO₂ equivalent basis to produce a barrel of SSB.

2. Land cleared/land reclaimed – Refers to all land surface area disturbed during the process of mining. Reclaimed land refers to disturbed land that has permanently been returned to a stable, biologically self-sustaining state. All reclaimed land will be returned to the Province of Alberta at the end of operations.

3. Energy Intensity – Syncrude’s product, SSB, is a 100 per cent upgraded, high quality product with 51° to 53° API, low sulphur (0.1 – 0.2 per cent), low residuals and excellent low temperature pour qualities. Energy intensity to produce this product includes all energy consumed to produce a barrel of SSB – natural gas, coke, diesel, electrical generation, jet fuel, gasoline, propane and net imported power. One barrel of SSB contains 5.6 MBTUs of energy (37.2Gj/M³ production), resulting in 74.4 per cent energy efficiency for 2002.

4. Total Injury Frequency and Lost time injuries – Total recordable injury frequency includes all injuries requiring medical attention or which resulted in a worker being absent from work. A Lost Time Injury is an injury that requires medical attention and results in the worker being absent from work. The injury frequency rate is the number of Lost Time Injuries per 100 person years (200,000 hours) worked.

5. Royalties, payroll and municipal taxes – Represent total royalties paid to Government of Alberta, direct payroll taxes and municipal taxes. Royalties vary depending on crude oil prices and level of capital expenditures as defined by the Oil Sands Royalty Regulation 1997.

6. Aboriginal contracts – Includes contracts for base plant and Syncrude 21 capital projects. Dollars shown are commitments against purchase orders and payments against contracts.

7. Aboriginal workforce – Numbers include only full-time Syncrude employees and do not include casual or contract workers.
GOVERNANCE AND MANAGEMENT COMMITTEE
Syncrude Canada Ltd. is a private company incorporated under the Business Corporations Act of Alberta and is an organization similar to other corporations with a board of directors.

Syncrude’s by-laws stipulate that shares in the corporation may only be held by the Owners in proportion to their interest in the Syncrude Joint Venture.

The structure and governance of the Syncrude Project includes a Management Committee which meets regularly and supervises the project on behalf of the Owners. Each Owner 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 and objectives and annual budget. It also approves major capital appropriations. In addition, it reviews overall performance, both operationally and financially. The Management Committee is chaired by one of the Owners’ representatives. In 2002 the Management Committee reviewed its governance process to ensure the Committee is contemporary with all industry business standards.

OWNERSHIP CHANGES
In 2002, PanCanadian and Alberta Energy Company merged to form Encana Corporation. This new company became the holder of the Alberta Energy share of Syncrude. In February 2003, Encana sold a 10 per cent Syncrude share to Canadian Oil Sands Trust, with Canadian Oil Sands having an option to purchase Encana’s remaining 3.75 per cent ownership share. This transaction brings to 31.74 per cent the total shares of Syncrude owned by Canadian Oil Sands Trust.

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

The Board and its committees are composed of directors appointed by the Joint Venture Owners in their capacity as shareholders of the corporation. The Chairman of the Board, who serves in a non-voting capacity and who is not a director, is the Chief Executive Officer of Syncrude.

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

BOARD COMMITTEES
The governance of the Syncrude Board of Directors was enhanced in 2002 with the creation of a CEO Committee of the Board (consisting of the most senior executive of each Syncrude Canada Ltd. shareholder company). The primary role of the CEO committee is to oversee the performance of Syncrude’s CEO and COO, oversee compensation of company Officers, ensure sound management ranks, review the Syncrude succession plan, review and provide input to the Syncrude Strategic Business Plan.

The Environment, Health & Safety Committee consists of not fewer than four directors. The role of this committee is to confirm that policies, procedures and controls with respect to environment, health and safety issues are in place and are implemented, maintained and audited. In addition, the committee monitors and assesses corporate performance in the area of environment, health and safety matters and makes recommendations where appropriate.

The Audit Committee consists of not fewer than three directors. All members of the Audit Committee are independent and are neither officers nor employees of Syncrude Canada Ltd. This committee is responsible for reviewing the adequacy and scope of Syncrude’s internal control systems, as well as the scope and results of both internal and external audit efforts. At every meeting of the Audit Committee, the committee holds private and separate sessions with the internal auditors, external auditors and Syncrude management. The committee also provides oversight on any other matters related to Syncrude’s financial affairs, policies and practices.

The Compensation Committee consists of not fewer than four directors and deals with matters related to compensation and benefits, senior management succession planning, and other issues concerning human resources programs.

There is no need for a Nomination Committee since directors are appointed as required by the Joint Venture Owners as shareholders, pursuant to the corporation’s by-laws.
corporate information

BOARD OF DIRECTORS

AEC OIL SANDS, L.P., AND
AEC OIL SANDS LIMITED
PARTNERSHIP
Randy Eresman 1
Michael McAllister 4
Graig Ritchie 2

CANADIAN OIL SANDS
INVESTMENTS LIMITED
Marcel R. Coutu 1, 2, 3, 4

CONOCOPHILLIPS OILSANDS
PARTNERSHIP II
Henry W. Sykes 1
John F. LeGrow 2, 3
John E. Anders 2

IMPERIAL OIL RESOURCES
K. C. Williams 1
Charles F. Ruigrok 2, 3, 4

MOCAL ENERGY LIMITED
Austin Lyons 1
Charles Scholz

MURPHY OIL COMPANY LTD.
Harvey Doerr 1
Tim Larson 3, 4

NEXEN INC.
Charlie Fischer 1
Marvin Romanow 3

PETRO-CANADA OIL AND GAS
Ron Brenneman 1
Brant G. Sangster 4

1 Member of the CEO Committee
2 Member of the Environment, Health & Safety Committee
3 Member of the Compensation Committee
4 Member of the Audit Committee

OFFICERS OF SYNCRUDE
CANADA LTD.

ERIC P. NEWELL
Chairman & Chief Executive Officer

JAMES E. CARTER
President & Chief Operating Officer

PHILIP C. LACHAMBRE
Executive Vice President & Chief Financial Officer

MURRAY SMART
Executive Vice President, Strategic Projects

FRED A. HEMPHILL
Vice President, Bitumen Processing

GORDON M. BALL
Vice President, Bitumen Production, Mildred Lake

GORDON R. WINKEL
Vice President, Bitumen Production, Aurora

ROSALIND EICHHORN
Vice President, Human Resources & Support Services

GARY K. BRENNAH
Comptroller

JOHN A. CLARKE
Treasurer

RAY B. HANSEN, Q.C.
General Counsel

DONALD C. THOMPSON
Corporate Secretary & General Manager Environment, Health & Safety

HEAD OFFICE

200 – 9911 MacDonald Avenue
Fort McMurray, Alberta
Canada T9H 1S7

FURTHER INFORMATION

Syncrude Canada Ltd.
Government & Public Affairs
PO Bag 4023, MD 1000
Fort McMurray, Alberta
Canada T9H 3H5

Phone: (780) 790-6403
Fax: (780) 790-6270
Toll-Free Line: (800) 667-9494
Media Relations: (780) 790-6406
Email: info@syncrude.com
Website: www.syncrude.com