

CANADIAN NATURAL RESOURCES LTD

Form 40-F

March 24, 2016

United States

Securities and Exchange Commission

Washington, D.C. 20549

FORM 40-F

Registration Statement pursuant to section 12 of the Securities Exchange Act of 1934

Annual report pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934

For the fiscal year ended December 31, 2015

Commission File Number:

333-12138

CANADIAN NATURAL RESOURCES LIMITED

(Exact name of Registrant as specified in its charter)

ALBERTA, CANADA

(Province or other jurisdiction of incorporation or organization)

1311

(Primary Standard Industrial Classification Code Numbers)

Not Applicable

(I.R.S. Employer Identification Number (if applicable))

2100, 855-2nd Street S.W., Calgary, Alberta, Canada, T2P 4J8

Telephone: (403) 517-7345

(Address and telephone number of Registrant's principal executive offices)

CT Corporation System, 111-Eighth Avenue, New York, New York 10011

(212) 894-8940

(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class: Name of each exchange on which registered:

Common Shares, no par value New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Title of Each Class: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

For annual reports, indicate by check mark the information filed with this Form:

Annual information form Audited annual financial statements

Number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

1,094,667,814 Common Shares outstanding as of December 31, 2015

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (s.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files).

Yes _____ No _____

This Annual Report on Form 40-F shall be incorporated by reference into, or as an exhibit to, as applicable, the Registrant's Registration Statement on Form F-10 (File No. 333-207578) under the Securities Act of 1933 as amended. All dollar amounts in this Annual Report on Form 40-F are expressed in Canadian dollars. On March 22, 2016 the reported Bank of Canada noon rate for one Canadian dollar was US\$0.7662. On March 22, 2016 the reported Bank of Canada noon rate for one U. S. dollar was C\$1.3051.

Principal Documents

The following documents have been filed as part of this Annual Report on Form 40-F, starting on the following page:

A. Annual Information Form

Annual Information Form of Canadian Natural Resources Limited ("Canadian Natural") for the year ended December 31, 2015.

B. Audited Annual Financial Statements

Canadian Natural's audited consolidated financial statements for the years ended December 31, 2015 and 2014, including the auditor's report with respect thereto.

C. Management's Discussion and Analysis

Canadian Natural's Management's Discussion and Analysis for the year ended December 31, 2015.

Supplementary Oil & Gas Information

For Canadian Natural's Supplementary Oil & Gas Information for the year ended December 31, 2015, see Exhibit 99.1 to this Annual Report on Form 40-F.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2015

March 24, 2016

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DEFINITIONS AND ABBREVIATIONS

The following are definitions and selected abbreviations used in this Annual Information Form:

API	Specific gravity measured in degrees on the American Petroleum Institute scale
ARO	Asset retirement obligations
bbl	barrel
bbl/d	barrels per day
Bcf	billion cubic feet
BOE	barrels of oil equivalent
BOE/d	barrels of oil equivalent per day
“Canadian Natural Resources Limited”, “Canadian Natural”, “Company”, “Corporation”	Canadian Natural Resources Limited and includes, where applicable, reference to subsidiaries of and partnership interests held by Canadian Natural Resources Limited and its subsidiaries
CBM	Coal Bed Methane
CO ₂	Carbon dioxide
CO ₂ e	Carbon dioxide equivalents
Crude oil, natural gas and NGLs	The Company’s light and medium crude oil, primary heavy crude oil, Pelican Lake heavy crude oil, synthetic crude oil, bitumen (thermal oil), natural gas and natural gas liquids
CSS	Cyclic Steam Simulation
development well	Well drilled inside the established limits of an oil or gas reservoir or in close proximity to the edge of the reservoir, to the depth of a stratigraphic horizon known to be productive
dry well	Well that proves to be incapable of producing either crude oil or natural gas in sufficient quantities to justify completion
EOR	Enhanced Oil Recovery
exploratory well	Well that is not a development well, a service well, or a stratigraphic test well
extension well	Well that is drilled to test if a known reservoir extends beyond what had previously been believed to be the outer reservoir perimeter
fee title interest	Absolute ownership of legal title to mineral lands, subject to conditional interests that may have been granted from the title, such as petroleum and natural gas leases
FPSO	Floating Production, Storage and Offloading vessel
GHG	Greenhouse gas
gross acres	Total number of acres in which the Company has a working interest or fee title interest
gross wells	Total number of wells in which the Company has a working interest
Horizon	Horizon Oil Sands
IFRS	International Financial Reporting Standards
Mbbl	thousand barrels
Mcf	thousand cubic feet
Mcf/d	thousand cubic feet per day
MD&A	Management’s Discussion and Analysis
MMbbl	million barrels
MMBOE	million barrels of oil equivalent
MMBtu	million British thermal units
MMcf	million cubic feet
MMcf/d	million cubic feet per day

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MM\$	million Canadian dollars
NGLs	Natural gas liquids
net acres	Gross acres multiplied by the percentage working interest or fee title interest therein owned Calculated as net present value, discounted at 10%, of the future net revenue (before income tax and excluding the ARO for development existing as at December 31, 2015) of the Company's total proved plus probable crude oil, natural gas and NGLs reserves prepared using forecast prices and costs, plus the
net asset value	estimated market value of core unproved property, less net debt. Net debt is long term debt plus/minus the working capital deficit/surplus. Future development costs and abandonment and reclamation costs attributable to future development activity have been applied against the future net revenue
net wells	Gross wells multiplied by the percentage working interest therein owned by the Company
NYSE	New York Stock Exchange
productive well	Exploratory, development or extension well that is not dry
proved property	Property or part of a property to which reserves have been specifically attributed
PRT	Petroleum Revenue Tax
SAGD	Steam-Assisted Gravity Drainage
SCO	Synthetic crude oil
SEC	United States Securities and Exchange Commission
service well	Well drilled or completed for the purpose of supporting production in an existing field and drilled for the specific purposes of gas injection, water injection, steam injection, air injection, salt-water disposal, water supply for injection, observation, or injection for combustion
stratigraphic test well	Drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition and ordinarily drilled without the intention of being completed for hydrocarbon production
TSX	Toronto Stock Exchange
UK	United Kingdom
unproved property	Property or part of a property to which no reserves have been specifically attributed
US	United States
working interest	Interest held by the Company in a crude oil or natural gas property, which interest normally bears its proportionate share of the costs of exploration, development, and operation as well as any royalties or other production burdens
WTI	West Texas Intermediate reference location at Cushing, Oklahoma

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements relating to Canadian Natural Resources Limited (the “Company”) in this document or documents incorporated herein by reference constitute forward-looking statements or information (collectively referred to herein as “forward-looking statements”) within the meaning of applicable securities legislation. Forward-looking statements can be identified by the words “believe”, “anticipate”, “expect”, “plan”, “estimate”, “target”, “continue”, “could”, “intend”, “may”, “potential”, “predict”, “should”, “will”, “objective”, “project”, “forecast”, “goal”, “guidance”, “outlook”, “effort”, “seeks”, “seek”, or expressions of a similar nature suggesting future outcome or statements regarding an outlook. Disclosure related to expected future commodity pricing, forecast or anticipated production volumes, royalties, operating costs, capital expenditures, income tax expenses, and other guidance provided throughout this Annual Information Form (“AIF”) constitute forward-looking statements. Disclosure of plans relating to and expected results of existing and future developments, including but not limited to the Horizon Oil Sands operations and future expansions, Primrose thermal projects, Pelican Lake water and polymer flood project, the Kirby Thermal Oil Sands Project, the construction and future operations of the North West Redwater bitumen upgrader and refinery, construction by third parties of new or expansion of existing pipeline capacity or other means of transportation of bitumen, crude oil, natural gas or SCO that the Company may be reliant upon to transport its products to market and reference to the 2016 activity provided also constitute forward-looking statements. This forward-looking information is based on annual budgets and multi-year forecasts, and is reviewed and revised throughout the year as necessary in the context of targeted financial ratios, project returns, product pricing expectations and balance in project risk and time horizons. These statements are not guarantees of future performance and are subject to certain risks. The reader should not place undue reliance on these forward-looking statements as there can be no assurances that the plans, initiatives or expectations upon which they are based will occur.

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

The forward-looking statements are based on current expectations, estimates and projections about the Company and the industry in which the Company operates, which speak only as of the date such statements were made or as of the date of the report or document in which they are contained, and are subject to known and unknown risks and uncertainties that could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such risks and uncertainties include, among others: general economic and business conditions which will, among other things, impact demand for and market prices of the Company’s products; volatility of and assumptions regarding crude oil and natural gas prices; fluctuations in currency and interest rates; assumptions on which the Company’s current guidance is based; economic conditions in the countries and regions in which the Company conducts business; political uncertainty, including actions of or against terrorists, insurgent groups or other conflict including conflict between states; industry capacity; ability of the Company to implement its business strategy, including exploration and development activities; impact of competition; the Company’s defense of lawsuits; availability and cost of seismic, drilling and other equipment; ability of the Company and its subsidiaries to complete capital programs; the Company’s and its subsidiaries’ ability to secure adequate transportation for its products; unexpected disruptions or delays in the resumption of the mining, extracting or upgrading of the Company’s bitumen products; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; ability of the Company to attract the necessary labour required to build its thermal and oil sands mining projects; operating hazards and other difficulties inherent in the exploration for and production and sale of crude oil and natural gas and in mining, extracting or upgrading the Company’s bitumen products; availability and cost of financing; the Company’s and its subsidiaries’ success of exploration and development activities and its ability to replace and expand crude oil and natural gas reserves; timing and success of integrating the business and operations of acquired companies; production levels; imprecision of reserve estimates and estimates of recoverable quantities of crude oil, natural gas and NGLs not currently classified as proved; actions by governmental authorities; government

regulations and the expenditures required to comply with them (especially safety and environmental laws and regulations and the impact of climate change initiatives on capital and operating costs); asset retirement obligations; the adequacy of the Company's provision for taxes; and other circumstances affecting revenues and expenses. The Company's operations have been, and in the future may be, affected by political developments and by federal, provincial and local laws and regulations such as restrictions on production, changes in taxes, royalties and other amounts payable to governments or governmental agencies, price or gathering rate controls and environmental protection regulations. Should one or more of these risks or uncertainties materialize, or should any of the Company's assumptions prove incorrect, actual results may vary in material respects from those projected in the forward-looking statements. The impact of any one factor on a particular forward-looking statement is not determinable with certainty as such factors are dependent upon other factors,

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and the Company's course of action would depend upon its assessment of the future considering all information then available. For additional information refer to the "Risks Factors" section of this AIF.

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

Special Note Regarding Currency, Financial Information, Production and Reserves

In this document, all references to dollars refer to Canadian dollars unless otherwise stated. Reserves and production data are presented on a before royalties basis unless otherwise stated. In addition, reference is made to crude oil and natural gas in common units called barrel of oil equivalent ("BOE"). A BOE is derived by converting six thousand cubic feet of natural gas to one barrel of crude oil (6 Mcf:1 bbl). This conversion may be misleading, particularly if used in isolation, since the 6 Mcf:1 bbl ratio is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In comparing the value ratio using current crude oil prices relative to natural gas prices, the 6 Mcf:1 bbl conversion ratio may be misleading as an indication of value.

The comparative Consolidated Financial Statements and the Company's MD&A for the most recently completed fiscal year ended December 31, 2015, herein incorporated by reference, and certain information included in this AIF, have been prepared in accordance with IFRS, as issued by the International Accounting Standards Board.

For the year ended December 31, 2015, the Company retained Independent Qualified Reserves Evaluators ("IQRE"), Sproule Associates Limited and Sproule International Limited (together as "Sproule") and GLJ Petroleum Consultants Ltd. ("GLJ"), to evaluate and review all of the Company's proved and proved plus probable reserves with an effective date of December 31, 2015 and a preparation date of February 1, 2016. Sproule evaluated the North America and International light and medium crude oil, primary heavy crude oil, Pelican Lake heavy crude oil, bitumen (thermal oil), natural gas and NGLs reserves. GLJ evaluated the Horizon SCO reserves. The evaluation and review was conducted in accordance with the standards contained in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and disclosed in accordance with National Instrument 51-101 – Standards of Disclosure for Oil and Gas Activities ("NI 51-101") requirements.

The Company annually discloses net proved reserves and the standardized measure of discounted future net cash flows using 12-month average prices and current costs in accordance with United States Financial Accounting Standards Board Topic 932 "Extractive Activities - Oil and Gas" in the Company's annual report on Form 40-F filed with the SEC in the "Supplementary Oil and Gas Information" section of the Company's Annual Report on pages 92 to 99 which is incorporated herein by reference.

Special Note Regarding Non GAAP Financial Measures

This AIF includes references to financial measures commonly used in the crude oil and natural gas industry, such as adjusted net earnings from operations, cash flow from operations, adjusted cash production costs, and net asset value. These financial measures are not defined by IFRS and therefore are referred to as non-GAAP measures. The non-GAAP measures used by the Company may not be comparable to similar measures presented by other companies. The Company uses these non-GAAP measures to evaluate its performance. The non-GAAP measures should not be considered an alternative to or more meaningful than net earnings, as determined in accordance with IFRS, as an indication of the Company's performance. The non-GAAP measures adjusted net earnings from operations and cash flow from operations are reconciled to net earnings (loss), as determined in accordance with IFRS in the "Net Earnings (Loss) and Cash Flow from Operations" section of the Company's MD&A which is incorporated by reference into this document. The derivation of adjusted cash production costs is included in the "Operating Highlights – Oil Sands Mining and Upgrading" section of the Company's MD&A which is incorporated by reference into this document.

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CORPORATE STRUCTURE

Canadian Natural Resources Limited was incorporated under the laws of the Province of British Columbia on November 7, 1973 as AEX Minerals Corporation (N.P.L.) and on December 5, 1975 changed its name to Canadian Natural Resources Limited. Canadian Natural was continued under the Companies Act of Alberta on January 6, 1982 and was further continued under the Business Corporations Act (Alberta) on November 6, 1985. The head, principal and registered office of the Company is located in Calgary, Alberta, Canada at 2100, 855 - 2nd Street S.W., T2P 4J8. The Company has amalgamated pursuant to the Business Corporations Act (Alberta) under the name Canadian Natural Resources Limited with the following:

October 1, 2000 - Ranger Oil Limited (“Ranger”)

January 1, 2003 - Rio Alto Exploration Ltd. (“RAX”)

January 1, 2004 - CanNat Resources Inc.

January 1, 2007 - ACC-CNR Resources Corporation

January 1, 2008 - Ranger Oil (International) Ltd.; 764968 Alberta Inc.; CNR International (Norway) Limited; Renata Resources Inc.

January 1, 2012 - Aspect Energy Ltd.; Creo Energy Ltd.; 1585024 Alberta Ltd.

January 1, 2014 - Barrick Energy Inc.

January 1, 2015 - EOG Resources Canada Inc.

The main operating subsidiaries and partnerships of the Company, percentage of voting securities owned either directly or indirectly, and their jurisdictions of incorporation are as follows:

Jurisdiction of Incorporation		% Ownership
Subsidiary		
Canadian Natural Upgrading Limited	Alberta	100
CanNat Energy Inc.	Delaware	100
CNR (ECHO) Resources Inc.	Alberta	100
CNR International (U.K.) Investments Limited	England	100
CNR International (U.K.) Limited	England	100
	Côte	
CNR International (Côte d’Ivoire) SARL	d’Ivoire	100
CNR International (Olowi) Limited	Bahamas	100
CNR International (South Africa) Limited	Alberta	100
Horizon Construction Management Ltd.	Alberta	100
Partnership		
Canadian Natural Resources	Alberta	100
Canadian Natural Resources Northern Alberta Partnership	Alberta	100
Canadian Natural Resources 2005 Partnership	Alberta	100

Canadian Natural, as the managing partner, CNR (ECHO) Resources Inc. and Canadian Natural Resources 2005 Partnership are the partners of Canadian Natural Resources, a general partnership. Canadian Natural, as the managing partner, CNR (ECHO) Resources Inc., Canadian Natural Resources and Canadian Natural Resources 2005 Partnership are partners of Canadian Natural Resources Northern Alberta Partnership, a general partnership. Canadian Natural, as the managing partner, and CNR (ECHO) Resources Inc. are the partners of Canadian Natural Resources 2005 Partnership, a general partnership.

In the ordinary course of business, Canadian Natural restructures its subsidiaries and partnerships to maintain efficient operations and to facilitate acquisitions and divestitures.

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The consolidated financial statements of Canadian Natural include the accounts of the Company and all of its subsidiaries and wholly owned partnerships.

GENERAL DEVELOPMENT OF THE BUSINESS

2013

In 2011, the Company announced that it had entered into a partnership agreement with North West Upgrading Inc. to move forward with detailed engineering regarding the construction and operation of a bitumen upgrader and refinery (“the Project”) near Redwater, Alberta. In addition, the partnership has entered into processing agreements that target to process bitumen for the Company of 12,500 bbl/d and bitumen for the Alberta Petroleum Marketing Commission (“APMC”), an agent of the Government of Alberta, of 37,500 bbl/d under a 30 year fee-for-service tolling agreement under the Bitumen Royalty In Kind initiative. In 2012, the Project was sanctioned by the Board of Directors of each partner of the North West Redwater Partnership (“Redwater Partnership”), and the associated target toll amounts were accepted by Redwater Partnership, the Company and the APMC. In December 2013, Redwater Partnership, the Company and APMC agreed in principle to amend certain terms of the processing agreements. In conjunction with these amendments, the Company, along with APMC, each committed to provide additional funding up to \$350 million to attain Project completion based on the revised Project cost estimate of approximately \$8,500 million. The additional funding is in the form of subordinated debt bearing interest at prime plus 6%, which is anticipated to form part of the equity toll. Should final Project costs exceed the revised cost estimate, the Company and APMC have agreed, subject to the Company being able to meet certain funding conditions, to fund any shortfall in available third party commercial lending required to attain Project completion. Under its processing agreement, beginning on the earlier of the commercial operations date of the refinery and June 1, 2018, the Company is unconditionally obligated to pay its 25% pro rata share of the debt portion of the monthly cost of service toll, including interest, fees and principal repayments, of the Redwater Partnership’s syndicated credit facility and bonds, over the tolling period of 30 years.

During 2013, the Company discovered bitumen emulsion at surface in areas of the Primrose field. The Company continues to work with the regulator on the causation review of the bitumen emulsion seepage. The Company’s near-term steaming plan at Primrose has been modified, with steaming being reduced in certain areas.

During 2013, the Company acquired all the issued and outstanding shares of Barrick Energy Inc. and 1729580 Alberta Ltd., subsidiaries of Barrick Gold Corporation for approximately \$173 million.

During 2013, the Company disposed of a 50% interest in its exploration right in South Africa, for a net cash consideration of US\$255 million. In the event that a commercial crude oil or natural gas discovery occurs on this exploration right, resulting in the exploration right being converted into a production right, an additional cash payment would be due to the Company at such time, amounting to US\$450 million for a commercial crude oil discovery and US\$120 million for a commercial natural gas discovery.

During 2013, the Company entered into a 20 year transportation agreement to ship 80,000 bbl/d of crude oil on the proposed Energy East pipeline originating at Hardisty, Alberta with delivery points in Quebec City, Quebec and Saint John, New Brunswick. This pipeline is subject to regulatory approval.

During 2013, the Company issued \$500 million of 2.89% medium-term notes due August 2020. Net proceeds from the sale were used to repay bank indebtedness and for general corporate purposes.

2014

In 2014, the Company completed the acquisition of certain Canadian crude oil and natural gas properties for cash consideration of approximately \$3,110 million, subject to final closing adjustments. In connection with the agreement, the Company negotiated an additional \$1,000 million unsecured bank credit facility with a two-year maturity and with terms similar to the Company’s current syndicated credit facilities. The acquired lands and production base are all located in Western Canada in areas adjacent to or near the Company’s current conventional operations, primarily in Northeast British Columbia, Northwest Alberta and Northern Plains areas.

In March 2014, the Company issued US\$500 million floating rate unsecured notes due March 30, 2016 at a rate of 3 month LIBOR plus 0.375%, and US\$500 million principal amount of 3.80% unsecured notes due April 15, 2024. Net proceeds from the sale were used to repay bank indebtedness and for general corporate purposes.

In May 2014, the Company issued \$500 million of 2.60% unsecured notes due December 3, 2019 and \$500 million of 3.55% unsecured notes due June 3, 2024. Net proceeds from the sale were used to repay bank indebtedness and for

general corporate purposes.

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In November 2014, the Company issued US\$600 million of 1.75% unsecured notes due January 15, 2018 and US\$600 million of 3.90% unsecured notes due February 1, 2025. Net proceeds from the sale were used to repay bank indebtedness and for general corporate purposes.

2015

In response to declining commodity prices, the Company's capital expenditures for 2015 reflected reductions in its capital program by approximately \$3,400 million, as well as changes to its capital allocation strategy, including the decrease in drilling activity in North America, partially offset by the planned drilling activities in Offshore Africa.

In 2015, the Company's existing \$1,000 million non-revolving term credit facility was extended, maturing January 2017. The Company also entered into a new \$1,500 million non-revolving term credit facility maturing April 2018. Both facilities were fully drawn at December 31, 2015. In addition, the Company's \$1,500 million revolving syndicated credit facility was increased to \$2,425 million and the maturity date was extended to June 2019 from June 2016. The \$3,000 million revolving syndicated credit facility was reduced to \$2,425 million and the maturity date was extended to June 2020 from June 2017.

In June 2015, the Company issued \$500 million of series 2 medium-term notes due August 2020 through the reopening of its previously issued 2.89% notes. Net proceeds from the sale were used to repay bank indebtedness and for general corporate purposes. The Company also repaid \$400 million of 4.95% medium-term notes.

In 2014, the Company commenced a review of its royalty lands and royalty revenue portfolio. The review included a detailed examination of the Company's freehold and royalty land position, production volumes, product mix, associated cash flow and collection of payments. In the fourth quarter of 2015, the Company disposed of its North America royalty income assets for total consideration of \$1,658 million. Total consideration on the disposition was comprised of \$673 million in cash, together with \$985 million of non-cash consideration, comprised of approximately 44.4 million common shares of PrairieSky with a value of \$22.16 per common share determined at the closing date. Subject to certain conditions, including applicable regulatory and/or shareholder approvals, the Company has agreed with PrairieSky that, by no later than December 31, 2016, it will distribute sufficient common shares of PrairieSky to the Company's shareholders so that the Company, after such distribution, will hold less than 10% of the issued and outstanding common shares of PrairieSky.

2016

In the first quarter of 2016, the Company prepaid \$250 million of the borrowings outstanding under the \$1,000 million non-revolving term credit facility and extended the facility to February 2019 from January 2017. The Company also entered into a new \$125 million non-revolving term credit facility maturing February 2019, which was fully drawn. On March 21, 2016, the Court of Queen's Bench of Alberta (the "Court") granted an interim order under subsection 193(4) of the Business Corporations Act (Alberta), containing declarations and directions with respect to a Plan of Arrangement (the "Plan") which, if approved by the Company's shareholders at a subsequent meeting, will allow for the a return of capital to shareholders of the Company through the distribution of a minimum of 0.02 of a PrairieSky share in respect of each common share of the Company outstanding as of the effective time in accordance with the terms of the Plan. In the event that shareholder approval is obtained, the Company intends to apply to the Court for a final order approving the Plan, at which time the Company will have the discretion to proceed with the Plan as it stands or amend, alter or cancel the Plan.

DESCRIPTION OF THE BUSINESS

Canadian Natural is a Canadian based senior independent energy company engaged in the acquisition, exploration, development, production, marketing and sale of crude oil, natural gas and NGLs. The Company's principal core regions of operations are western Canada, the UK sector of the North Sea and Offshore Africa.

The Company initiates, operates and maintains a large working interest in a majority of the prospects in which it participates. Canadian Natural's objectives are to increase crude oil and natural gas production, reserves, cash flow and net asset value on a per common share basis through the development of its existing crude oil and natural gas properties and through the discovery and/or acquisition of new reserves.

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The Company has a full complement of management, technical and support staff to pursue these objectives. As at December 31, 2015, the Company had the following full time equivalent permanent employees:

North America, Exploration and Production	4,513
North America, Oil Sands Mining and Upgrading	2,651
North Sea	372
Offshore Africa	32
Total Company	7,568

Operational discipline, safe, effective and efficient operations as well as cost control are fundamental to the Company. By consistently managing costs throughout all industry cycles, the Company believes it will achieve continued growth. Effective and efficient operations and cost control are attained by developing area knowledge and by maintaining high working interests and operator status in its properties. The Company has grown through a combination of internal growth and strategic acquisitions. Acquisitions are made with a view to either enter new core regions or increase presence in existing core regions.

The Company's business approach is to maintain large project inventories and production diversification among each of the commodities it produces namely: natural gas and NGLs, light and medium crude oil, primary heavy crude oil, Pelican Lake heavy crude oil, SCO from our oil sands mining operations and bitumen (thermal oil). The Company's large diversified project portfolio enables the effective allocation of capital to higher return opportunities, which together provide complementary infrastructure and balance throughout the business cycle. Natural gas is the largest single commodity sold, accounting for 34% of 2015 production. Virtually all of the Company's natural gas and NGLs production is located in the Canadian provinces of Alberta, British Columbia and Saskatchewan and is marketed in Canada and the US. Light and medium crude oil and NGLs, representing 16% of 2015 production, is located in the Company's North Sea and Offshore Africa properties, and in the provinces of Alberta, British Columbia and Saskatchewan. Primary heavy crude oil accounting for 15% of 2015 production, Pelican Lake heavy crude oil accounting for 6% of 2015 production, and our bitumen (thermal oil) accounting for 15% of 2015 production are in the provinces of Alberta and Saskatchewan. SCO from our oil sands mining operations in Northern Alberta accounted for approximately 14% of 2015 production. Midstream assets, primarily comprised of two operated and one non operated pipeline systems, and an electricity cogeneration facility, provide cost effective infrastructure supporting the heavy crude oil and bitumen operations. The Company's Midstream assets also include a 50% interest in the Redwater Partnership.

A. ENVIRONMENTAL MATTERS

The Company strives to carry out its activities in compliance with applicable regional, national and international regulations and industry standards. Environmental specialists in Canada and the UK track performance to numerous environmental performance indicators, review the operations of the Company's world-wide interests and report on a regular basis to the senior management of the Company, which in turn reports on environmental matters directly to the Health, Safety, Asset Integrity and Environmental Committee of the Board of Directors.

The Company regularly meets with and submits to inspections by the various governments in the regions where the Company operates. The Company's associated environmental risk management strategies focus on working with legislators and regulators to ensure that any new or revised policies, legislation or regulations properly reflect a balanced approach to sustainable development. Specific measures in response to existing or new legislation include a focus on the Company's energy efficiency, air emissions management, released water quality, reduced fresh water use and the minimization of the impact on the landscape. Training and due diligence for operators and contractors are key to the effectiveness of the Company's environmental management programs and the prevention of incidents. The Company believes that it meets all existing environmental standards and regulations and has included appropriate amounts in its capital expenditure budget to continue to meet current environmental protection requirements. Since these requirements apply to all operators in the crude oil and natural gas industry, it is not anticipated that the Company's competitive position within the industry will be adversely affected by changes in applicable legislation. The Company has internal procedures designed to ensure that the environmental aspects of new acquisitions and developments are taken into account prior to proceeding. The Company's environmental management plan and operating guidelines focus on minimizing the environmental impact of operations while meeting regulatory

requirements, regional management frameworks, industry