



Forward

Dear Community Members

North American Oil Sands Corporation had another successful year of drilling and seismic operations. Contributions from the surrounding communities played a large part in our achievements. We gained valuable input from Elders and continue our work with community leaders.

Community involvement is integral to North American's way of doing business. Over the past year we achieved this through employing many community members, forming partnerships with local contractors and working with local schools, community organizations and community leaders. As a result, we have formed some wonderful relationships. The seeds of long term friendships have been planted and will continue to grow.

Society faces many environmental challenges: climate change, water shortages, wildlife disturbance and land preservation. At North American,

we are committed to using sound environmental management and conservation practices to reduce our impact on the environment. We share with the communities a concern for the environment and we are especially pleased to have been able to engage many community members in our environmental planning activities.

This will be my last note to you as CEO of North American. The Company has been acquired by Statoil ASA, one of the world's leading energy companies. Statoil is also a leader in sustainable development and environmental stewardship. I am pleased that a company as responsible as Statoil will be taking over the work we have begun together.

Pat Carlson
Former President and CEO
North American Oil Sands Corporation

About North American

- North American was purchased by Statoil June 25, 2007
- North American is an integrated oil sands company using SAGD technology and bitumen upgrading
- The Company currently holds over 12 townships of oil sands leases between highways 881 and 63 in the Regional Municipality of Wood Buffalo and County of Lakeland
- Four areas are being developed: Leismer, Corner, Hangingstone and Thornbury, beginning with a 10,000 barrels per day demonstration plant at Leismer
- Potential for 220,000 barrels per day peak bitumen production rate in the next decade
- Spent \$98 million this winter for all drilling, seismic, environmental and safety services
- Significant local business and employment participation, \$22 million in total
- Committed to working closely with the communities to ensure we continuously practice good environmental stewardship.

Dear Community Members

As the new CEO of North American Oil Sands, I would like to thank the teams and the communities for the extraordinary work that has been done since the company's inception in 2001. It is a privilege to take the lead of such a capable group and I look forward to working with everyone to progress the business in a responsible and sustainable way.

I believe North American and Statoil have complementary skills and values. Health, safety and environmental issues take priority in both Company's philosophies. We believe in empowering the communities in which we work by creating career and training opportunities as well as encouraging participation. We promote open, honest and transparent communication with the public and our employees. We respect your close ties to the land surrounding your communities and we are committed to working with you to steward this precious resource.

I believe that North American will be a tremendous addition to Statoil. Together, with our combined expertise, we will achieve great things. Using the latest technologies, I am confident that we will surpass our goals of sustainable development in the oil sands.

I look forward to meeting you and learning about your communities. It is my personal goal to continue to nurture the relationships that North American has developed and make some new friends along the way.



Geir Jøssang
President and CEO
North American Oil Sands Corporation
(Statoil ASA)

About Statoil ASA

- Statoil is an integrated oil and gas company based in Norway with substantial international activities
- One of the world's most environmentally efficient producers and transporters of oil and gas
- Goal is to create value for our owners through profitable and safe operations and sustainable business development without causing harm to people or the environment
- Established a New Energy Unit in 2002 to focus on the reduction of greenhouse gases, on increased use of cleaner energy carriers and the development of new energy solutions based on hydrogen, energy efficiency, renewable energy and carbon dioxide management
- Preserving biodiversity is a key element in sustainable development and occupies a central place in our environmental work
- Contributing to sustainable development on the basis of our core activities in the countries in which we operate securing openness, combating corruption and showing respect for human rights and labour standards environmental stewardship.



Introduction

At North American, we take our Credo to heart. We understand that the air, water, land and wildlife are interconnected. We take these issues very seriously and are always striving to be innovative and improve our processes. We are practicing a high level of environmental stewardship. By working closely with local communities, we will find the best way to move forward and achieve our goals.

Statoil HSE - Our goal is zero harm

All accidents can be prevented.

A high standard for health, safety, security and the environment
- HSE has a value in itself.

- We integrate HSE in all business activities to create safe and healthy workplaces.
- We conduct our business in accordance with our ethical principles.
- We select suppliers based on commitment and performance.
- We engage with stakeholders and communicate our ambitions and performance.
- We are committed to reducing the negative impact of our activities and products on health and the environment.
- We evaluate and improve our performance continuously. Implementing this policy is a management responsibility - all employees are obliged to abide by it.

You and I have a common responsibility to care for each other and for the environment!



North American Oil Sands Corporation - Our Credo

Our business is really about trust

People, everywhere, trust us to conduct our operations with care for the air, water, land and wildlife and to leave, when we leave, an environment that can once again thrive as it did before we came.

The communities near our operations trust us to be a good neighbor, to contribute to their prosperity and quality of life and to respect their needs and values. The aboriginal communities, in particular, trust us to help them adjust to the changes that come with our presence in the areas that they have long depended upon to support their traditional way of life.

The citizens of Alberta trust us to wisely and carefully develop the precious resources entrusted to us.

Our suppliers trust us to work with them to develop and provide products that meet our needs and to pay them fairly and promptly.

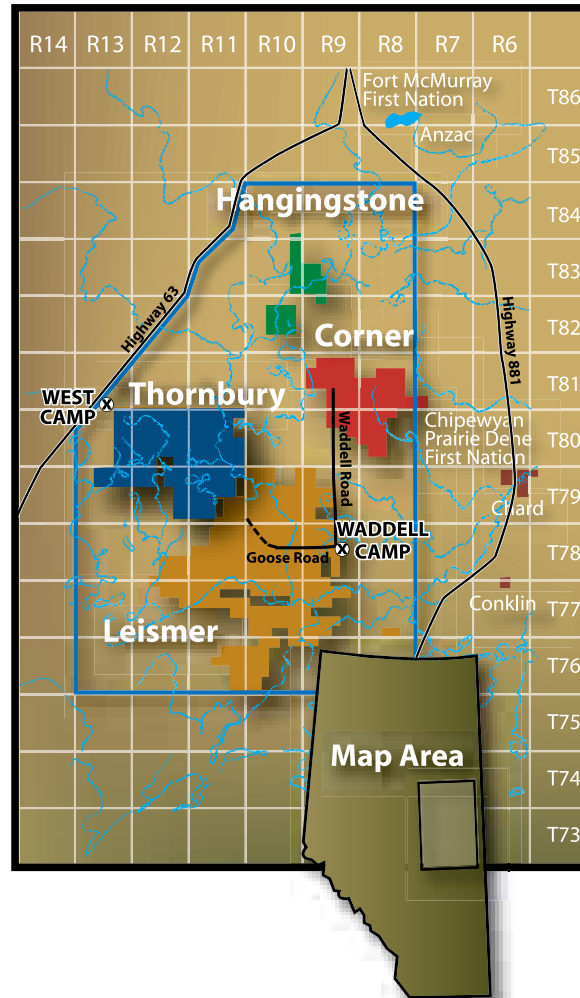
Our contractors and employees trust us to compensate them competitively and to provide a safe, healthy and happy work environment.

Our shareholders trust us to manage their investment with honesty and care and deliver strong returns back to them.

At North American Oil Sands Corporation all that we have to do, each of us, all of us, is earn and maintain that trust.



North American Oil Sands Corporation Kai Kos Dehseh Project Area



Naming Ceremony

In January 2006, a group of Chipewyan Dene Elders honoured North American in a naming ceremony by giving the name Kai Kos Dehseh to our project area in northeast Alberta. Kai Kos Dehseh (translated means Red Willow River) is the Chipewyan Dene name for the river commonly known as the Christina River.



Artwork by Fort McMurray First Nation artist David Cree.



Feature Story

Interview with Conan Janvier on 28 May 2007.

Conan Janvier At Home

Growing-up in the Bush

Janvier or Chipewyan Prairie Dene First Nation is my home community - the bush all around Janvier for many miles is where I spent most of my childhood. I remember as a young kid, five or six of us would ride our bikes over to the airstrip and hunt snow buntings with our slingshots. Sometimes young kids would come and we would teach them how to hunt and make good slingshots.

In the fall I would always go out hunting in the bush with my buddies for wild chickens (grouse). I shot my first chicken when I was 6 years old.

When I was a kid my Dad and Uncles would tell me stories of their great hunts and my Grandfather's great hunts. My Grandfather would canoe across the lake to the salt springs and shoot the moose; then he would have to pack the moose home in the canoe. My Father would ride a dog sled all the way to Winefred Lake (approximately 40 km) when he was young to go fishing in the winter. He rode the dog sled until the dogs could not go any longer then he would get off the sled and help push the sled the rest of the way. He would fish through the ice and bring a sled full of fish back home to the family. These stories inspired me to hunt.

I was allowed to hunt when I was strong enough to hold a rifle and when my Dad felt I was ready to hunt - about 10 years old. When I got a little older there was one guy in the community who would take us young guys out into the bush to teach us about hunting and living in the bush - he would then lend us a rifle to hunt during the day but we had to bring the rifles back along with something in return. There used to be more of this kind of thing happening - now I think there are less young kids who hunt for others in the community.

Working in the Bush - understanding more about my home

I started working in environment studies with industry about 5 years ago. Once I worked on the first couple of bird and plant studies I realized I would much rather be doing this kind of work, learning more about the bush I grew-up in, rather than working as a slasher or in construction all day with noisy machines and going home with a sore back. I got to do more and more studies throughout the years and as I learned more from the environmental scientists about the purpose of soil, fish, plants, trees and animals I realized how unique and special every little thing is in the bush.

This year working with North American on the winter Canine Wildlife Studies it was a great opportunity to start my own company - Conan Oil-field Environmental Ltd. One of the best things

about having the company is I can employ other guys from Janvier to work on the studies with me. It is important that more people from the community do this work so they too can understand the importance of plants and animals.

I think everyone in Janvier is most concerned about water. My best childhood memories revolve around water. The lakes and streams around my home were very important for hunting, fishing and recreation. I just hope industry shares our concerns and treats this resource with the care and respect it deserves.

My Dream... the bush my home

I have always loved the bush but I had no idea how critically valuable the bush is as the Boreal Forest until I started doing the environment work. It would also be really valuable for the kids in the community to be taught what I have learned with the environment studies. They all have seen some of the birds, animals and plants but it would be great if they could become inspired to get out into the bush and learn how important each species are for the whole Boreal Forest.

My ultimate dream would be to make sure there is a large piece of land set aside near Janvier where there will never be any development. There are different companies in all directions moving toward Janvier - setting some land aside that is undisturbed will be very important if we hope to help all the disturbed land get back to normal in the future.

I think I have a big opportunity to share and teach what I know about the plants, water and animals to the kids in my own community

because I am still young and if they see how much this means to me hopefully they will be inspired to learn and value more about the bush and spend more of their time in the bush. I would really like to work with the school in the community to start programs for the kids to learn about the bush at all ages through school. When I was in school I was taught how to make my own bannock and tea - we need to get back to this kind of learning. I would like for the Elders to help with teaching this information as well.



Conan Janvier



Water Stewardship

We will conduct our business with the utmost integrity using sound environmental management and conservation practices.

We must steward the water resources and whenever possible go beyond current environmental practices.

We take this responsibility very seriously.



Christina River - also known as Red Willow River (or Kai Kos Dehseh)



2006/2007 Winter Drilling Core Hole Program

What we've done so far to reduce our fresh water consumption

At the beginning of the core hole program, we set up a Central Fluids Processing Facility (CFPF). This facility gave us the ability to recondition existing drilling fluids for reuse on additional wells, which reduced our overall fresh water consumption.

The CFPF is located at a remote sump site in north Leismer. This site is easily accessed from Leismer and Thornbury which are two of North American's four operating areas. This is where the majority of the drilling took place last winter.

Throughout the winter season, a total of 8,900 cubic metres (m³) of used drilling fluid was trucked to the CFPF for processing. These fluids were reconditioned (solids removed, chemicals added), and then trucked back to the rig fleet for active use in drilling additional wells.

Approximately 5,200 m³ (the size of 2 Olympic size swimming pools) of drilling fluid was returned to the rigs. This means that an equivalent volume of water did not have to be taken from streams, rivers and lakes for the purpose of drilling. Given that the average well requires about 150 m³ of water to drill, about 35 wells or 23% of our total 153 well program did not require water from the fresh water sources.





Protecting Water Protects Aquatic Life

Understanding and protecting fish populations in the Kai Kos Dehseh Project area is of paramount importance.

Fish and fish habitat studies conducted by North American in 2005 and 2006 have provided information on fisheries in the area. This information will be used to make certain that our activities will not affect the water bodies in our project region. Information is continually being collected to understand and protect aquatic life.

Government legislation such as the Water Act and the Fisheries Act require companies to protect fish habitat. North American supports these requirements and protects streams and lakes in many ways including:

1. striving to keep construction away from bodies of water; drilling rig pads and plant facilities are located in places that will not affect water;
2. reducing the amount of rain runoff from construction sites from going into water bodies;
3. replanting vegetation along the sides of streams to create natural stream banks; and
4. building bridges and culverts are built in ways to protect the movement of fish in both upstream and downstream directions.



Daniel Quintel with Northern Pike from one of the lakes studied by North American.



Our projects take the necessary precautions to not impact water quality in a way that may harm fish and other aquatic organisms. Ways we plan to protect water quality include:

1. handling products properly to prevent contact with water bodies; and
2. keeping equipment clean and maintenance (such as fueling and changing oil) is done away from lakes and streams.

The Government of Alberta also requires that monitoring programs be developed for most projects they approve. These programs are designed to ensure that any environmental changes caused by the Project are observed before they cause harm to fish populations. We will monitor crossings whenever construction is taking place near them.

Report on Spills
Winter 2006 / 2007

"An unfortunate occurrence in the oil industry is that spills can happen. During the winter drilling project, we had 4 spills of which all were 100% contained. All of the spills were due to vehicle related incidents; the largest spill consisted of 40 litres of diesel fuel, 50 litres of hydraulic oil and 10 litres of antifreeze and was due to the vehicle sliding off the road and rolling onto its side in the ditch. All of the coordinators from Drilling, Seismic, Construction and Safety worked together to contain, clean and remove the waste materials. Due to snow and ice cover, we were able to remove all traces of the fluids and dispose of them at a waste disposal facility. We have learned through our spill clean up process that we must provide even better response time with pre-assigned tasks and responsibilities. The supervisors and coordinators will take part in a new spill response workshop prior to the 2007/2008 drilling season."

Tony Wentworth
Field Safety Supervisor
North American Oil Sands Corporation

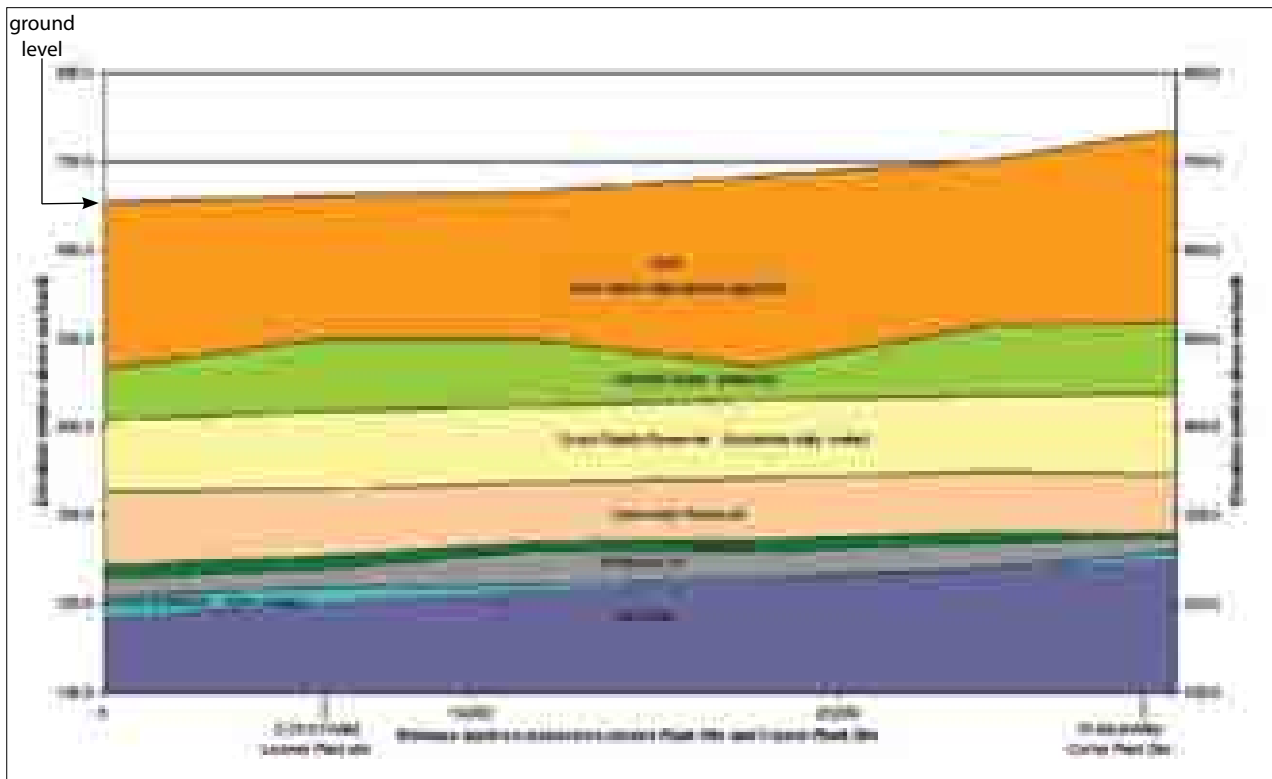


What water saving plans do we have for the future?

Our Project starts with the Leismer Demonstration Plant, a 10,000 barrel per day (bpd) project, due to start production in late 2009. The planned water sources for this project are the Grand Rapids Aquifer, located 350 metres below ground level, and the Lower McMurray Aquifer, located 400 metres below ground level at the Leismer Plant site. We chose these as our water sources because the water is non-potable and salty and it is located below the bedrock. This salty water will be used to generate steam,

which is needed to extract bitumen from the oil sands. The byproducts from treating the salty water to produce steam (lime and magnesium oxide) will be taken to a Class 2 landfill site. The advantage of using water from below the bedrock is that surface water (fresh water) use will be significantly reduced.

There are some natural fresh water wells in the drift (rock debris deposited by glaciers) level which will be for camp use only. However, this water will be used sparingly and recycled whenever possible.



Cross Section of Water Table at Leismer and Corner Plant Sites



Land Stewardship

Reducing Our Footprint

Good Stewardship

North American is striving to create a balance between resource extraction and maintaining a healthy environment and wildlife populations. Sustaining a healthy environment is important for the preservation of traditional land use such as hunting, trapping and fishing.

Traditional Knowledge Studies

This past year, we have had several meetings with community representatives to try to understand the nature and scope of traditional land use in the Project areas and, with their cooperation, implement a Traditional Knowledge Study Program. We recognize the Aboriginal communities' relationship to the land and acknowledge that the proposed Kai Kos Dehseh SAGD Project may have effects on traditional lands, culture and wellbeing of community members. By doing these studies, we can ensure that we understand the issues and can therefore avoid intentionally disturbing traditional or sacred lands. The results of the Traditional Knowledge Study Program will be reported to Alberta Environment as part of our Environmental Impact Assessment (EIA) process (see page 21).

The Communities identified by North American for these Studies are the ones which are in clos-

est physical proximity to the Project: Conklin Métis, Chipewyan Prairie Dene First Nation and Fort McMurray #468 First Nation. Separate Traditional Knowledge Studies will be completed with each of the identified groups.

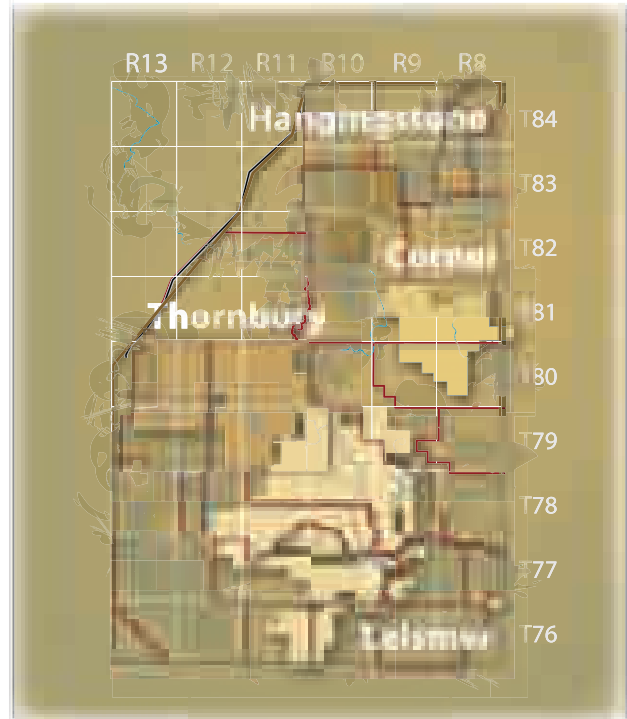


FMA Heritage Resource Consultants Inc. will be assisting North American with the Traditional Knowledge Studies. Through this initiative, it is our hope that North American and the communities will develop common ground for meaningful discussion throughout the life of our Project. We will work diligently to ensure that this Traditional Knowledge Study will be beneficial to each of the communities affected by our Project.

The main purpose of the Traditional Knowledge Study is to:

1. Identify sites and cultural use areas significant to each community within the lease areas with the intention of avoiding them wherever possible. This includes spiritual sites, gathering and harvesting areas, burials, home sites, community and family camps, ecological areas, and other culturally significant use areas. If culturally important sites and use areas cannot be avoided, North American is committed to working with each community to find an agreeable solution;
2. Determine the impact of development on these uses and identify possible mitigation strategies; and
3. Identify ecological concerns and areas of cultural significance to be considered and integrated in regional long term planning processes.

Each community has unique needs and interests and for this reason, the studies are being customized to meet the individual requirements identified by each community. Details of the actual studies will be reported in the next edition of this report.



Trapline Boundaries Throughout North American's Project Area

Trapline 2318	Leismer
Trapline 1523	Leismer
Trapline 1659	Leismer
Trapline 1474	Leismer
Trapline 1569	South Leismer
Trapline 2097	Hangingstone
Trapline 2675	Corner
Trapline 2751	Corner
Trapline 1303	Thornbury

Wildlife

North American is committed to reducing the amount of stress that our work on the Kai Kos Dehseh Project could potentially have on the wildlife in the area. We have chosen a unique way of studying the animals, called the Conservation Canine Wildlife Project, which is less invasive than collaring or aerial surveys.

From January through March in 2006 and 2007, we monitored moose, caribou and wolves. We chose to study the moose because they are important to the local people in the region. Caribou were selected because they are a similar species to the moose and because of their threatened conservation status. Wolves were selected because they are a major predator of both caribou and moose.

The purpose of the study was to evaluate the abundance, distribution and physiological health of these animals. By monitoring these parameters, we can quickly detect the impacts our Project may have on these animals.

The technique used to monitor these animals involved the use of dogs (called Conservation Canines) that were specially trained to sniff and detect scat of moose, caribou and wolves. Aided by their trainers and wilderness orienteers, the dogs locate the scat and the trainers collect it for DNA and hormone testing. This technique, pioneered by Dr. Samuel Wasser from the Centre for Conservation Biology at the University of Washington, has many advantages over traditional techniques. It is less disturbing to the wildlife, a larger surface area can be surveyed and a much larger number of samples can be collected. The result is a very comprehensive study which can be done year after year.





The location of the scat is recorded using the global positioning system (GPS), which allows us to map animal movement. The scat is then analyzed in a laboratory to determine identity, gender, species, hormones, antibodies (immunities) and diet. We are able to do this because scat contains DNA and hormones.

By tracking changes over time, and including location information (from GPS), we know where the animals are relative to disturbance. Through lab analysis, we can determine which individuals, if any, are reacting negatively to industry activity.



Specially trained Conservation Canine with handler

What the results say thus far...

The results from the 2006 scat collection indicate that physiological stress was present in the animals, particularly nutritional stress. Although these patterns fluctuated between the species, all showed a fairly consistent pattern of increased stress associated with increased human activity in the area. Moose and caribou appeared to recover better from that stress when development activities stopped than did the wolf. The results of the 2007 samples collected along with future studies will be crucial to evaluate whether recovery persists following continued development activities in the area.

"Going to some of the local schools as a team with the dogs to share our work with the teachers and students was a very valuable experience for us. I think it is good for all of us... to meet the people who have lived on this land for many generations. We just hope that the results of the work we are doing with the local animals will help ensure the animals stay well and thriving.

Our team of 12 people worked very well together and having three people from last year return, including Conan Janvier, added significant value to how smoothly and efficiently everything went. Conan's knowledge of the animals, plants and terrain is important to us all better understanding the Project areas.

The wildlife studies this year went exceptionally well, our only main challenge was having more days where the dogs could not work because of extremely cold temperatures. This meant we had to change our work schedule several times but at the end of the season we did cover all the grid areas as originally planned."

Chris Zeiminski, Field Supervisor
Canine Wildlife Studies
University of Washington



Vegetation

Two vegetation surveys were conducted in June and July of 2005 and again in 2006 in support of the Kai Kos Dehseh EIA. During the surveys, the types of data collected included mapping information, rare plant observations, and other vegetation characteristics. The 2006 vegetation field program was conducted with the assistance of local residents of the community - Roy Cardinal, Kristen Laroque, and Tyrone Quintal.

The EIA report will provide a summary of the vegetation data collected during the 2005 and 2006 field seasons, as well as an analysis of how the Kai Kos Dehseh Project will affect the vegetation. During the development stages, vegetation will be removed from areas for the construction of access roads, pipelines, well pads and facilities. The EIA report will be submitted in the summer of 2007 to Alberta Environment for their review and copies will be made available to the local communities.

Reclamation will occur throughout the operation stages of the Kai Kos Dehseh Project and will continue after the Project has ended.

Health Assessments

As part of North American's health assessment, blueberry, Labrador tea and cattail samples will be collected and tested at a laboratory for polycyclic aromatic hydrocarbons (PAHs¹) and metals. The results of these tests will be assessed by North American's health consultant and sub-

¹PAHs can be point source for pollutants (e.g. oil spill) or non-point source (e.g. atmospheric deposition) and are one of the most widespread organic pollutants. Some of them are known or suspected carcinogens, and are linked to other health problems. They are primarily formed by incomplete combustion of carbon-containing fuels such as wood, coal, diesel, fat, or tobacco. Tar also contains PAHs. Since human civilization relies so heavily on combustion, PAHs are inevitably linked to our energy production. In this sense, PAH can be thought of as marker molecules as their abundance can be directly proportional to combustion processes in the region and therefore directly related to air quality. Source: Wikipedia, http://en.wikipedia.org/wiki/Polycyclic_aromatic_hydrocarbons

mitted to Alberta Health and Wellness. We will also share these results with the community.

Weed Management

Weeds may become a nuisance if they are allowed to compete with native plants for available resources such as water, nutrients, and sunlight. If weeds continue to thrive, then native plants may not survive. Weed plants that are classified as restricted or noxious will be removed and destroyed.

North American operators will implement a weed management program that will target prevention of weed infestations from the start as well as control and removal of existing weed areas. Government inspectors for the Province of Alberta will also check the land for weeds.



Caribou Protection Plan

What actions are we taking to protect the Caribou?

North American is taking extensive measures to protect Caribou habitat in northeastern Alberta during our drilling and seismic programs. In addition to the Conservation Canine Wildlife Project, we protect Caribou habitat in a number of different ways:

1. "Keep Blade Up" Technique - keep equipment blades up when working existing or creating new access routes. This measure:
 - only removes unwanted vegetation to ensure safe access development while limiting unnecessary ground disturbances;
 - keeps the underlying organic layers undisturbed and protected to ensure habitats are quickly and successfully re-established;
 - leaves the established root material in place so as to allow and promote vegetation growth along the Right of Way which will prevent unwanted weed invasion and ensure quick habitat re-establishment;
 - limits sight distances to less than one mile to enhance caribou protection by limiting predator potential; and
 - promotes natural reclamation only, seeding will only be used if erosion potential or slope stability problems anticipated. Only seed mix, which has been approved by the Alberta Government Sustainable Resource

Development (SRD), will be used;

2. Padding of leases will be kept to a minimum, for heli-pad and well head purposes only;
3. Limit the use of sumps and duff disturbances on access routes and well sites;
4. Minimize well site sizes. We anticipate a 55% reduction in surface land disturbance with multi-well pads. As a result, fewer access roads will be required as well as fewer all-weather access roads;
5. House workers in camps located outside the protected area whenever possible;
6. Provide buffers to watercourse crossings with no construction taking place within 100 metres of the high water mark of water bodies;
7. Hand cut all lines of sight;
8. Restrict access to the area for environmental impact assessment work to select sampling that must occur during specified seasons;
9. Share access routes with seismic and drilling teams and with other proponents and randomly policed for unauthorized use.

We are committed to completing activities as soon as possible for seismic, wells and related access while maintaining an early-in/early-out construction policy. To the extent possible, we complete the activities outlined above within the same season with clean up to be completed no later than the end of March, in order to reduce effects upon boreal wildlife.

In addition to these mitigative techniques, we

will also ensure these temporary creek crossings are removed before breakup. Timber will be salvaged from clearings that were made and we will endeavour to avoid areas with merchantable timber.

North American - Leading by Example:

This past season we donated our time and transported firewood to the Kinsmen Campground in Lac La Biche as well as to the Elders in Conklin. Many of the homes in Conklin are heated by wood and the Elders very much appreciated the donation.

North American's Field Coordinator, Peter Donovan and Office Administrator Jacene Piche took the initiative to deliver approximately 1 pick-up truck load of bottles and cans per week from the Waddell Camp for about 2 ½ months to the Conklin Community School for the school recycling and fundraising program.

Our contractors continue to take responsibility and show leadership for safety in their work. We also noticed a significant improvement in the cleanliness of the leases, camp facilities and access roads.



Example of sign in the North American project area.



Environmental Impact Assessment

An Environmental Impact Assessment (EIA) report is required by the Government of Alberta in order for North American to proceed to full commercial development. The EIA provides an evaluation of the environmental and social impacts of the proposed Kai Kos Dehseh project. The EIA report will include:

- A description of the Project, including the type and size of all activities planned;
- A description of the environmental, social and cultural setting;
- The potential positive and negative environmental, health, social, economic and cultural impacts of the proposed Project;
- The companion plans to lessen impacts and respond to emergencies; and
- Information on community consultation and actions taken to resolve concerns.

The work involved in collecting the information for the EIA is a group effort; some research was done by North American in consultation with local communities while other work required field investigation. Specific topics include:

- Soils and Terrain
- Vegetation and Wetlands
- Wildlife
- Surface Water Quality
- Fish and Fish Habitat
- Archaeology
- Public Consultation
- Traditional Use/Traditional Ecological Knowledge
- Traditional Environmental Knowledge
- Air
- Noise
- Hydrogeology (study of ground water)
- Biodiversity
- Social
- Economic
- Human Health
- Hydrology (study of surface water flows)

The EIA will be submitted to Alberta Environment in the summer of 2007, at which point it will be made available to the public.

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COMMUNITY REPORT, 2007



Community Report

2007 Annual Report





Bear artwork on cover by Fort McMurray First Nation artist David Cree.

Ancestor Spirit Shadows featured above by Chipewyan Prairie Dene First Nation artist Leonard Janvier.

TABLE OF CONTENTS

Forward	2
Introduction	4
Operations	5
Training and Employment	10
Engaging Local Business	16
Community Engagement	22
Community Investment	24
Employment and Contract Opportunities	25
Future Plans	26





Forward

Dear Community Members

North American Oil Sands Corporation (North American) just completed another successful year of drilling, seismic and environmental work. The many ways your communities participated played a significant part in our achievements. We gained valuable input from community members, young people, Elders and community leaders alike.

Community involvement is integral to North American's way of doing business. We once again fortified efforts this past year to engage your communities through consultation regarding the regulatory processes, employment of many community members, partnerships with local contractors and working with local schools, community organizations and community leaders. The communities welcomed increased involvement by North American in training, employment and business.

As you may know Statoil recently acquired North American. I believe that Statoil is a very responsible company and will continue to build strong relationships with the neighboring communities. Thank you for the support that you have extended to North American to date.

Sincerely,

Pat Carlson
Former President and CEO
North American Oil Sands Corporation

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- Beginning construction on the first 10,000 barrels per day demonstration plant at Leismer
- Potential for 220,000 barrels per day bitumen production in the next decade
- North American project now has over 200 employees and contractors working on the project
- North American Field Office opened in Lac La Biche, November 2006

Dear Community Members

As the new CEO of North American Oil Sands, I would like to thank the teams and the communities for the extraordinary work that has been done since the company's inception in 2001. It is a pleasure to take over the helm of such a capable group and I look forward to working with everyone to progress the business in a responsible and sustainable way.

I believe North American and Statoil have complementary skills and values. Health, safety and environmental issues take priority in both Company's philosophies. We believe in empowering the communities in which we work by creating career and training opportunities as well as encouraging participation. We promote open, honest and transparent communication with the public and our employees. We are continually looking at ways in which we can work together to grow and sustain business partnerships.

I believe that North American will be a tremendous addition to Statoil. Together, with our combined expertise, we will achieve great things. Using the latest technologies, I am confident that we will surpass our goals of sustainable development in the oil sands.

I look forward to meeting you and learning about your communities. It is my personal goal to continue to nurture the relationships that North American has developed and make new friends along the way.

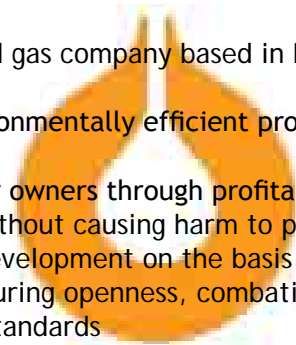
Sincerely,



Geir Jøssang
President and CEO
North American Oil Sands Corporation
(Statoil ASA)

About Statoil ASA

- Statoil is an integrated oil and gas company based in Norway with substantial international activities
- One of the world's most environmentally efficient producers and transporters of oil and gas
- Goal is to create value for our owners through profitable and safe operations and sustainable business development without causing harm to people or the environment
- Contributing to sustainable development on the basis of our core activities in the countries in which we operate securing openness, combating corruption and showing respect for human rights and labour standards





Introduction

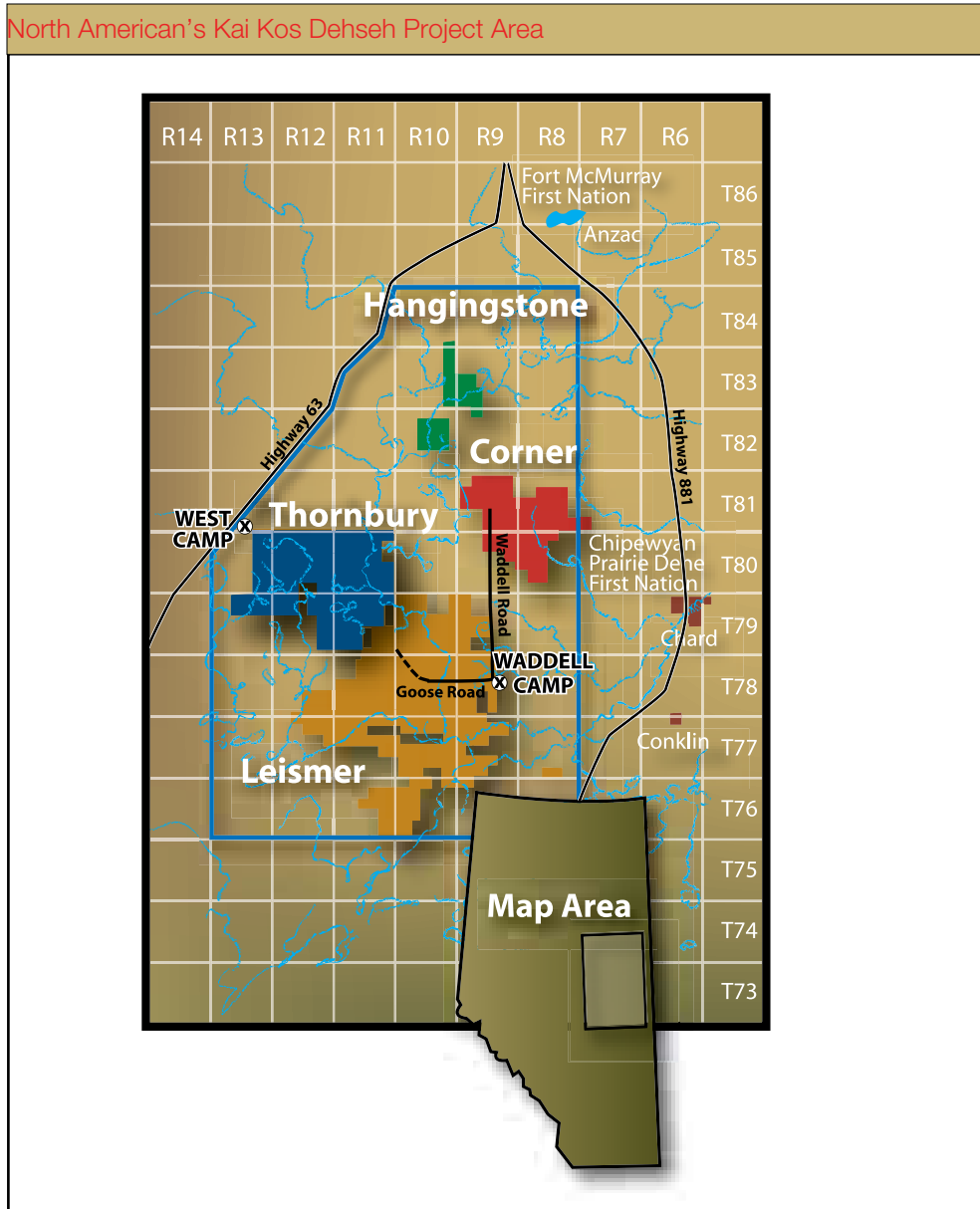
2006-2007 brought increased activity and growth to North American with another very successful drilling and seismic season, further environmental work and consultation with your communities. Community involvement was key in assisting us to prepare our regulatory application and Environmental Impact Assessment (EIA).

This is our second annual Community Report which serves as a measurement of how we are engaging local communities year to year. This report will continue to serve as a measurement of how North American/Statoil ASA is engaging local communities, how we can continue to improve and how local communities can work with us to meet their long term goals.

Fast Facts - 2006/2007 Operations

- Drilled 153 delineation wells
- Completed 617 km of two dimensional (2D) seismic and 54 km² three dimensional (3D) seismic by March 2007
- Spent \$98 million this winter for all drilling, seismic, environmental and safety service
- Significant local business and employment participation, \$21 million in total
- 485-man camp located 18 km northwest of Conklin and 196-man camp located near Marianna Lake east of Highway 63
- 1,403 workers given safety orientation for North American's operations
- Full-time safety professionals, paramedic and emergency technicians managed the safety of all North American workers
- 1 lost-time accident during the entire winter program
- 68 minor incidents reported - open safety reporting of these incidents
- Security and communication procedures implemented on the Goose Road to ensure safety. There were approximately 15,000 one way trips on the Goose Road.

Operations





Drilling Program

The process of preparing for an active winter drilling and seismic program started in the summer of 2006. We held a series of meetings to share these plans with local communities and local business owners. At the same time we worked to lease drilling rigs, plan seismic operations, prepare the Caribou Protection Plan, secure government approvals to drill delineation wells, implement local training, employment initiatives and business opportunities.

North American continues to use seismic and delineation (core hole) drilling to determine where and how much oil is present on the mineral leases that we operate. These operations are only allowed to occur when the ground is frozen and are strictly controlled by the Alberta Government due to the sensitive nature of boreal forest and the presence of caribou, moose and other wildlife.

The 485 man camp located 18 kilometres north-west of Conklin at the intersection of the Waddell and Goose Roads opened for the drilling season at the end of November. The 196 man camp (West Camp) near Marianna Lake opened December 20, 2006. Surveyors were able to begin locating some seismic lines, wells and winter access roads throughout December. The drilling rigs and other heavy equipment began preparing and moving onto leases in mid December.

The drilling program started December 31, 2006. A total of seven different drilling contractors and 12 rigs drilled 153 delineation wells between December 29, 2006 and March 23, 2007. Each of the wells was drilled to a depth of approximately 500 metres.

Wells Drilled Since 2005

Area	Corner	Leismer	Hangingstone	South Leismer	Thornbury
Wells Drilled 2005/2006	50	50	9	10	2
Wells Drilled 2006/2007	20	67	22	14	30



Seismic Program

In December 2006, North American undertook another major 2D and 3D seismic program finishing in March 2007. In total, 618 km of 2D seismic and 54 km² of 3D seismic were completed. North American continues using new and low impact seismic practices that not only minimize disturbance to the boreal forest but also produce excellent technical results. The seismic programs were supported by one 80 person camp located 4.5 km north on the Waddell Road. The Seismic crews also stayed in both drilling camps.

"Our second winter acquiring seismic data was a resounding success. Our unique methods allow us to capture a significant amount of high fold seismic data in a short period of time. We record throughout the 24 hour day, with most of the data acquired in the middle of the night when there is less noise from other activity in the area. Our cost per seismic record in the Athabasca area is the best in the industry.

The synergy between seismic and drilling exploration is another facet that can not be matched by our competitors. We work as a TEAM, the result being an organized, safe, and productive work environment for all of our people working in the field. An added advantage of working as a team allows our local suppliers and contractors to be involved in larger and more diverse opportunities."

David MacSween, Field Manager, Seismic

Seismic Methods Used in North American Operation Areas

	Leismer	Corner	Hangingstone	Thornbury
2 Dimension	420 km	69 km	33 km	95 km
3 Dimension	32 km ²	22 km ²	0	0

Winter Operations to Date

Year	Wells Drilled	2D Seismic completed	3D Seismic completed
2004/2005	19	None completed	None completed
2005/2006	121	245 km	62 km ²
2006/2007	153	618 km	54 km ²



Safety

Compared to last year, safety performance was a greater challenge. We continued to have difficulty finding qualified workers for all our operations which was compounded by the larger drilling and seismic program spread over three field camps.

In the past two years of winter drilling/seismic operations 950,000 man hours have been worked with only one lost time incident. This year, North American completed 1,403 safety orientations, a requirement of all people working on these operations.

The area of greatest risk continues to be driving and vehicle safety on the treacherous ice roads throughout the lease areas. Contractors made use of the full time paramedic stationed at the Waddell camp for routine medical help. We are going through an evaluation process to see how we can continue to improve safety operations for next year. We believe the best way to promote safety on the job site is to have ample safety officers on site continually monitoring, teaching and supporting safe practices in all areas of operations; on drilling rigs, rig moves, construction sites, road travel and camps.

Our philosophy is that safety is everyone's responsibility and we provide professionals to help improve safety skills. We will not do a job until it is absolutely safe.

Safety operations are an area where North American was able to contract and employ more local people. Three local field safety operations professionals were employed throughout the winter drilling season.

Around the clock security monitoring of the 20 km Goose Road remained a priority this past year. A total of 15,000 one way trips were made in four months on this single lane ice road. Vehicles must not exceed 15 km/hour and are required to report into security via radio every kilometre traveled.



"I enjoyed working for North American Oil Sands and it was great to see local contractors and businesses involved with the project. It's beneficial to the local economy. As a new contractor myself, I received great support and cooperation from the drilling and construction managers and also the North American Project Coordinator. I'm looking forward to working with North American again next season."

Ray Laviolette, Safety Advisor
The Northeast Safety Company

"Monitoring the Goose Road is one of the largest safety operations in the whole drilling program. Try to imagine a single lane ice road with pull-outs every kilometre and hundreds of vehicles large and small traveling all at once from about 6:00am to 7:30am and 6:00pm to 7:30pm every day - it's rush hour in the bush in Northeast Alberta. With this volume of traffic we must take extreme caution in safe travel. Radio communication on the Goose Road is very important - especially to escort rig move convoys"

Ernie Thom, Safety Advisor
Jack Pine Holdings



Ernie Thom, Safety Advisor



Training and Employment

A consistent piece of feedback North American hears from local community members is they want to be able to gain more employment and business opportunities in our operations. In response, we increased training and employment programs offering a wider variety of employment opportunities for the past winter program.

North American encouraged contractors to participate and take a lead in training and employing local people. Following is an overview of the main areas of training, employment and business focus:



EMR/EMT Training and Employment Program

This training and employment program was to help North American employ local people as emergency medical response personnel for the drilling and seismic operations including the Emergency Medical Responders (EMR) and Emergency Medical Technicians (EMT).

Goal: Provide training program and employment to 12 Métis individuals.

Program Partners: Portage College, Métis Employment Services, Canadian Industrial Paramedics (CIP) and North American Oil Sands Corporation

Outcomes: October 2006 - beginning of a five week course at Portage College

- 5 students went onto final testing
- 2 students completed the testing and worked as EMR's with CIP on North American's winter drilling operation.



EMR training program graduate working for North American



Drilling Rig Training and Employment Program

This training and employment program was to support drilling contractors in the employment of local people as Floorhands for the winter drilling operations.

Goal: Provide leasehand training and employment to 9 local Aboriginal individuals for North American's 2006/2007 drilling season

Outcomes: Training spots were held for people from communities near the North American work areas and within the last month before training started; the spots were filled by individuals in the greater Northern Alberta area. The leasehand seven day training program at Enform in Nisku started December 10, 2006 with nine students.

- 7 trainees began work on North American contracted rigs starting in January 2007
- 4 individuals finished the drilling rig training in March 2007 and successfully completed the season.
- Last year, 1 out of 4 individuals who started the program finished working the whole season

"Going through the drilling training and working on the drilling rig for North American was a great learning experience. The training program at Enform was helpful for being ready for the work on Encore Rig 7. North American provided very helpful support with Wallace Tawpissim's role of supporting the program throughout the season - it was a great buddy-buddy system. My only recommendation is North American should advertise the program more in local papers, because I did not hear about the program until shortly before the training started."

Trent Cardinal, Leasehand, Lac La Biche





Training and Employment

Pipeyard and Rig Hauling Training and Employment Program

This training and employment program was to support the pipeyard and rig hauling contractor employ local people as swamper, loader operators and drivers for the drilling operations.

Goal: Provide truck driving, loader operator and swamper training and employment to local people

Outcomes: Two individuals from Saddle Lake First Nation gained employment and training in pipeyard operations. One individual was trained as a loader operator and excelled in this job.



North American pipeyard



"North American has gone beyond expectations in providing support to the Métis trainees and new employees in many ways. Hiring an individual to be on-site in the field to support to the new employees helped them succeed. It makes a big difference as these individuals, who are going into a new job and surrounding, are facing significant barriers such as not having transportation, accommodation, safety gear and North American was willing help with all these needs so the individual can become established.

Métis Employment Services sees that North American is in the communities building relationships and we hope to continue to partner with North American in training and employment opportunities for our clients."

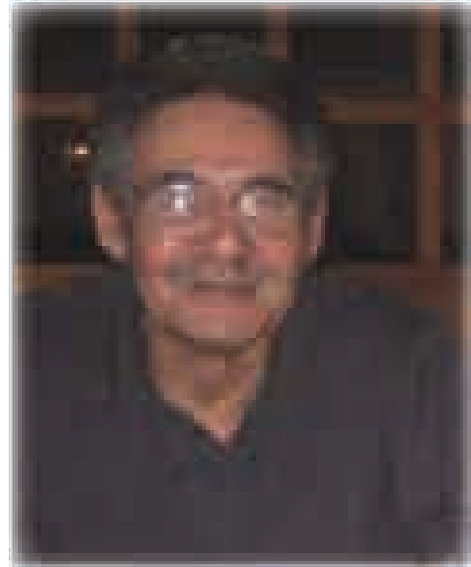
Mark McCallum, Manager
Métis Employment Services

A Bridge to New Opportunity

In keeping with our desire for continuous improvement, a new position was created this past season in an attempt to help both new employees and North American supervisors alike. The position is "Training and Employment Liaison" and was based out of our primary Waddell base camp.

This position supported new employees in adapting to the challenges of their new living and employment environments. Supervisors were also able to better understand cultural differences. This position proved invaluable towards uniting co-workers and thereby created a more efficient work environment.

Overall feedback from trainees and new employees confirm that they found this individual support to be very useful throughout the work season - especially in the first month as they adjusted to new employment.



Wallace Tawpimisim

"My work as the field liaison for new trainees and employees was about assisting the individuals in dealing with new experiences. I was there to help with small and bigger problems they faced such as not having a ride to work or getting the proper equipment. For most of these guys just starting out - once they see how to start their job they are fine. I also think it was important that I was there to support the North American' supervisors."

Wallace Tawpimisim
Training and Employment Liaison





About the Artist

Cynthia Quintal, of Conklin, Alberta, is an artist who works primarily with pencil. She recently graduated from Father Mercredi High School in Fort McMurray. She is also the first recipient of the North American scholarship fund. We were pleased to purchase this sketch of a Woodland Caribou from Cynthia.

The Woodland Caribou is a threatened species. Through sound environmental stewardship, and with the support of the community, we are committed to the protection of this animal.



Engaging Local Business

North American remains committed to seeking opportunities to assist local contractors build their own capacity to be independent business providers. We define local business capacity building as a process where a local contractor is able to start and grow his/her independently owned and operated company. We hope to support local contractors to grow their business capacities in a sustainable manner.



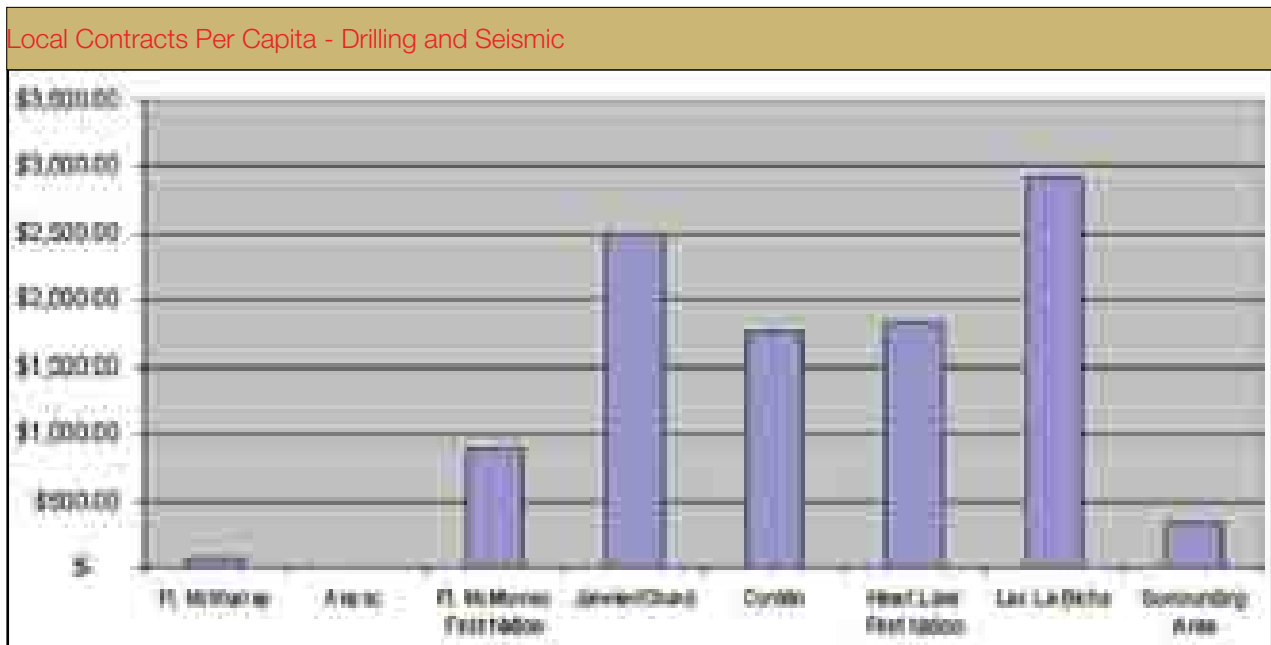
Goose Road Security

"North American was prepared to work more effectively and closely with local contractors and their employees going into our second year of operations. This is a new venture for many of us and what we are striving for is not perfection, but continuous improvement from our learning and experience as we move forward each year. We certainly did improve and increased local involvement in specific areas of our operations this past year. For example, three out of four of our safety supervisors and two out of four construction supervisors were local contractors. As well, the vast majority of the contractors and employees with road and lease construction for our core hole drilling program were of local origin.

We have a long way to go in our desire and commitment to thoroughly engage the communities in which we are constructing our project. Each year we hope to strengthen upon what we achieved the year before through an analysis of what succeeded, what failed, what contributed and what did not. We must work with local contractors and labour associations alike, to identify areas of opportunities to partner thereby building and strengthening local business capacities."

Barry Wagner, Manager
Drilling Operations

In 2006/2007, North American spent \$98 million for the winter drilling and seismic program, environmental studies and safety services. \$21 million was spent locally and per capita spending was highest in the communities nearest our operations.





Road Lease Construction

To support these activities, winter roads were surveyed and constructed to access all drilling and seismic locations. Approximately 1,400 km of ice roads were built on existing paths for the drilling program. Only 1 km of new road needed to be constructed. In total, 24 water trucks worked continuously to build and maintain the ice road roads allowing equipment to work without damaging wetlands and the boreal forest. Twenty of the 24 water trucks were owned and operated by local contractors.

"Overall, our construction equipment operations went very well with North American this year. Many people returned from last year, changes were made; we all knew the operation better so the jobs improved. We like the way North American is hiring and supporting so many local contractors; it is good for local businesses when they can work together on projects because all us local contractors work together with equipment and operators to ensure we all keep good job performance. We look forward to continuing to work with North American on future projects."

Leo Lemay, Manager, Flemming Cat

Local Company Expenditure Since 2005

Program	Amount Spent in Community 2005/2006	Amount Spent in Community 2006/2007	Total to Date
Drilling	\$10.3M	\$17.2M	\$27.5M
Seismic	\$2.2M	\$3.4M	\$5.6M
Environment	\$0.8M	\$0.3M	\$1.1M
Facilities Construction	No Construction	\$0.095M	\$0.095M
TOTAL	\$13.30M	\$20.95M	\$34.30M

"I was pleased to work with North American as a local person - it was really good to be working with so many other local contractors - North American actually walks the walk when it comes to hiring local people. I am really looking forward to working more with North American as their operations expand."

Ernie Thom, Safety Advisor
Jack Pine Holdings



Drilling Program - Business Engagement

In 2006-2007, North American spent \$98 million for the winter drilling and seismic programs. Approximately \$82 million of this total was spent on the drilling program.

These charts show the approximate amount of employment and contracts North American Oil Sands Drilling & Seismic programs have generated in local communities. We define “local area” to include all communities between and including Lac La Biche and Fort McMurray, as well as the people and communities inside an approximate 40 km radius surrounding the noted communities.

- 28% (\$17.2 million) of all Drilling Program work contracts were completed by local businesses and individuals.
- The business services available from local contractors are primarily construction services.
- About 90% of North American construction related work contracts were completed by local businesses.

This past year, North American concentrated on providing individual employment opportunities to community members on the drilling rigs, in camp operations and construction work.



Percent of Local Drilling Contracts

Year	% Local Contracts
2005/2006	22%
2006/2007	28%



Seismic Program - Business Engagement

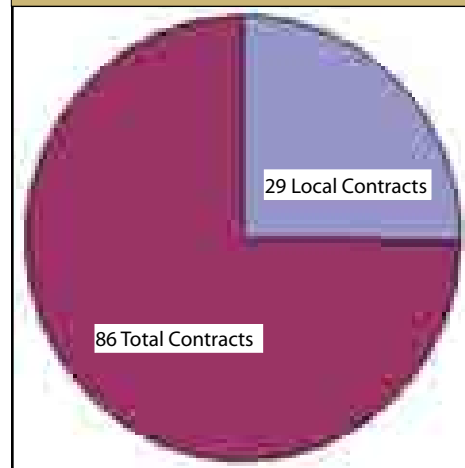
Approximately 34% (\$3.4 million) of Seismic Program work contracts were completed by local businesses and individual employment

This past season, North American partnered with over 90 businesses and contractors local to the seven communities surrounding our Kai Kos Dehseh project area for our drilling and seismic programs.

Percent of Local Seismic Contracts

Year	% Local Contracts
2005/2006	9%
2006/2007	34%

Seismic Program 2006/2007 Contracts



Building Local Business

Early summer 2006 North American was approached by a joint venture business, CAMCO with Heart Lake First Nation, to build and rent rig mats for our winter drilling season. Dedication by both the Drilling Team at North American and CAMCO produced a beneficial working partnership for both North American and CAMCO and Heart Lake First Nation.



Local water truck - road and lease construction

"CAMCO in partnership with Heart Lake First Nation (HLFN) is very pleased with the business relationship and partnership formed for building mats for North American's 2006/2007 drilling program. There were satisfactory results with the rig mat rental... the mats were delivered on time and well constructed.

North American's community involvement is indicative of a good working relationship, "not afraid to get hands dirty", meaning the senior executives and management come to the community. They were there to show first hand support and not just pay lip service as do some companies. CAMCO looks forward to a solid long term mutually beneficial relationship between both parties as North American's well pad and construction work increases in the future."

Terry Mitchell, President, CAMCO

"This year, working with North American on the winter conservation Canine Wildlife Studies, was a great opportunity to start my own company - Conan Oilfield Environmental Services. One of the best things about having the company is I can employ other people from Janvier to work on the studies with me. It is important that more people from the community do this work instead of people from other parts of the province. My buddy Kirk who worked all winter on the Canine Studies now also understands how important the plants and animals are - this is really important."

Conan Janvier



Community Engagement

North American takes an inclusive approach to engaging local communities and appreciates being able to meet with and support local initiatives.

Engaging local communities in consultation, partnership, business and employment is the responsibility of all employees and contractors working for North American.

The main concerns expressed by community members involved the ability to gain contracts and economic opportunities from North American's various upcoming projects. We reassured the community members that it is our goal to employ as many local contractors as possible. Other issues raised related to water quality and the health of wildlife.

Commitment to Wildlife: North American is committed to reducing the amount of stress that our work on the Kai Kos Dehseh Project could potentially have on the wildlife in the area. We have chosen a unique way of studying the animals, called the Canine Wildlife Studies, which is less invasive than collaring or aerial surveys.

From January through March in 2006 and 2007, we monitored moose, caribou and wolf using specially trained dogs (called Conservation Canines). These dogs are trained to sniff and detect the scat of the study animals. The scat samples are then sent to our laboratory in Washington where the DNA and hormones are extracted. This provides information on abundance, distribution and physiological health. By

monitoring these parameters, we can quickly detect the impacts our Project may have on these animals. For more information on the Canine Wildlife Study, refer to the 2007 Environmental Report to the Community.

Sharing with Community: North American shared the work being done on the Canine Wildlife Study with local communities in two school events this past February. The Canine Wildlife Study team (including the dogs) went to the Conklin Community School and the Heart Lake First Nation School. Community members and Elders were also invited to these school events. The presentations were very well received by both the students and teachers.

Fast Facts - Community Engagment

- There are seven communities surrounding Kai Kos Dehseh: Conklin, Janvier/Chard, Anzac, Fort McMurray First Nation, Heart Lake First Nation, Lac La Biche and Fort McMurray.
- North American held three major community meetings during the summer of 2006 to discuss our business plans for the year:
 - Janvier/Chard, June 1, 2006, Elder's meeting
 - Conklin, September 12, 2006, about 70 people attended
 - Lac La Biche, September 21, 2006, about 65 people attended
- North American representatives and community members and leaders met on about 75 different occasions throughout this past year about business, employment, environment and community initiatives.



North American Site Tours with Elders
 - Chipewyan Prairie Dene First Nation and
 Heart Lake First Nation



Community Investment

North American is investing in young people, Elders and community.

North American Scholarship Program

In November 2007 we awarded our first local student fund scholarship. The purpose of this scholarship is to assist students from communities local to our operations to attend post secondary education in industry related or community involved employment careers.

The recipient of our first scholarship is Cynthia Quintal of Conklin. In June 2007, Cynthia graduated from Father Mercredi High School in Fort McMurray. She plans to study Business at Keyano College with plans to further her studies at the University of Alberta.



Classroom presentation of Canine Wildlife Study

Community & School Sponsorship Fast Facts:

In the last 10 months North American supported and sponsored the following initiatives:

- Conklin Meals On Wheels Program
- Conklin community Christmas dinner
- Conklin School Christmas Concert meal
- Canine Wildlife Study presentation to Conklin Community School
- Conklin Community Talent Show
- Wood cutting and hauling to Conklin Elders' homes throughout Winter 2006/2007
- Conklin community development workshops
- Chard Community Dinner
- Wood cutting and hauling to Ft. McMurray First Nation Elders' homes and to the Kinsmen Campground at Lac La Biche
- Ft. McMurray Métis Local 1935 Elder's Christmas Dinner
- Sponsorship of Canine Wildlife Presentation and Mountaineering Educations Presentation to Heart Lake First Nation School
- Heart Lake First Nation Pow Wow
- North American Local Community Student Scholarship Award
- Sponsorship of the Hospitality Tent at the Winter Festival in Lac La Biche
- Northland School Division Employee Day

Upcoming Employment and Contract Opportunities

North American is planning a similar drilling and seismic program as was done in the past two years. Once plans are finalized, they will be shared with the community in the fall of 2007 to ensure local business and employment opportunities can be maximized.

Employment and Contract Opportunities for Fall and Winter 2007/2008

	Fall 2007	Winter 2007/2008
Contract Bids	<ul style="list-style-type: none"> road construction 	<ul style="list-style-type: none"> water trucks slashing and clearing lease building central plan site leveling drilling pad construction
Individual Employment	<ul style="list-style-type: none"> various openings 	<ul style="list-style-type: none"> equipment operating orienteer positions for wildlife studies drilling rig leasehand positions EMR positions safety advisors seismic support work

For more information on these and other opportunities within North American Oil Sands/Statoil ASA, visit our website at www.naosc.com or call 1-888-746-2672.



Future Plans

Pending government approval of the Leismer Demonstration Project, construction of this facility will begin the fall/winter of 2007. Road, wellpad and plant site preparation will commence in late 2007 and continue through 2008. Drilling of the horizontal wells for steam injection and bitumen production will start in early summer 2008.



To ensure local communities are aware of our plans, North American has disclosed its plan for a full commercial development. These plans are fully detailed in an EIA and an EUB application to be filed in the summer of 2007.

We have significant work to do to ensure both the communities and Company can grow in a sustainable manner. North American looks forward to discussing our plans with you over the next several years.

Development Timeline





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Ray Laviolette
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