Shell Canada Limited

2002 Annual Report

Shell Canada's corporate goals are leadership in profitability and profitable growth, within an overarching commitment to sustainable development

Action today with tomorrow in mind

Unless the content indicates otherwise, the terms Shell, Shell Canada, Shell Canada Limited, Corporation, Company, we, our and its are used interchangeably in this report to refer to Shell Canada Limited and its consolidated subsidiaries.

Highlights

FINANCIAL HIGHLIGHTS	2002	2001	2000
Earnings *($ millions)*	**561**	1 010	863
Cash flow from operations *($ millions)*	**1 227**	1 495	1 255
Capital and exploration expenditures *($ millions)*	**2 289**	2 027	1 153
Return on average capital employed *(%)*	**10.1**	21.5	20.4
Return on average common shareholders' equity *(%)*	**11.4**	23.3	22.2
Per Common Share *(dollars)*			
Earnings – basic	**2.03**	3.67	3.06
Earnings – diluted	**2.02**	3.65	3.05
Cash flow from operations	**4.45**	5.44	4.45
Dividends	**0.80**	0.80	0.76

OPERATING HIGHLIGHTS			
Production			
Natural gas – gross *(mmcf/d)*	**610**	614	593
Ethane, propane and butane – gross *(bbls/d)*	**27 900**	28 800	30 200
Condensate – gross *(bbls/d)*	**19 700**	22 300	23 200
Bitumen – gross *(bbls/d)*	**8 900**	4 500	4 200
Sulphur – gross *(long tons/d)*	**6 100**	6 100	6 500
Crude oil processed by Shell refineries *(m^3/d)*	**41 400**	43 700	43 100
Sales			
Petroleum product sales *(m^3/d)*	**44 400**	44 900	45 400
Prices			
Natural gas average plant gate netback price *($/mcf)*	**4.01**	5.75	4.74
Ethane, propane and butane average field gate price *($/bbl)*	**19.53**	24.22	22.75
Condensate average field gate price *($/bbl)*	**37.72**	38.23	42.62

The information contained in this report includes "forward looking statements" based upon current expectations, estimates and projections of future production, project start-up and future capital spending that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated by the Corporation. These risks and uncertainties include, but are not limited to, changes in: market conditions, law or government policy, operating conditions and costs, project schedules, operating performance, demand for oil, gas and related products, price and exchange rate fluctuation, commercial negotiations or other technical and economic factors.

Results in 2002

- **Earnings in 2002** were below the record levels of 2001, due largely to lower commodity prices and refining margins. Strong operating performance allowed the Company to capture the improvement in prices and margins later in the year. Shell Canada's 2002 return on average capital employed (ROACE) fell to 10.1 per cent due to lower earnings and higher capital employed for Oil Sands, which started bitumen production late in the year.

- **Natural gas prices** strengthened in 2002 but remained considerably lower than the exceptionally high levels seen in the first half of the previous year. Crude oil prices remained strong in the face of global uncertainties and restrained supply. Natural gas production from the Sable Offshore Energy Project helped to offset a minor reduction in volumes from Shell's Foothills facilities. Bitumen volumes increased throughout the year as new wells at Peace River started production.

- **Refining margins** were weak in the first half of 2002 as reduced demand and high North American finished product inventories coincided with rising crude prices. However, they gained strength during the second half of the year due to a reduction in inventories as North American supply tightened. Marketing margins remained depressed for most of the year.

- **Capital expenditures** were higher than originally forecast due to phasing of expenditures and higher costs for the Athabasca Oil Sands Project.

Shell Canada Limited

Priorities

■ **Shell Canada's corporate goals** are leadership in profitability and profitable growth, within an overarching commitment to sustainable development.

■ **Sustainable development** is the integration of economic, environmental and social considerations into the Company's day-to-day activities. Shell Canada aims to provide value to its customers in ways that respect environmental and social concerns while contributing to the economic benefit of its shareholders, employees and society at large. Rigorous management of greenhouse gas emissions is a strong focus for all parts of the business.

■ **A focus on operational excellence** and sustainable development helps Shell to balance conflicting priorities and distinguish itself from the competition. Operational excellence means that all employees are accountable for what they can control in terms of profitability; customer focus; asset reliability; growth; costs; health, safety, environment and sustainable development; and the employment contract and workplace conditions.

■ **The health and safety** of its employees and contractors is one of Shell Canada's top priorities. The Company's safety goal is "to cause no harm to people."

■ **The Company has in place** principles, policies and procedures to ensure that its corporate governance standards are of the highest calibre. All Shell employees are required to conduct business in accordance with a set of business principles and code of ethics to protect the integrity and reputation of the Company.

■ **PROFILE**

Resources

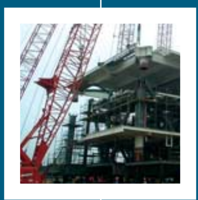
RESOURCES EXPLORES FOR AND PRODUCES natural gas, natural gas liquids, bitumen and sulphur. The upstream business operates four natural gas processing facilities in the Foothills area of Alberta and an in-situ oil sands project near Peace River, Alberta. The Company also has a 31.3 per cent share of the Sable Offshore Energy Project, which produces natural gas and natural gas liquids off the east coast of Nova Scotia.

Oil Sands

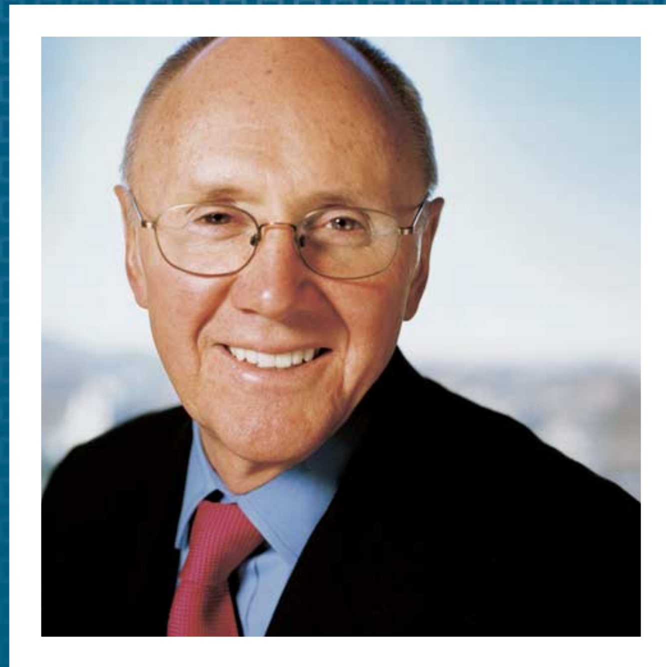
UNDER A JOINT VENTURE AGREEMENT, Shell Canada holds a 60 per cent interest in the Athabasca Oil Sands Project in northern Alberta. The largest project in Shell Canada's history, it includes the Muskeg River Mine and the Scotford Upgrader. Bitumen production began late in 2002 and is expected to reach its full rate of 155,000 barrels per day in 2003. Production of synthetic crude oil is expected to start around the end of the first quarter of 2003.

Oil Products

THE DOWNSTREAM BUSINESS MANUFACTURES, DISTRIBUTES AND MARKETS refined petroleum products across the country. Refineries in Montreal, Quebec; Sarnia, Ontario; and Fort Saskatchewan, Alberta; convert crude oil into gasoline, diesel fuel, aviation fuels, solvents, lubricants, asphalt and heavy fuel oils. Shell's Canada-wide network of 1,838 retail sites includes food stores and car wash facilities.

	ACHIEVEMENTS	LOOKING FORWARD
	**ROACE** of 23.3 per cent. **HIGH PROFITABILITY** of Foothills facilities. **INCREASED PRODUCTION** from the Sable Offshore Energy Project for the third consecutive year. **PROGRESS** in preparation for the Mackenzie Gas Project. **BEST-EVER** safety performance in terms of recordable injury frequency.	**CONTINUE TO INVEST IN EXISTING OPERATIONS** in the Foothills and Sable areas while maintaining focus on operational excellence. **PURSUE EXPLORATION AND DEVELOPMENT OPPORTUNITIES** offshore Nova Scotia, in the Mackenzie Delta region, the Foothills and at Peace River. **MAINTAIN COMMITMENT** to sustainable development and further improve safety performance.
	**PROJECT CONSTRUCTION COMPLETED** and first diluted bitumen delivered to the Corridor Pipeline system. **EXCELLENT SAFETY PERFORMANCE** maintained at both the mine and upgrader sites. **REGULATORY APPLICATION** of proposed Jackpine Mine – Phase I submitted.	**PRODUCE FIRST SYNTHETIC CRUDE OIL** and ramp up to full production through 2003. **CONTINUE TO EVALUATE THE POTENTIAL EXPANSION** of Muskeg River Mine and other long-term development opportunities. **IMPLEMENT PLANS** to reduce greenhouse gas emissions. **MAINTAIN EXCELLENCE** of safety and environmental performance, stakeholder engagement and community consultation.
	**ROACE** of 10.7 per cent. **NEW GASOLINE HYDROTREATERS COMPLETED** and in operation at Shell's Sarnia and Montreal East refineries. All three refineries now have the capability to meet low-sulphur fuel requirements. **MAJOR PLANNED MAINTENANCE SHUTDOWNS** successfully completed at all three refineries and Scotford Refinery integrated with the new Oil Sands upgrader.	**CONTINUE TO IMPROVE REFINERY YIELDS** and efficiency. **BEGIN THE NEXT PHASE OF PROJECTS** to achieve the production of ultra-low sulphur diesel fuel. **IMPLEMENT RECOMMENDATIONS** arising from Retail business review to increase Shell's market share and reduce net unit cost. **MAINTAIN COMMITMENT** to integrating sustainable development into all activities and improving safety performance.

Shell Canada Limited is a major integrated petroleum company in Canada, comprising three business units supported by a number of Corporate departments.



Tim Faithfull,
President and
Chief Executive Officer

Shell Canada will continue to pursue its corporate goals of leadership in profitability and profitable growth within the context of a strong commitment to sustainable development

The Shell pecten is one of the world's most recognized corporate symbols.

Tank farm at the new Scotford Upgrader.

Shell Canada reported earnings of $561 million or $2.03 per Common Share in 2002, with a return on average capital employed (ROACE) of 10.1 per cent. The reduction from the previous year's exceptional high of 21.5 per cent was due to significantly lower commodity prices and higher capital employed for the Athabasca Oil Sands Project (AOSP), which did not start producing until late in the year.

The AOSP is poised to make a major contribution to Shell's future earnings. The Muskeg River Mine achieved first bitumen production in December 2002 with synthetic crude oil production expected to start at the Scotford Upgrader around the end of the first quarter of 2003. The AOSP provides us with a significant new source of crude oil and refinery feedstock, extends the range and scale of our portfolio of businesses, and positions us well for future growth. I am proud to be part of this immense undertaking.

Clearly, 2002 was a very challenging year. Natural gas prices were down significantly from 2001 but gained strength in the fourth quarter, as supply tightened. Crude oil prices, which reflected the effect of tight global supply for most of 2002, rose strongly towards year-end, driven by the impact of concerns over Iraq and disruption of Venezuela's supplies. Following two consecutive record years, refining margins were very weak in the first six months of 2002, improving in the second half. Marketing margins remained depressed throughout the year, with intense competition in both retail and commercial markets.

Resources results demonstrated the value of operational excellence. The Foothills natural gas plants performed reliably and safely. Shell's share of natural sales gas production volumes from the Sable Offshore Energy Project (SOEP) averaged 158 million cubic feet per day. This was up slightly from 2001 and partially offset a small decline in production from the Foothills facilities. Although results from the deep section of the Onondaga exploration well were disappointing, the well confirmed reserves in a shallow section that are expected to support longer-term production from the Sable Basin. The Peace River in-situ heavy oil facility achieved its targeted increase in production rates.

Oil Products faced tough challenges. We successfully managed significant planned shutdowns and the start-up of major projects in all Shell refineries. Some Shell customers reported fuel system difficulties with their automobiles early in 2002. A prompt analysis of the situation indicated that a fuel additive may have contributed to this problem. As a result, we changed our fuel additive package in March 2002 and took steps to regain customer confidence. Shell sincerely regrets the inconvenience imposed on our customers and I am confident that we effectively managed their concerns. Our commitment to meeting our customers' needs remains paramount. The retail gasoline market saw the extension of supermarket retailing networks, and subsequent price wars in certain areas further eroded market share. Reduced volumes combined with much greater than normal expenditures for planned maintenance contributed to higher unit costs.

Shell Canada's dividends in 2002 were $0.80 cents per share, unchanged from 2001. Total shareholder return fell to 9.2 per cent from 19.2 per cent the previous year.

CORPORATE GOVERNANCE

Before elaborating on our 2002 performance, I want to address the issue of corporate governance.

Shell Canada's reputation rests on the honesty and integrity of all its business dealings. Every employee, starting with me, must read, understand and be held accountable to our Statement of General Business Principles and Code of Ethics. This is the foundation on which we base our policies, processes and controls. I am confident that we have sound principles and processes to ensure that Shell Canada complies not only with its own standards, but also with all those required by accounting and regulatory bodies. You will find more details on page 36 of this report and in the Statement of Corporate Governance Practices on page 75.

SAFETY PERFORMANCE

Although we have made progress in a number of areas, I regret that our overall safety performance was overshadowed by two fatalities in 2002. We have made every effort to learn from these tragic incidents and to apply what we have learned throughout the Company.

We know that with concentrated effort we can move toward our goal of causing no harm to people. In 2002, Resources completed its best-ever year for recordable and lost-time incidents, while Oil Sands recorded an excellent safety performance in spite of the pressures associated with construction completion and commissioning activities. Nowhere is continuous improvement more important than in safety performance and we remain committed to the belief that all accidents are preventable.

SUSTAINABLE DEVELOPMENT (SD)

Shell Canada began its journey towards sustainable development about 12 years ago. In that time, we have reviewed, refined and even redefined what SD means to the Company and how to achieve it. We continue to make progress and have realized that sustainable development – the integration of economic, environmental and social considerations into all our activities – goes hand in hand with engagement and transparency. We listen and respond to our many stakeholders and, where appropriate, we invite the scrutiny of independent third parties. I believe this approach helps Shell to maintain its licence to operate, it helps us to meet our customers' expectations and it keeps our business robust, especially in challenging times.

I also believe that Shell Canada's commitment to SD positions us well to work towards the requirements of the Kyoto Accord, which Canada has ratified. We accepted some years ago the need to respond to growing concerns on climate change and set tough goals to reduce our own greenhouse gas emissions. Of course, we have to deliver on our goals to earn the trust and respect of our stakeholders. We continue to work with our Climate Change Advisory Panel, which gives us valuable advice as we seek ways to meet the additional reduction targets we have set. We are engaged with others in our industry in working through, with the federal and provincial governments, the details of what will be required. We in Shell continue to pursue implementation plans that can achieve the Accord's environmental objectives without undermining Canada's competitiveness in world markets and damaging economic growth. It is imperative that any economic burden be shared across all sectors of society, including consumers. Finally, I believe that market-based mechanisms must play an important role in implementation.

As part of our interest in renewable energy sources, we continue to pursue long-term commercial opportunities in wind power. Our strategy is to identify and acquire appropriate properties to develop a platform for growth, and we have established a small wind business department.

The Athabasca Oil Sands Project is poised to make a major contribution to Shell's future earnings

I am pleased to report that, for the third consecutive year, Shell Canada appeared in Canada's Top 100 Employers list. In addition, Shell was among the Globe and Mail's list of "50 Best Companies to Work For in Canada" and was named one of Alberta's Most Respected Corporations.

THE ATHABASCA OIL SANDS PROJECT

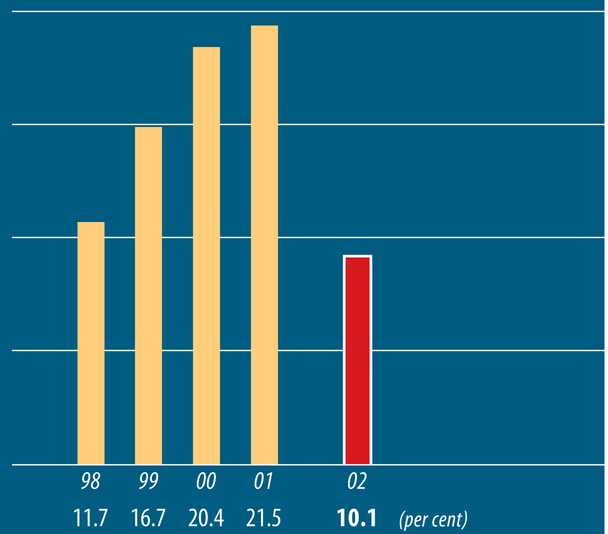
The largest project in Shell Canada's history has now become the Company's newest operating business. Production of bitumen at the Muskeg River Mine began in December 2002 along with delivery of diluted bitumen into the Corridor Pipeline system en route to the new Scotford Upgrader. A contained fire occurred at the mine site in January 2003. In spite of this setback and severe weather conditions, synthetic crude oil production is expected to start around the end of the first quarter of 2003.

Pressures on costs and schedule continued throughout 2002 and it was disappointing to report in the third quarter an additional construction cost overrun of 10 per cent for the project. The availability of labour improved over the previous year, but productivity did not meet expectations and contributed to the increase in expenditures, as did engineering deficiencies and rework in some areas.

Operational excellence remains the basis for achieving a sustained 15 per cent ROACE

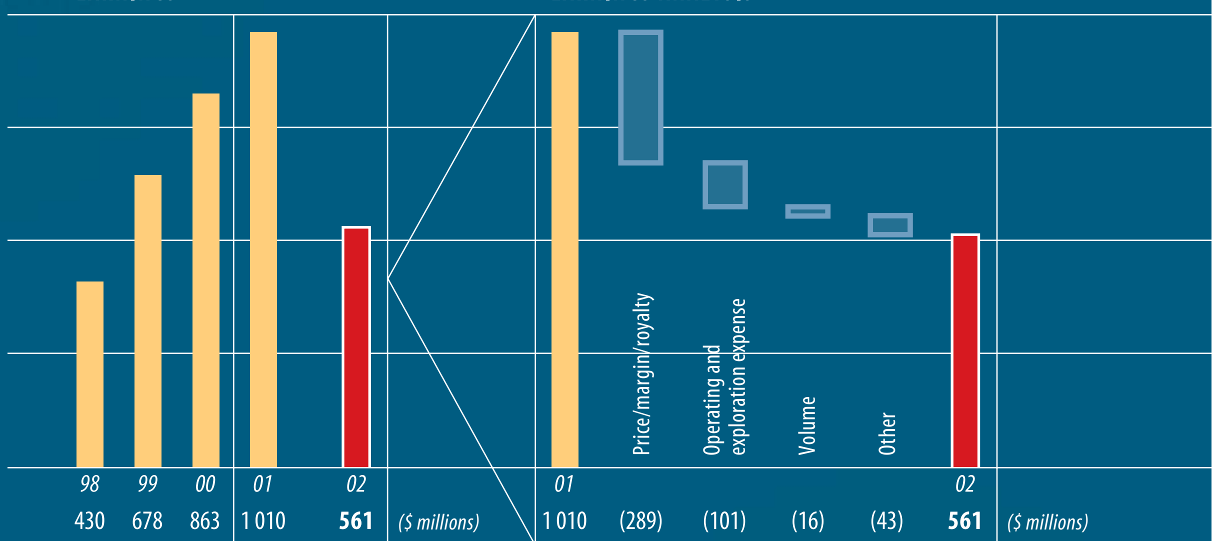
Lower commodity prices and higher capital spending for Oil Sands reduced ROACE in 2002.

RETURN ON AVERAGE CAPITAL EMPLOYED

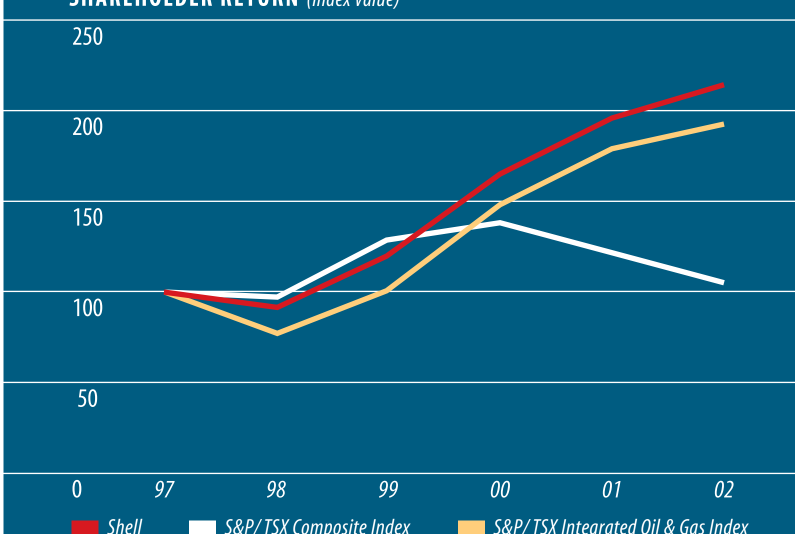


Reduction in earnings was largely due to lower prices and margins.

EARNINGS / **EARNINGS ANALYSIS**



SHAREHOLDER RETURN *(index value)*



Shell Canada again outperformed both the S&P/TSX Composite and Integrated Oil and Gas Indexes.

In spite of the challenges associated with planning and building such an immense project, the AOSP has maintained an impressive safety performance throughout peak construction. The project has set new standards for community dialogue and stakeholder engagement. It also has the lowest intensity of carbon dioxide emissions of any project of its size and plans further reductions. The AOSP is crucial to the Company's future profitability and growth.

LOOKING FORWARD

Shell Canada will continue to pursue its corporate goals of leadership in profitability and profitable growth within the context of a strong commitment to sustainable development. Operational excellence remains the basis for achieving a sustained 15 per cent ROACE, which is our long-term goal.

Although commodity prices strengthened significantly in the fourth quarter of 2002, continuing uncertainty driven by international tensions and global economic concerns is likely to lead to intense market volatility in 2003.

The key business objective in 2003 is to move beyond the commissioning and start-up of the AOSP to full design production and upgrading of 155,000 barrels per day of bitumen and ensure that the AOSP begins to contribute to Shell's profitability. At the same time, we will continue to assess expansion opportunities on our Athabasca leases.

We announced in November a 2003 capital and exploration expenditure plan of more than $800 million. This is far less than our spending programs in 2002 and 2001 when construction of the AOSP was at its peak. In 2003, we will invest about $55 million in Oil Sands mainly for completion of the infrastructure.

Resources will invest approximately $500 million in 2003. Included in our budgeted investment are plans to sustain production from our properties in the Foothills and potential expansion of our Peace River operation to 16,000 barrels per day of bitumen. In the Frontier areas we will continue to evaluate opportunities in the Sable Basin and the deep water off Nova Scotia, as well as in the Mackenzie Delta.

Oil Products plans to invest approximately $235 million in 2003, focusing on the implementation of a marketing strategy aimed at increasing market share for fuels and the convenience retail business. The manufacturing business will invest in projects to improve efficiency, reliability and yields and to comply with new ultra-low sulphur diesel legislation.

Ultimately, Shell Canada's progress depends on people: our customers, our business associates and our employees. As we stand on the brink of a new era with the start-up of our Oil Sands operation, I thank all those who have contributed to our continuing success. And most of all I thank Shell employees everywhere for their loyalty, their talents, their perseverance and their enthusiasm.

Regrettably, we will lose two valued directors with the retirement of Bob Stewart and Bob Sprague in 2003. Shell Canada has benefited greatly from Bob Stewart's experience and integrity since his election to the Board in 1995. And while Bob Sprague's tenure has been only two years, we have much appreciated his contribution. I thank them both for their commitment and dedication.

I would like to thank our shareholders for their support. Along with our customers, you are the people who give us the opportunity to progress in a fiercely competitive industry and we will continue to work hard to retain your confidence in Shell Canada.

Finally, I will be retiring from Shell Canada in July 2003 after a career of 36 years with the Royal Dutch/Shell Group. I feel privileged to have had the opportunity to lead Shell Canada during an important period of its development and much appreciate the broad support I have received from all quarters. I extend my best wishes to Linda Cook, who will succeed me.

On behalf of the Board,

T. W. Faithfull

Tim W. Faithfull
President and Chief Executive Officer
Calgary, Alberta

March 2003

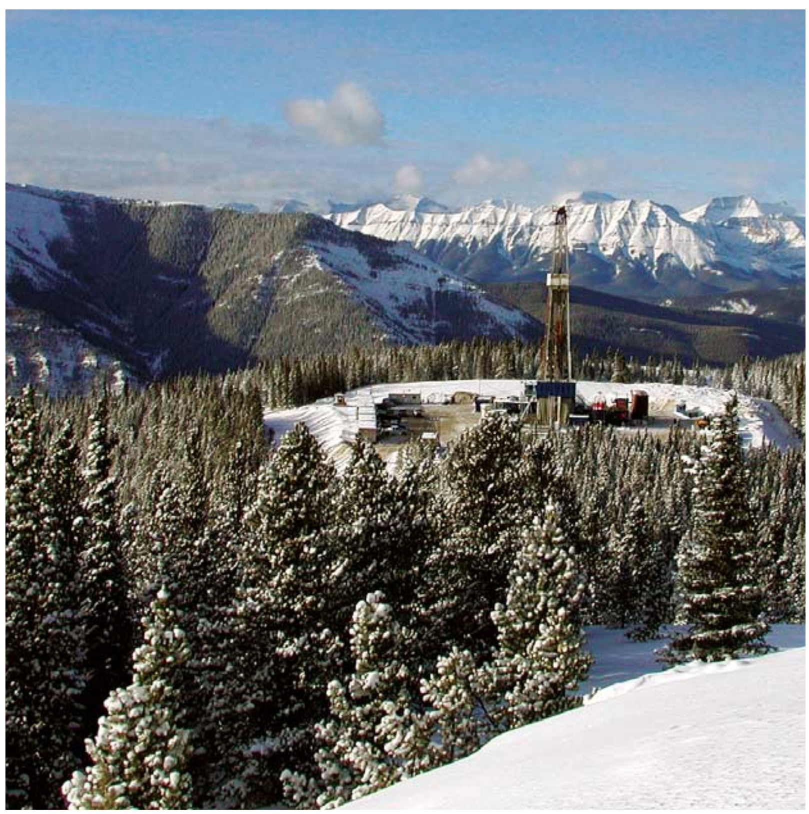
Shell Canada's reputation rests on the honesty and integrity of all its business dealings

Shell Canada's earnings for 2002 were $561 million or $2.03 per Common Share compared with earnings of $1,010 million or $3.67 per share for 2001.

Return on average capital employed was 10.1 per cent in 2002 compared with 21.5 per cent in 2001. Cash flow from operations decreased to $1,227 million from $1,495 million for the 12 months of 2001.

Capital expenditures in 2002 were $2,289 million compared with $2,027 million in 2001.

Management's Discussion and Analysis includes reports on Resources, Oil Sands, Oil Products and Corporate activities up to and including page 44.



The Moose Mountain drilling rig in the foothills of Alberta, about 50 kilometres west of Calgary.

Resources earnings for 2002 were $387 million compared with $600 million in 2001. Lower prices for natural gas and natural gas liquids together with higher unit costs and a $41 million after-tax write-off for the deeper section of the Onondaga exploration well contributed to the decline in earnings. Exploration and development investments and continued high plant reliability helped to sustain total barrels-of-oil-equivalent production near 2001 levels. Unit costs increased largely because of the elimination of Alberta energy rebates that were in place in 2001. Return on average capital employed was 23.3 per cent, down from 39.9 per cent in 2001. Resources capital and exploration expenditures were $389 million compared with $366 million in the previous year.

ECONOMIC CONDITIONS

A warm winter, historically high storage levels and a struggling North American economy pushed down natural gas and natural gas liquids prices for much of 2002. Prices rose in the last quarter as weather turned colder and demand grew. Crude oil prices, affected by a variety of global events, increased throughout the year.

Natural Gas

Prices at Henry Hub in the United States dipped close to $2 US per million British thermal units (mmBtu) early in the year but recovered to more than $4 US per mmBtu by the fourth quarter. In Western Canada, increased hydro capacity, which temporarily reduced gas-fired power generation, weakened Pacific Northwest demand and weighed down prices. These lower prices discouraged North American natural gas drilling for much of the year, which raised questions about the availability of longer-term production. These concerns coupled with high crude oil prices supported the price rally in the last quarter of the year. The Company's average plant gate price fell to $4.01 per thousand cubic feet (mcf) from the exceptionally high $5.75 per mcf in 2001.

RESOURCES HIGHLIGHTS

($ millions except as noted)	**2002**	2001	2000
Revenues	**1 384**	1 645	1 600
Earnings	**387**	600	536
Capital employed	**1 725**	1 596	1 408
Capital and exploration expenditures	**389**	366	254
Return on average capital employed *(%)*	**23.3**	39.9	38.7

Natural Gas Liquids

Natural gas liquids include ethane, propane, butane and condensate. Ethane in Western Canada is priced relative to natural gas and, as natural gas prices fluctuated in 2002, ethane prices also changed considerably. Although overall North American demand for petrochemical feedstock was weak, demand for ethane in Western Canada remained steady during the year.

Seasonal inventories of propane and butane reached near-record highs several times during the year, but as demand increased in the fall and winter months, prices improved.

Condensate is used mainly to dilute bitumen and heavy crude oils so they can be transported by pipeline. As a result, production levels of heavy crude oil and bitumen significantly affect condensate prices. During the early part of 2002 when heavy crude oil production from industry was down, condensate traded at a discount to light crudes. As crude oil prices rose through the year, production of bitumen and heavy crude oils increased, raising the demand for condensate. Consequently, condensate sold at a premium to light crude in the second half of the year.

Crude Oil

Crude oil prices started the year at about $20 US per barrel (West Texas Intermediate) and rose during the year, averaging over $29 US per barrel in December. Prices reflected the impact of tight supply for much of the year. Tensions surrounding Iraq, disruption to Venezuelan production and decline in U.S. inventories exerted strong upward pressure through the end of 2002.

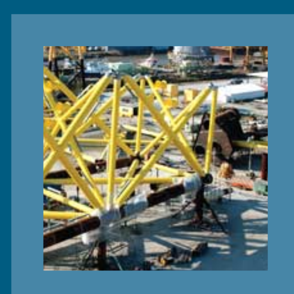
Sulphur

In 2002, several phosphate fertilizer plants in China expanded and consumption increased dramatically. At the same time, the U.S. fertilizer industry recovered from its dramatic decline the previous year and shipments of Canadian liquid sulphur to U.S. markets resumed. These factors coupled with low sulphur inventories at export terminals and consumers' facilities put more strain on already tight worldwide supplies. By the end of 2002, market prices for sulphur were more than $40 US per tonne (FOB Vancouver), which was double the 2001 average.

Ian Kilgour,
Senior Vice President,
Resources

The Foothills business continued to make an important contribution to the profitability of Resources and the Company as a whole

Lonnie Erickson, a welder with one of Shell Canada's contract companies, measures steel at the Waterton Complex.



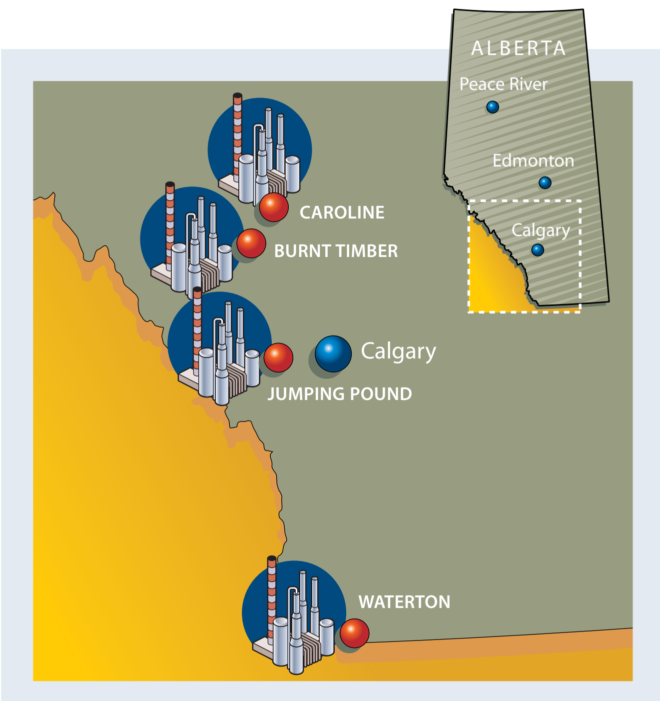
Platform under construction for the SOEP Alma field.

In previous years when demand was low, Shell poured and solidified any excess product into a sulphur block at its Shantz facility near Caroline, Alberta. As demand increased during the year, the Company remelted a modest volume of this block and profited from the high sulphur prices. In 2002, most of the sulphur production was shipped through Vancouver to markets in China, Australasia, Brazil and South Africa.

FOOTHILLS

The Foothills business continued to make an important contribution to the profitability of Resources and the Company as a whole. The infrastructure is strategically located and, where capacity is available, Shell plants process some third party production.

Overall, Foothills was able to sustain production volumes close to 2001 levels. The Foothills fields continue to benefit from investment in development opportunities that generate new production volumes to help offset natural field decline. Some volume erosion occurred due to the impact of weather-related flooding in the



FOOTHILLS NATURAL GAS FIELDS
Continued investment in exploration and development opportunities extends the life of Shell's Foothills natural gas fields.

The Waterton plant celebrated its 40th birthday in 2002.

Waterton area, and pipeline replacement and repair work at the north end of Waterton and at Burnt Timber. Nevertheless, Foothills achieved excellent reliability and all pipelines were back in service by early 2003.

Waterton

In 2002, the Waterton plant celebrated its 40th anniversary. The Waterton area continues to demonstrate potential for future exploration and development, particularly at the north end.

Jumping Pound/Moose Mountain

An exploration discovery in the Moose Mountain area in 2002 was tied into existing infrastructure in the fourth quarter. Additional wells are planned to delineate further these new reserves.

Caroline

The Caroline Complex achieved high daily throughput levels in 2002, up to 125 per cent of initial design capacity. Increased plant throughput drove gas volumes higher during the year, but condensate volumes continued to fall due to the natural decline in the condensate content of the raw gas stream.

Limestone

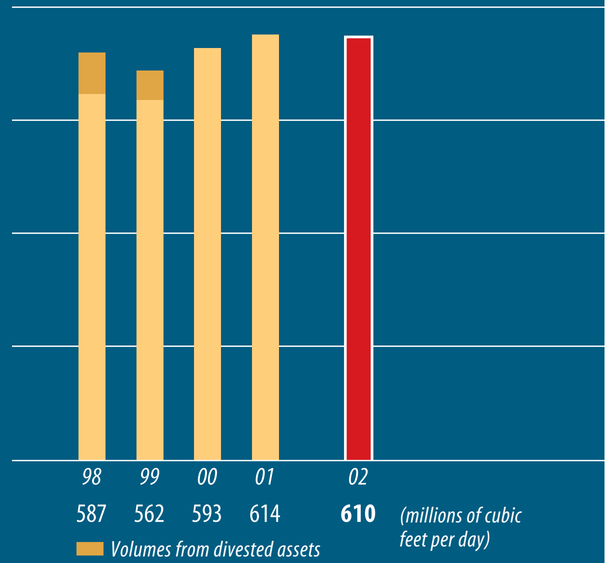
The successful infill drilling program in the Limestone area near Burnt Timber continued with the drilling of three new wells in 2002. Additional drilling is planned for 2003.

Burnt Timber/Panther

Exploration and development drilling continued in the South Burnt Timber area in 2002. In the Panther field, Shell is participating in a joint venture program to develop the large potential reserve base.

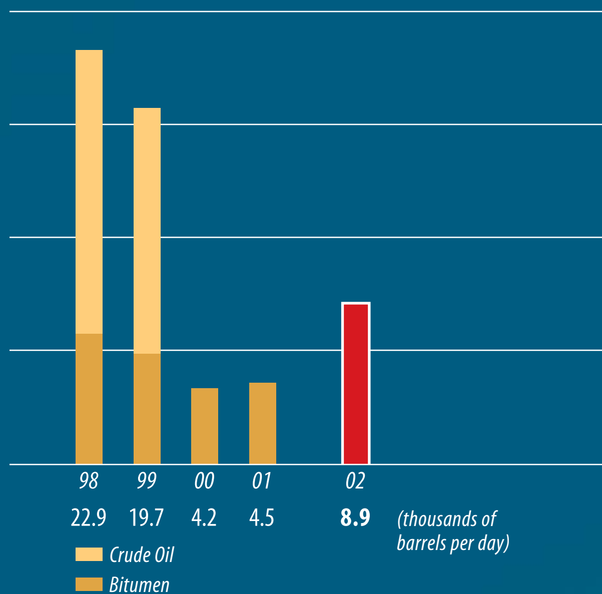
The Frontier regions remain a platform for growth for Shell Canada

GROSS PRODUCTION OF NATURAL GAS



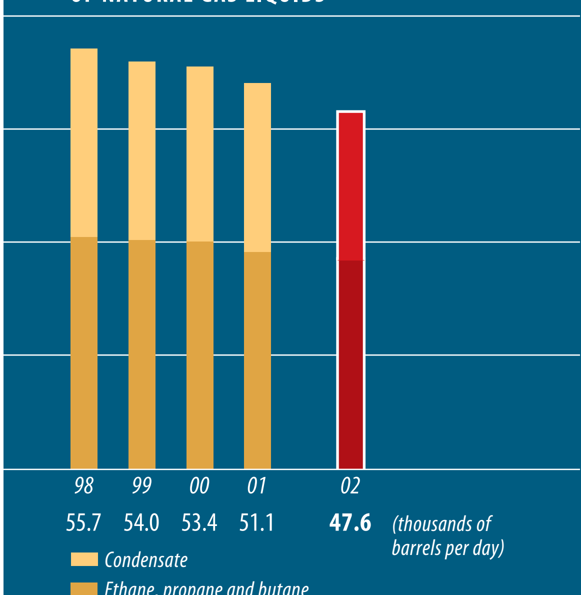
Shell sustained its natural gas production levels in 2002.

GROSS PRODUCTION OF CRUDE OIL AND BITUMEN



Peace River met its target to fill the plant by year-end.

GROSS PRODUCTION OF NATURAL GAS LIQUIDS



Condensate volumes were down due to reductions at the Caroline field.

Exploration

The Company is actively working to find new Foothills gas reserves. Shell increased Foothills exploration spending to $47 million in 2002, acquiring an interest in approximately 37,000 gross hectares of land and 510 square kilometres of three-dimensional (3-D) seismic. Shell also participated in five exploration wells. Two of the wells resulted in discoveries and one well continued drilling into 2003. Shell will resume drilling in British Columbia in 2003 as an extension to the existing strategy of exploring in the foothills and the adjacent deep basin.

PEACE RIVER

In 2001, Shell announced that it would drill additional soak radial wells at its Peace River in-situ oil sands operation to enable the plant to reach full capacity. In 2002, two additional pads, each comprising eight to 10 thermal in-situ bitumen wells, were drilled and tied-in, completing a total investment plan of $100 million. By the fourth quarter of 2002, all wells were tracking or exceeding expectations as measured by the oil-to-steam ratio, which is a key performance measure. Peace River filled the plant to its licensed capacity of 12,000 barrels of bitumen per day and achieved record production rates in December of 2002. The technology that is driving the efficient recovery of bitumen will create the opportunity for future expansion of this large resource base.

The Company has approved a plan to increase production to 16,000 barrels per day by debottlenecking the plant and drilling additional wells. This expansion and subsequent growth are contingent upon regulatory approvals and ongoing satisfactory operating performance. Competitive unit costs are key to unlocking the potential value of Shell's extensive leaseholdings in the area.

FRONTIER

Sable Offshore Energy Project (SOEP)

SOEP operational performance continued to improve in 2002. Shell's share of sales gas production averaged 158 million cubic feet per day (mmcf/d), up slightly over 2001. Natural gas liquids recovery also improved following modifications to the facilities in late 2001. One infill well was drilled in the Venture field in 2002 to maintain field productivity.

Based on technical reviews completed at the end of 2002, Shell has reduced its estimate of original sales gas reserves for the SOEP fields by approximately 90 billion cubic feet (bcf) to 700 bcf, and has reclassified some 200 bcf of sales gas reserves to proven undeveloped from the proven developed category. The effect of these revisions to the net reserves position is reflected on page 68 in the Supplemental Resources disclosure section. These reserve changes will result in higher depreciation charges for Shell's share of SOEP over the next few years.

Peace River filled the plant to its licensed capacity of 12,000 barrels of bitumen per day

SOEP Tier II comprises the development of three fields – Alma, South Venture and Glenelg – and the installation of compression. These projects are planned for the 2003-2006 period and will extend the life of the project. By year-end, construction of the Alma facilities was well under way. Drilling at Alma is expected to begin around mid-2003, with production start-up anticipated in late 2003. An early development well at South Venture was drilled in late 2002. A decision on proceeding with development of the field is expected early in 2003.

In February 2002, ExxonMobil Canada Properties became the SOEP operator, the role formerly held by Sable Offshore Energy Inc. The main reason for this change was to emphasize operational performance as the project moves from development to operations.

In late 2002, Shell and the other joint venture participants were in the final stages of negotiating the sale of an 8.4 per cent interest in the SOEP infrastructure downstream of the offshore Thebaud platform. This interest was acquired in 2001 by exercising a right of first refusal on the sale of SOEP assets by Nova Scotia Resources Ltd. Following the sale, Shell's share of the project will revert to 31.3 per cent overall.

Nova Scotia Shelf

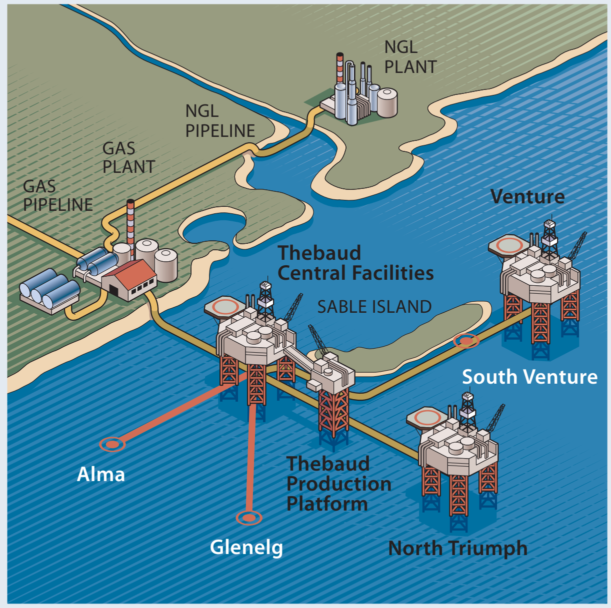
In May 2002, Shell suspended its wholly owned Onondaga B-84 exploration well as a potential natural gas producer. The main purpose of the well was to evaluate a previously untested deep geological section identified from seismic surveys. The well encountered indications of gas throughout the deeper section and some potential reservoir sections, but overall reservoir development was not enough to warrant production testing. The well did confirm the presence of natural gas in a shallower section and delineated a previous (1969) discovery. The reserves confirmed by the Onondaga well are expected to result in further development and production from the basin, potentially using the existing SOEP infrastructure.

Shell has a significant presence in the Nova Scotia Shelf through its SOEP ownership, various interests in other discovery licences and its joint venture interest in about 473,000 hectares of exploration licences. Although recent exploration drilling results have been disappointing, Shell will continue to assess opportunities on these landholdings and evaluate other joint exploration opportunities on the Nova Scotia Shelf.

Nova Scotia Deep Water

Shell has a one-third interest in approximately 474,400 hectares of exploration licences in the Nova Scotia offshore deep water and is the operator of this exploration joint venture. With completion of the initial evaluation of the extensive 3-D seismic work conducted in 2001-2002, the focus in 2002 was on identifying potential drilling locations for an exploration well in 2003-2004.

Shell is also evaluating options to improve its portfolio of exploration opportunities in the Nova Scotia deep water.



SABLE NATURAL GAS FACILITIES

Development of the Alma, South Venture and Glenelg natural gas fields will extend the life of the Sable project.

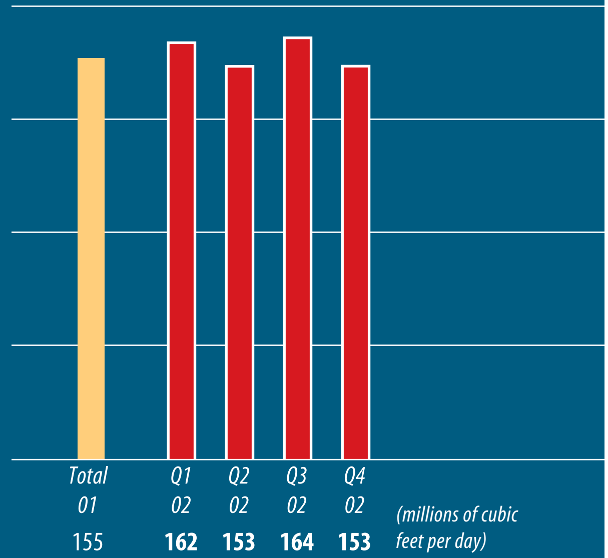
Mackenzie Delta

In January 2002, Shell and the other members of the Mackenzie Delta Producers' Group, along with the Mackenzie Valley Aboriginal Pipeline Corporation, announced their intention to begin preparing regulatory applications to develop onshore natural gas resources in the Mackenzie Delta, Northwest Territories. This development, called the Mackenzie Gas Project, includes a pipeline development, tie-ins of Shell's wholly owned Niglintgak field and two other anchor fields, and gas gathering and liquids handling facilities. Niglintgak has potential natural gas reserves in the range of one trillion cubic feet. In 2002, base-line environmental work and community consultation efforts began on the Mackenzie Gas Project. In addition, the project participants initiated pre-engineering work on the three fields, the gathering system and the Mackenzie Valley Pipeline.

The producers' group expects to file regulatory applications for the project in the latter half of 2003, with the decision to proceed with development of the project anticipated in 2005. A favourable market, business climate, viable project economics and continued support from Aboriginal communities will be necessary to maintain the project schedule for 2008 start-up.

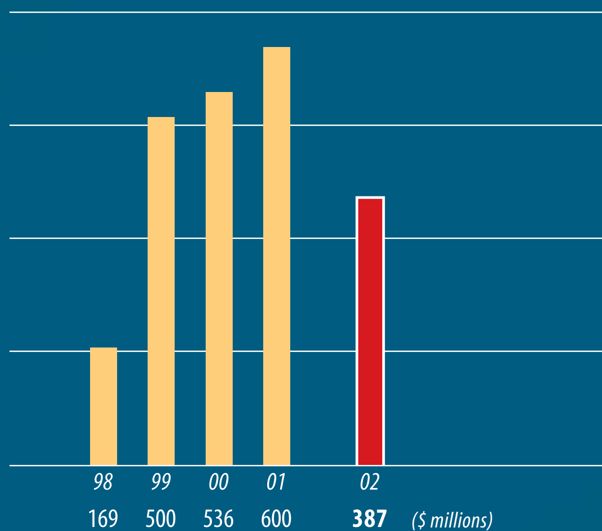
The Company assesses all new Resources projects and existing sites for aspects of sustainable development

SABLE SALES GAS PRODUCTION – *Shell Share Only*



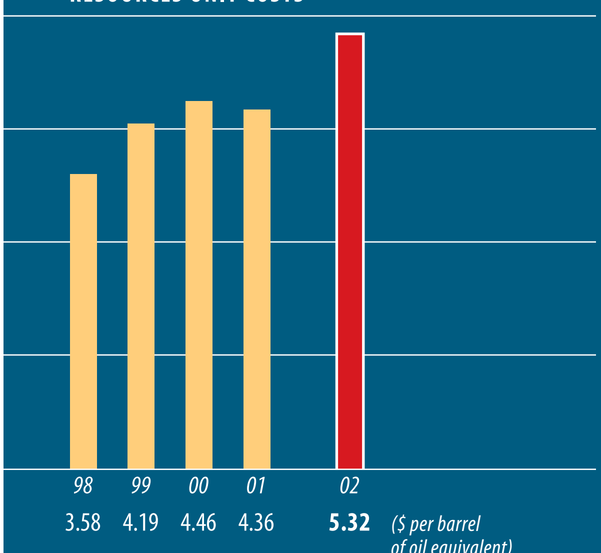
Average Sable production in 2002 increased slightly over the previous year.

RESOURCES EARNINGS



Lower prices were the main reason for reduced earnings from the previous year's record high.

RESOURCES UNIT COSTS



Higher unit costs resulted largely from the elimination of Alberta energy rebates.

During 2002, Shell completed 2-D and 3-D seismic programs on its wholly owned exploration licence south of the proposed Niglintgak field development. The Company is now evaluating this data and a decision on exploration drilling will follow. Shell also continues to review potential joint exploration opportunities in the onshore Mackenzie Delta region. The Company has entered into an agreement to participate in exploration drilling in early 2003.

Other Frontier Opportunities

The Frontier regions remain a platform for growth for Shell Canada. Technical and commercial assessments of other basins continue in order to evaluate the potential for investment in regions beyond offshore Nova Scotia and onshore Mackenzie Delta.

EXPLORATION PROGRAM COSTS

Shell's 2002 exploration program totalled $130 million compared with $112 million in 2001. Exploration activities again focused on seismic and drilling programs in the foothills of Alberta, and on selective plays offshore Nova Scotia and in the Mackenzie Delta.

HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

In 2002, Resources achieved its best-ever safety performance with respect to recordable injuries, but was deeply saddened by the death in August of a contractor working at the Peace River Complex. Resources continues to focus on appropriate standards and procedures to ensure that a safe work environment exists for everybody.

The Company assesses all new Resources projects and existing sites for aspects of sustainable development based on a formal Health, Safety and Environment system. All key Resources sites undergo audits, submit data to peer group benchmarking programs and maintain ISO registration. Over the past few years, all major sites achieved ISO 14001 registration for environmental management. ISO 14001 is an internationally recognized standard of environmental management requiring third party audits. In 2002, the ISO registrars visited these facilities to ensure continued compliance, and work began on the 2003 reregistration required by the ISO program. Health and safety programs are in place at all sites. Resources has developed and implemented community consultation and communication programs to engage with people potentially affected by Shell's activities.

For several years, Resources has been measuring greenhouse gas (GHG) emissions from its operations and setting targets for their reduction through investments aimed at reducing energy consumption.

LOOKING FORWARD

Resources strategy is to continue to be a leader in profitability and profitable growth. Resources plans to:

- *maximize profit and cash flow by maintaining focus on operational excellence and investment in exploration and development opportunities in the foothills and the offshore Nova Scotia Shelf, which could be tied into existing infrastructure;*
- *grow Shell's existing business at Peace River to 16,000 barrels per day, continue development of the Niglintgak field and pursue exploration opportunities in the Mackenzie Delta and in the deep water offshore Nova Scotia; and*
- *maintain a commitment to sustainable development through a focus on safety, health and environmental efficiencies and consultation with the public.*

2003 CAPITAL AND EXPLORATION INVESTMENT

Resources plans to spend $503 million on capital investments in 2003 compared with $389 million in 2002. Plans are to continue investing in the Frontier areas, the Foothills and Peace River.

In the Frontier, Resources intends to invest $272 million in the next field developments of the Sable project as well as continued activity on the Nova Scotia deep water and in the Mackenzie Delta. At the same time, a budgeted investment of $180 million will support exploration and development in the Foothills. Peace River plans to spend $34 million in 2003 to begin the next phase of development. The balance of the spending program relates to marketing and information technology.

■ OIL SANDS

Oil Sands started operations at the end of 2002 and reported a loss of $5 million due primarily to capital taxes on the related assets. After years of planning and construction, Shell Canada Limited's largest-ever project has become the first new fully integrated oil sands project in Alberta in 30 years. The Athabasca Oil Sands Project (AOSP) started up in December 2002 with the first production and sale of bitumen from the Muskeg River Mine. Production of synthetic crude oil is anticipated around the end of the first quarter of 2003. At full production, the AOSP is expected to:

- *supply the equivalent of 10 per cent of Canada's oil needs;*
- *increase Shell's barrels-of-oil-equivalent (BOE) production by more than 50 per cent;*
- *fuel the equivalent of one-third of Alberta's vehicles; and*
- *employ almost 1,000 full-time workers.*

The project is also expected to incur more than $5 billion in royalties and taxes over its life.

The AOSP is a joint venture of Shell Canada Limited (60 per cent), Chevron Canada Limited (20 per cent) and Western Oil Sands L.P. (20 per cent). It comprises:

- *the Muskeg River Mine and extraction plant located on Lease 13, about 75 kilometres north of Fort McMurray, Alberta; and*
- *the Scotford Upgrader located adjacent to Shell's Scotford Refinery, north of Fort Saskatchewan, Alberta.*

The AOSP has also added important new infrastructure to Alberta's energy sector through a number of commercial arrangements, which include:

- *the Corridor Pipeline, which carries diluted bitumen 493 kilometres from the mine near Fort McMurray to the Scotford Upgrader and returns recycled diluent to the mine;*
- *ATCO Pipelines' natural gas pipeline to the mine; and*
- *ATCO Power's cogeneration facilities at the mine and upgrader, providing more than 300 megawatts of natural gas-fired power generation.*

The AOSP is a unique operation in the oil sands industry and offers many benefits:

- *high quality ore;*
- *new technology, particularly in the froth treatment facilities;*
- *increased yield and product quality through the use of hydrogen addition technology in upgrading;*
- *high energy efficiency through the use of state-of-the-art facilities, including two large cogeneration plants;*
- *synergies with the Scotford Refinery; and*
- *lowest carbon dioxide emissions intensity of any mineable oil sands project.*

COMPLETION OF THE PROJECT

With completion of the AOSP, Shell has launched a new business unit that will provide a secure source of crude oil for its downstream business. The Scotford Refinery will use more than half of the production from the upgrader to make high quality transport fuels and other products.

Albian Sands Energy Inc. (Albian Sands), a company owned by the joint venture, operates the Muskeg River Mine and extraction plant. In 2002, Albian Sands took delivery of diluent at the mine site, brought the first ore to extraction, commissioned the world's largest mining trucks and shovels and began production of diluted bitumen. The Muskeg River Mine is designed to produce an average of 155,000 barrels per day (bpd) of bitumen at full production.

OIL SANDS HIGHLIGHTS

($ millions except as noted)	**2002**	2001	2000
Revenues	**3**	–	–
Earnings (loss)	**(5)**	–	–
Capital employed	**3 380**	1 911	564
Capital and exploration expenditures	**1 460**	1 313	606

Neil Camarta,
Senior Vice President,
Oil Sands

With more than 56 million work-hours since 1999, the Athabasca Oil Sands Project has maintained an impressive safety performance

Linda Dill is a mine operations trainer at the Muskeg River Mine.

Lee Nehring plays a key role in AOSP stakeholder engagement.

The world's largest haul truck, a Caterpillar 797B, and the first Bucyrus 495HF electric rope shovel in operation at the Muskeg River Mine.

The work completed in 2002 for the Scotford Upgrader and modifications to Shell's adjacent refinery included the successful commissioning and testing of the sulphur recovery, hydrogen manufacturing, cogeneration, atmospheric and vacuum distillation units and utility systems. As well, the residue hydroconversion unit was well into commissioning and start-up by year-end. The Scotford modifications were successfully completed, tied in and commissioned during a major refinery turnaround.

With more than 56 million work-hours since 1999, the AOSP has maintained an impressive safety performance. Following a record-breaking safety performance in 2001, the upgrader site set a new record in 2002 for the industrial construction industry in Alberta of 6.25 million consecutive hours without a lost-time incident. Throughout the year, the AOSP was one of the largest and safest employers of trades and construction workers in Alberta with over 13,000 people employed and no serious injuries. For this and other achievements, Alberta Construction Magazine recognized the AOSP as one of two best industrial projects in 2002.

Cost and schedule pressures remained a challenge throughout the year, with project cost estimates increasing by an additional 10 per cent over November 2001 estimates. The total cost estimate for the AOSP has risen to $5.7 billion ($3.4 billion Shell share) from the original estimate of $3.8 billion. The cost estimate for the Scotford modifications has risen to $500 million from the original $400 million. Shell's share of the capital costs in 2002 was $1,646 million, including $186 million for the refinery modifications compared with estimated amounts of $991 million and $102 million respectively.

Even though labour availability improved over 2001, it continued to be a challenge as more craft workers than planned were needed to regain schedule losses from 2001. As well, deficiencies in the quality of engineering work and equipment in some areas caused additional field work, resulting in lower than planned productivity.

With the start of production, the AOSP delivered to the pipeline product that met all the required specifications. However, a hydrocarbon leak at the Muskeg River Mine in January 2003 caused a fire, which was quickly extinguished. Repairs are under way, with completion expected in the first quarter.

SUSTAINABLE DEVELOPMENT

The licence to operate and grow the AOSP business comes from a strong commitment to the principles of sustainable development. This is particularly important to people who live closest to the Muskeg River Mine and the Scotford Upgrader. Through continued dialogue, the AOSP has maintained successful relationships with project stakeholders who include potential customers, employees, neighbours, shareholders, Aboriginal groups, government representatives, environmental organizations and other industry players.

The AOSP is involved in a number of organizations, including the Cumulative Environmental Management Association (CEMA) and the Athabasca Regional Issues Working Group Association (RIWG). These organizations provide a forum for regional stakeholders to ensure management of the region's cumulative environmental effects and social impacts associated with orderly oil sands development. The upgrader staff focused on resident communication, ensuring neighbouring residents were fully briefed on start-up conditions and processes. In addition, Shell has established a 24-hour Scotford community update phone line and began operating two of the eight air monitoring systems of the Fort Air Partnership in Fort Saskatchewan.

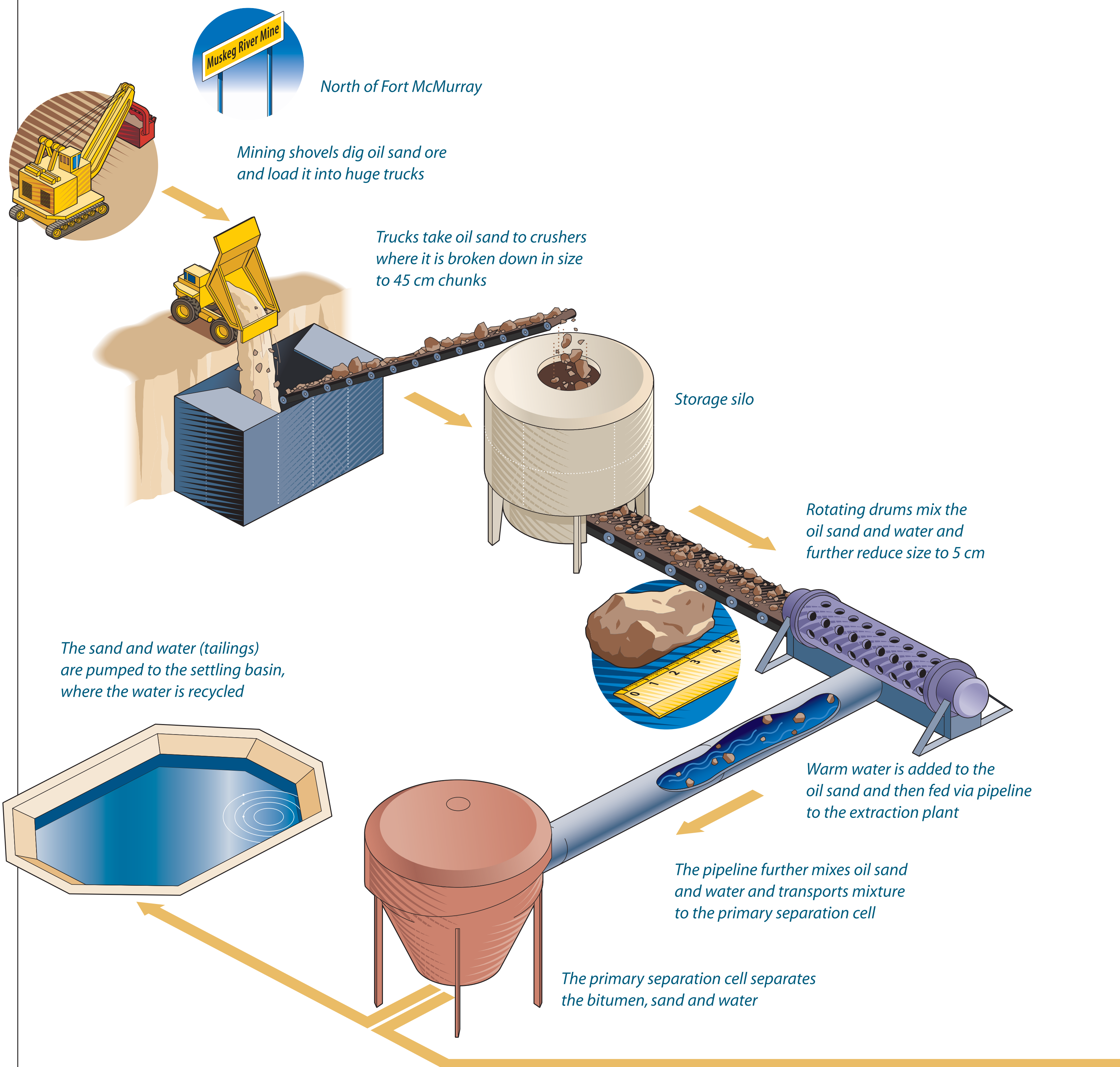
The AOSP continues to support the communities where its employees live and the joint venture does business. Almost half of all Albian Sands employees have been hired locally from the Regional Municipality of Wood Buffalo. To date, Wood Buffalo companies have received $50 million for contract services, with $24 million paid to local Aboriginal businesses. For example, the AOSP's closest Aboriginal neighbours, the Fort McKay/Albian Sands Business Alliance, had contracts in 1999 worth about $4 million. Over the last three years, the AOSP has worked to build capacity and increase project scope so that the five-year (2002-2006) contracts with the Alliance are now valued at more than $70 million.

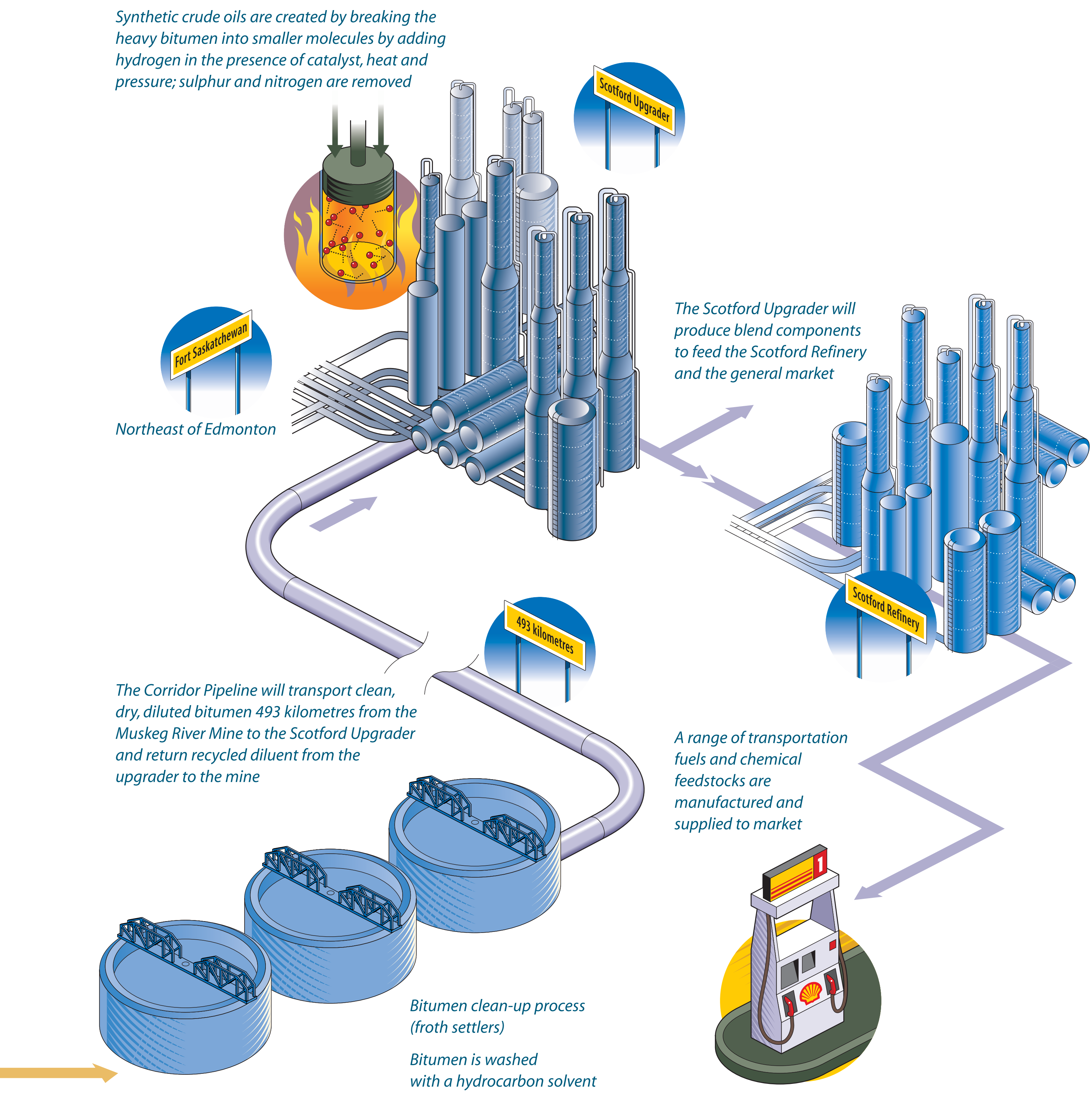
The AOSP continues to support the communities where its employees live and the joint venture does business

Shell wants to make sure it is making a positive contribution in the neighbouring communities. Some of the initiatives in 2002 included:

- *start of construction on an Elder Centre in Fort McKay;*
- *sponsorship of Aboriginal youth-elder camps and workshops;*
- *sponsorship of interactive educational programs at the Oil Sands Discovery Centre in Fort McMurray so that all students in the community can attend free of charge;*
- *implementation of an employee orientation program about the culture and history of neighbouring Aboriginal communities;*
- *sponsorship of the 2004 Arctic Winter Games volunteer program through a donation of $175,000; and*
- *donation of $230,000 to Tree Canada towards the planting of 360,000 trees in Strathcona County and Boyle, Alberta, on behalf of the AOSP.*

ATHABASCA OIL SANDS PROJECT




Synthetic crude oils are created by breaking the heavy bitumen into smaller molecules by adding hydrogen in the presence of catalyst, heat and pressure; sulphur and nitrogen are removed
Scotford Upgrader
Fort Saskatchewan
Northeast of Edmonton
The Scotford Upgrader will produce blend components to feed the Scotford Refinery and the general market
Scotford Refinery
493 kilometres
The Corridor Pipeline will transport clean, dry, diluted bitumen 493 kilometres from the Muskeg River Mine to the Scotford Upgrader and return recycled diluent from the upgrader to the mine
A range of transportation fuels and chemical feedstocks are manufactured and supplied to market
Bitumen clean-up process (froth settlers)
Bitumen is washed with a hydrocarbon solvent

The AOSP is also committed to the efficient use of materials and resources throughout the project and into operations. For example, the on-site cogeneration plants, commissioned in 2002, produce both electricity and heat for the upgrader and the mine site, with surplus electricity sold to the Alberta provincial electrical grid. The AOSP also built a pipeline between the upgrader and a neighbouring chemical plant to use hydrogen that is a byproduct of that plant's processes at the upgrader in the manufacture of synthetic crude oil.

The AOSP has set a goal of reducing greenhouse gas (GHG) emissions by 50 per cent by 2010. This reduction would make the project's synthetic crude oil less GHG-intensive than the average North American imported crude that it will replace. The Shell Canada Climate Change Advisory Panel has provided input into the AOSP's greenhouse gas management plan. The portfolio of activities includes:

- *internal energy efficiency projects;*
- *domestic purchased offsets like the Tree Canada Afforestation project;*
- *offsets generated within Shell and partners' activities;*
- *clean development mechanism projects with international partners; and*
- *feasibility studies regarding carbon dioxide sequestration.*

LOOKING FORWARD

The Path to Operational Excellence

With the achievement of bitumen production at the Muskeg River Mine in 2002, the focus will be on producing first synthetic crude oil and building production volumes up to full rates in the third quarter of 2003 while maintaining the drive to be the lowest cost operator in the industry. Key goals are:

- *managing costs and growing production;*
- *achieving the best possible plant reliability with minimum downtime and energy consumption, and maximum product yield;*
- *being a reliable source of quality products for the marketplace; and*
- *achieving GHG reduction targets.*

The foundation for success with operational excellence is a large, high quality resource base, new and efficient end-to-end processing facilities and a ready market for much of Shell's production within its own manufacturing facilities.

Another cornerstone of future success is to deliver excellent safety performance and community relations as the transition is made from construction to operations.

Floyd Gladue is a field operator in Ore Preparation at the Muskeg River Mine.

The atmospheric and vacuum units at the new Scotford Upgrader.

The Path to Growth

Once the AOSP is fully operational, Shell will look for further opportunities to reduce costs, enhance processes and increase production.

Shell continues to evaluate expansion opportunities in the Athabasca area. The experience and knowledge gained from the AOSP, its stakeholders and other projects will contribute to the regulatory process and development plans. Some of the work on long-term growth opportunities began in August of 2001 with the release of a formal public disclosure of its potential growth plans, which included:

Muskeg River Mine

Optimization and expansion of Lease 13 West and development of Lease 90 would bring total production to approximately 225,000 bpd of bitumen, up from the current design of 155,000 bpd. This would represent the first stage of growth by building on the existing assets and regulatory approvals.

Jackpine Mine – Phase 1

In May 2002, on behalf of the AOSP joint venture participants, Shell submitted a regulatory application and Environmental Impact Assessment to the Alberta Energy and Utilities Board and Alberta Environment for phase one of the Jackpine Mine. The Jackpine Mine would involve the construction of a mining and extraction facility on the eastern portion of Lease 13 to produce approximately 200,000 bpd of bitumen. Early entry into the public regulatory process, with the 2001 public disclosure, provided adequate time for stakeholder consultation and involvement. The regulatory process continues, with approvals anticipated by the end of 2003.

Jackpine Mine – Phase 2

Following the development of Jackpine Mine – Phase 1, mining additional resources from leases 88 and 89 would increase bitumen production by approximately 100,000 bpd.

These growth initiatives will capitalize on existing infrastructure associated with commercial arrangements and AOSP facilities.

Muskeg River Mine expansion would likely take place in the 2005 time frame, followed by development of Jackpine Mine – Phase 1 and Jackpine Mine – Phase 2. The exact timing of these developments will depend on factors such as market conditions, construction costs, project economics, technology, the ability of the project to meet Shell's sustainable development principles and the outcome of the various regulatory processes.

CAPITAL INVESTMENT

Shell has planned capital expenditures for the oil sands business of $57 million in 2003. Most of this capital spending will be for completion of the AOSP. The balance relates to screening of growth opportunities.

Oil Products earnings were $198 million in 2002, down sharply from the record $401 million in 2001. The decrease in earnings was due mainly to lower refinery and marketing margins, increased operating costs and reduced throughputs. Oil Products return on average capital employed was 10.7 per cent compared with 22.2 per cent in 2001. Capital expenditures were $433 million, including $186 million for Oil Sands-related Scotford modifications, compared with $343 million the previous year.

The 2002 environment for refiners was much less favourable than in 2001. High product inventories in North America, weak demand for diesel and jet fuels in the first six months of the year and rising crude oil costs all contributed to weaker industry refinery margins. However, conditions improved in the second half of the year.

The retail and commercial businesses faced significant challenges from competitive pressure and pockets of weakness in the economy, which inhibited growth in sales volumes.

Marketing expenditures increased in 2002, partly as a result of sales promotion programs and other customer relationship initiatives. Refinery operating costs were higher than in the previous year due to twice the normal level of turnaround activity and related reductions in refinery utilization. Consequently, unit costs of 5.4 cents per litre were unusually high for Shell. Nevertheless, the Company remained a leader among its competitors in unit cost performance.

Safety performance was an area of serious concern in 2002 for Oil Products. Along with the tragic fatality at the Montreal East Refinery, there was an increase in the number of recordable incidents in the Sarnia and Montreal East refineries, despite continued emphasis on keeping the job environment safe for employees and contractors. Both locations have stepped up efforts in the area of safety management including external reviews, high levels of management visibility and employee and contractor engagement. The continued focus in 2003 will be on working safely. In line with the Company's belief that all accidents are preventable, Shell's goal is zero accidents and no harm to people.

MANUFACTURING, SUPPLY AND DISTRIBUTION

Shell Canada undertook substantial project and planned maintenance activity in its refineries during 2002. Major turnarounds took place at all three refineries in the second quarter of the year. However, all Shell refineries resumed normal operations by mid-year and subsequently benefited from excellent operational availability.

Supply and Distribution (S&D) continued to focus on securing crude oil and synthetic crude oil that add the most value to Shell's refinery network and enhance facility performance. S&D also took advantage of long-term agreements to ensure uninterrupted supply throughout a major turnaround period. The distribution network maintained its best-in-class standing for unit cost in an international benchmarking study completed in 2002.

Refineries

During its biggest-ever turnaround, Scotford Refinery completed and commissioned major modifications enabling it to receive feedstock provided by the Oil Sands upgrader from bitumen extracted at the Muskeg River Mine. The refinery made significant gains in hydrocarbon management, particularly after the turnaround, when new capabilities from the integration project improved yields.

Sarnia Refinery celebrated its 50th anniversary of operation in September 2002. The refinery improved yields, operated with high reliability and developed the flexibility to process a greater variety of feedstock than in previous years. Sarnia completed a major turnaround and the first two of five phases to install new instrumentation for a distributed control system. A new flare system was also installed.

Throughout 2002, Montreal East Refinery operated more reliably than in previous years, taking advantage of the stronger refinery margins available in the second half of the year.

OIL PRODUCTS HIGHLIGHTS

($ millions except as noted)	**2002**	2001	2000
Revenues	**6 071**	6 240	6 740
Earnings	**198**	401	340
Capital employed	**1 913**	1 789	1 818
Capital expenditures	**433**	343	279
Return on average capital employed *(%)*	**10.7**	22.2	19.6

The Panorama gasoline station in Whiterock, B.C., is one of Shell Canada's thriving retail sites in the Greater Vancouver area.

Shell Canada undertook substantial project and planned maintenance activity in its refineries during 2002

SOCIAL
ENV
ECONOMIC
NTAL

Tim Faithfull, President and Chief Executive Officer, Shell Canada Limited, and President of Shell Canada Products Limited.

Sarnia's new gasoline hydrotreater had a flawless start-up December 2002.

Product Reformulation

Refinery staff and contractors completed construction of gasoline hydrotreaters at both the Sarnia and Montreal East refineries. The projects began in 2001 and the completed units became operational December 2002. At a total cost of $150 million, these projects will enable the refineries to meet new federal regulations on sulphur content in gasoline. The new regulations require Canadian refiners to produce and sell gasoline with a cumulative average of 150 parts per million (ppm) of sulphur over the period between July 1, 2002, and December 31, 2004, falling to an average of 30 ppm on January 1, 2005. Product from Shell's Scotford Refinery already met the new requirements. With completion of these projects, Shell became the first national refiner capable of producing 30 ppm gasoline.

RETAIL

The retail gasoline market became increasingly competitive through 2002 with continued network upgrading by traditional competitors and significant expansion into the fuels business by grocery and supermarket retailers. Shell's share in the major urban markets declined to an average of 17.8 per cent from 18.6 per cent in 2001. Unit fuel margins declined due mainly to increasing crude oil and wholesale prices, which could not be fully recovered at the pump, as well as to localized retail price wars. The Company completed a comprehensive review of the Retail business and, in 2003, will be implementing changes to improve the competitiveness of the business and capitalize on new opportunities.

In early 2002, Shell became aware of and addressed problems associated with its gasoline quality. A thorough investigation determined that an additive may have been a factor in the failure of some fuel system components. The Company took quick action to address customer concerns and initiate corrective action. Subsequent tracking showed that this response led to a major decline in the number of customers experiencing fuel system difficulties. Shell continues to stand behind the quality of its products.

Customer Focus

Shell is committed to delivering superior customer value through high quality products and services, one-stop convenience and a high level of customer service.

Shell's affiliation with the AIR MILES® reward miles program marked its 10th year in 2002. The Company celebrated this milestone with an extensive sweepstakes program where individual customers could win 10,000 AIR MILES® reward miles every day. The AIR MILES® program remains very popular with Shell consumers.

The easyPAY™ technology has now reached over 200,000 Canadian consumers. In January 2002, Shell introduced this technology to participating sites in the Winnipeg and London markets in addition to existing easyPAY™ sites in Vancouver, Calgary, Edmonton, Toronto, Ottawa and Montreal. The technology improves the speed and ease of vehicle refuelling. At participating sites, customers simply present their easyPAY™ key tag to the easyPAY™ symbol at the pump. The easyPAY™ tag is cross-referenced with the customer's credit card and AIR MILES® information.

Retail Network

Efforts to improve Shell's network efficiency continued in 2002. Average annual throughput at Shell- and private-brand sites remained at 3.8 million litres in 2002. Retail completed 29 image conversions including refurbishing 10 Provisoir stores in Quebec and rebranding four private-brand sites. There were 1,838 Shell retail sites at year-end, including 133 private-brand sites. This compares with 1,935 Shell sites at the end of 2001, of which 178 were private-brand sites.

Non-Petroleum Products and Services

Margin growth from increased sales of food store and car wash products and services continued in 2002. Both convenience store sales and car wash revenues grew by more than 10 per cent over 2001. Additional food stores, plus a strong focus on sales promotion and product placement and display, improved convenience store sales. The growth in car wash revenues was mainly due to increased consumer purchases of premium washes and promotional activities.

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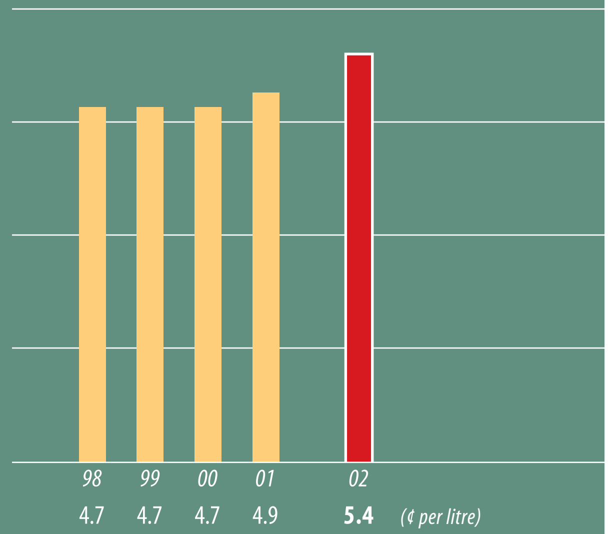
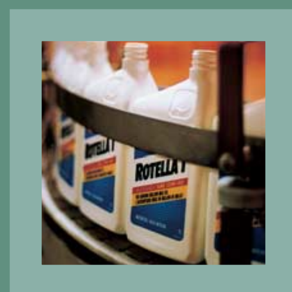
Operational excellence helps to minimize Shell's impact on its neighbours

OIL PRODUCTS UNIT COSTS



Major planned refinery turnarounds were the main reason for higher unit costs.

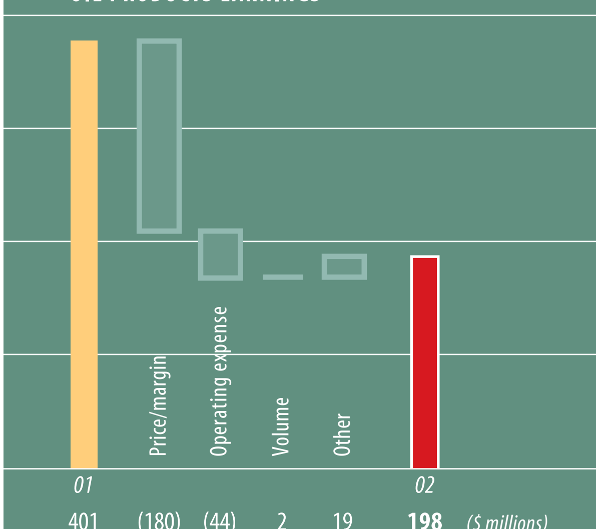
Shell customer Renée Belgrave fills up at the Panorama gas station in Whiterock, B.C.



Shell's Rotella T™ motor oil is one of the many products coming out of the Brockville Lubricant Plant.

Keith Anderson is a process operator II at the Sarnia Manufacturing Centre.

OIL PRODUCTS EARNINGS



Lower refinery margins were the primary cause of reduced earnings in 2002.

COMMERCIAL

Shell's Commercial business sells branded products to aviation, agricultural, industrial, transportation, resource-based and home-heating sectors, and unbranded product to commercial distributors and other gasoline retailers. A tough business environment marked by volatile crude oil and wholesale prices compressed margins in 2002.

In June 2002, Shell upgraded its flagship diesel engine oil, Shell Rotella T™ Multigrade 15W-40. The reformulated product exceeds the CI-4 American Petroleum Institute's new standards for low-emission heavy-duty diesel engines, in readiness for future exhaust gas recirculation diesel engines. Importantly, the reformulation maintained the strong heritage of Rotella T™, using current technology to provide maximum protection for existing engines.

In September 2002, the Commercial business piloted the Shell e-Store. This self-serve Internet application allows customers to check product prices, place orders, review their account information and perform several other useful functions. Shell e-Store meets the needs of customers looking for a supply capability that is reliable, easy to use, and provides "information at your fingertips." After a targeted offering to selected customers in 2002, a broad market rollout will follow in 2003.

Commercial Network

The general slowdown in the agricultural sector associated with drought conditions across Western Canada resulted in lower network throughputs in 2002. Shell further reduced its number of bulk storage plants to 43 from 48.

Aviation

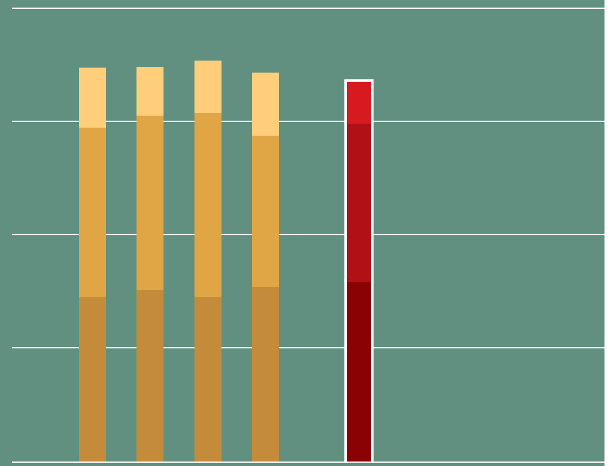
Shell's Aviation network comprises 57 fixed-base operations within Canada. Included in this network are 17 Aerocentre™ sites in major centres, which feature pilot and passenger lounges, catering services, business amenities, hangerage and more. In 2002, Shell Canada customers gained access to about 700 sites in the United States as a result of an arrangement between Shell Global Aviation and Avfuel Corporation. This arrangement provides worldwide card acceptance for both Shell and Avfuel customers.

Aviation fuel sales volumes fell in 2002 compared with 2001. The decrease was due mainly to a lingering weakness in the aviation sector following the tragic events of September 11, 2001.

Aviation fuel sales are an important part of Shell Canada's Commercial business.

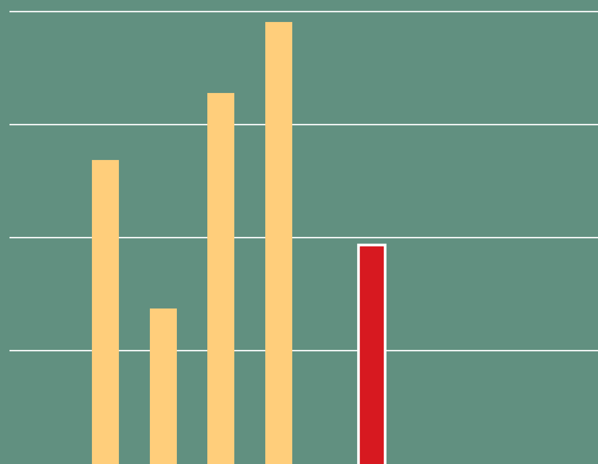
Margin growth from increased sales of food store and car wash products and services continued in 2002

PETROLEUM PRODUCT SALES



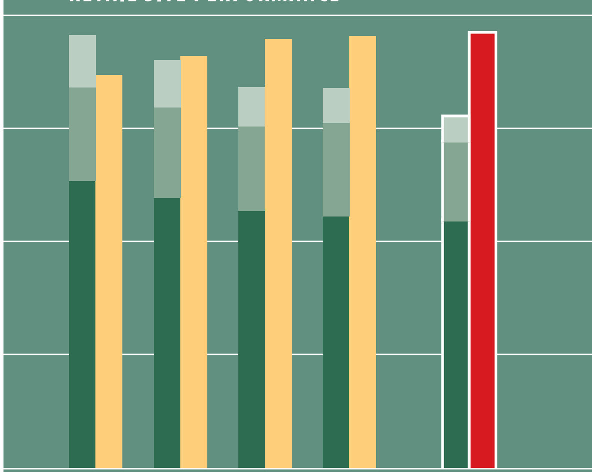
Petroleum product sales weakened slightly due to growing competition in the market.

EARNINGS PER LITRE



Lower refining margins and higher unit costs resulted in a sharp drop in earnings per litre.

RETAIL SITE PERFORMANCE



Network rationalization has resulted in continual improvement in site throughput.

Lubricants

In 2002, the Calgary Lubricants and Grease Plant celebrated its 20th year of operation, while the Brockville Lubricant Plant completed its 10th anniversary.

Blending and packaging rates at the Brockville plant improved marginally in 2002 as a result of growth in third party packaging contracts. In 2003, Brockville will pursue further production growth opportunities, including additional production for Pennzoil-Quaker State, an affiliate of Shell Oil Company of Houston, Texas, to increase plant utilization and further reduce unit cost. Grease production at the Calgary plant also increased marginally.

Industrial Services

In 2001, Industrial Services began marketing fluid management services to plants in the automotive component manufacturing sector. The program is designed to reduce operating costs and improve process productivity in customer plant operations. In 2002, working with Royal Dutch/Shell Group affiliates Shell Global Services and Shell Global Solutions, the Company expanded its range of services to include maintenance planning, and initiated sales penetration into other industrial sectors. The team secured an important contract with a major North American automobile manufacturer in late 2002.

Formula Shell synthetic blend motor oil is available at any Shell retail gasoline station.

HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Oil Products continued its commitment to integrate sustainable development into day-to-day activities in 2002. Operational excellence, which means running a host of complex facilities safely, responsibly and efficiently, helps to minimize Shell's impact on its neighbours and other stakeholders.

During 2002, all Shell refineries and lubricants and grease plants continued to meet ISO 14001 standards first attained in 2001. ISO 14001 is an international standard of environmental management that requires verification through external audits.

Shell also monitors its health, safety and environmental performance internally and takes action when targets are not met. Spill frequency, which is the number of litres of product spilled per million litres handled, is one important measure. Shell's spill frequency in 2002 was 3.34 compared with 21.3 the previous year. Following several spills at refinery tank storage areas in 2001, Shell reviewed winterizing procedures, consulted with other companies to identify best practices and introduced changes.

In 2002, Oil Products implemented Community Dialogue, a formal framework to enhance mutual understanding between facility staff and their publics, and to communicate emergency preparedness and response efforts more effectively. By year-end, 21 plans were in place to engage nearby residents, key government officials and public groups.

The Company continued to supply fuel to the Dreams Take Flight charity. The program provides "a trip of a lifetime" to Disneyland or Disney World for physically, mentally or socially challenged children. Shell also donated 40,000 litres of diesel fuel to the *Hay West* campaign during the drought in Western Canada. The fuel helped defray the cost of transporting donated hay between the farms and rail yards.

LOOKING FORWARD

Oil Products goals are to sustain a 15 per cent return on average capital employed through the pursuit of operational excellence, and to focus on profitable growth with an ongoing commitment to sustainable development. There will be a major emphasis on improving safety performance.

Oil Products key strategies in 2003 will be as follows:

Manufacturing, Supply and Distribution

- *maintain first quartile performance in operational availability;*
- *continue to drive for improved efficiency and yields at all the refineries;*
- *leverage new technology, like the instrumentation digital control system at Sarnia Refinery, to improve yields and efficiency;*
- *maximize benefits from the new Oil Sands upgrader feedstocks at the Scotford and Sarnia refineries; and*
- *initiate the design and engineering phase of the distillate desulphurization projects to meet ultra-low sulphur diesel (ULSD) legislation, which requires that ULSD be available at less than 15 parts per million of sulphur by mid-2006.*

Retail

- *differentiate the Shell brand by offering improved value to targeted retail customers, with a focus on fuels, the refuelling experience, and related products and services;*
- *increase Shell's share in both the fuels and convenience retail business through increased investment and growth in the base network; and*
- *reduce net unit cost to increase competitiveness.*

Part of the Brockville tank farm, where product is stored before blending.

Commercial

- *provide relevant, valued customer service at reduced operating unit costs;*
- *increase branded sales and market share by offering additional value to targeted customers;*
- *expand Industrial Services sales penetration into various industry sectors;*
- *launch e-Store, an on-line customer ordering/transaction system;*
- *service the needs of global Shell customers in Canada through linkages with the Royal Dutch/Shell Group of Companies;*
- *improve lubricants supply chain costs; and*
- *improve asset efficiency – plants, costs, working capital.*

CAPITAL INVESTMENT

Oil Products plans capital expenditures of $237 million in 2003, a decrease from $433 million in 2002. Of this total, $155 million is budgeted for growth and profitability projects and $36 million for compliance with new legislation and expenditures related to changes in product specifications. The remaining $46 million is earmarked for supporting the asset integrity of existing facilities.

Shell Canada's Corporate sector reported expenses of $19 million in 2002 compared with earnings of $9 million in 2001. Interest income received for prior-period income tax settlements only partly offset higher net financing costs.

FINANCING ACTIVITIES

Record capital spending in 2002, much of it associated with construction of the Athabasca Oil Sands Project (AOSP), resulted in total financing of $1.4 billion.

Shell's financing plan includes short-term commercial paper, medium-term notes and accounts receivable securitization. This combination provides cost-effective financing and repayment flexibility.

Commercial paper outstanding at year-end increased from the previous year by $459 million to $671 million. The Board of Directors authorized a $250 million increase in the upper limit of this facility to $1.5 billion late August 2002. Also in 2002, Shell issued $745 million of medium-term notes under the Company's $1 billion shelf prospectus. In July 2002, the Board approved a $250 million increase to the Company's accounts receivable securitization program. Under this $600 million program, Shell increased accounts receivable sales during the year by $170 million, bringing total accounts receivable sold to $520 million. The balance of financing relates to capital lease arrangements associated mainly with the AOSP.

Interest and other financing charges in 2002 totalled $49 million. All of Shell's financing costs in 2002 were based on floating interest rates. Low interest rates resulted in attractive financing charges that averaged well below three per cent for Shell over the year.

On February 4, 2003, the Company announced a Normal Course Issuer Bid to repurchase for cancellation up to two per cent of its 275,908,290 Common Shares or a maximum of 5,518,166 Common Shares. The bid began February 7, 2003, and will continue to February 6, 2004, or the date when Shell has either purchased the maximum number of shares or terminated the bid. The purchase of the Common Shares under the bid will counter the effects of dilution due to issuance of Common Shares under the employee stock option program. Purchase of the shares will be at the market price at time of acquisition and will be conducted through the Toronto Stock Exchange. A copy of the Notice of Intention may be obtained upon request, without charge, by contacting CIBC Mellon Trust Company.

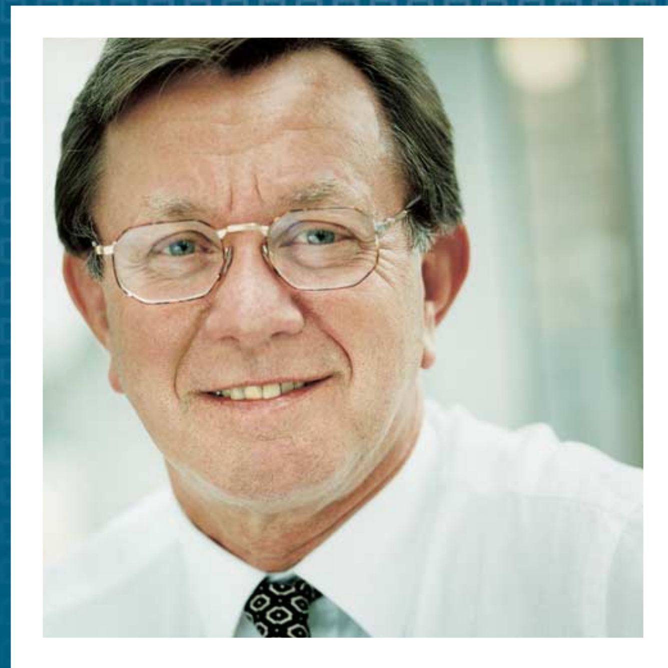
Dividends paid for the year 2002 totalled $0.80 per Common Share, unchanged from 2001.

With completion of the largest capital spending program in its history, Shell Canada remains financially strong. The Company expects that operating cash flow from Resources and Oil Products and cash flow from new Oil Sands production will exceed capital spending in 2003 and 2004. Shell will use available cash to reduce debt that it issued to finance the 2002 capital program. The Company can also gain ready access to debt capital markets in Canada and the United States, should the need arise.

PENSION PLAN

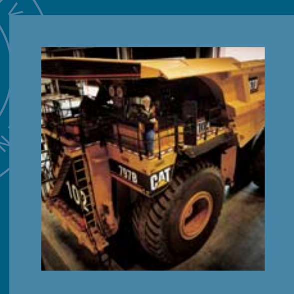
Reductions in equity market valuations over the last two years have eroded Shell Canada's pension surplus. The Company decided that a 7.5 per cent long-term rate of return would better reflect the expected market performance of plan assets than the rate of 8.0 per cent used by Shell in 2001 and 2002. The resulting increase in pension costs is expected to reduce 2003 earnings by about $25 million compared with 2002.

Actuarial valuations of pension funding requirements will be completed in May 2003. Given lower expected pension asset returns, the Company anticipates a cash contribution in 2003. However, the funding requirement should not have a significant effect on Shell Canada's overall financial position.



Steinar Støtvig,
Chief Financial Officer

Shell Canada's corporate governance policies are reviewed annually to determine compliance



One of the world's largest mining trucks in the truck shop at the Muskeg River Mine.

Community liaison officer Heather Cooper consults with Steve Rumbold, process operator II and local union president at Sarnia.

One of three parallel conveyor belts at the Muskeg River Mine takes ore from the silo into the breaker building.

ACCOUNTING STANDARDS

Variable Interest Entities

Accounting standard bodies in North America are proposing new accounting guidelines to consolidate transactions currently not reflected in balance sheets. The Financial Accounting Standards Board has recently published FASB Interpretation No. 46 regarding the Consolidation of Variable Interest Entities (previously referred to as Special Purpose Entities). The Canadian Institute of Chartered Accountants is considering similar measures. Under these guidelines, certain financial arrangements where Shell has a variable interest will be included in the consolidated balance sheet starting as early as the third quarter of 2003. Based on these latest U.S. accounting guidelines, Shell Canada would consolidate a lease arrangement for large mobile equipment (trucks, scrapers and shovels) in use at the Muskeg River Mine. The total value of this equipment could reach $260 million with Shell's share expected to be in the range of $140 million to $160 million (approximately $75 million at December 31, 2002). This arrangement is accounted for as an operating lease under existing accounting principles.

Shell Canada has sold $520 million of accounts receivable to a multi-seller trust under its securitization program. The Company did not retain any ownership as part of the sale and removed the corresponding values from its balance sheet. Under the new FASB Variable Interest Entities guidelines, this transaction will not require consolidation, as the Company is not the primary beneficiary in the multi-seller trust.

Asset Retirement Obligations

A new U.S. standard for the accounting of asset retirement obligations was issued, applicable to fiscal years beginning on or after January 1, 2003. A similar Canadian standard has been issued, which will come into effect for Shell Canada January 1, 2004. This standard requires recognition of legal obligations associated with the retirement of tangible long-lived assets. The Company does not expect the adoption of this standard to have any significant impact on its future earnings.

CORPORATE GOVERNANCE

Shell Canada's corporate governance policies are reviewed annually. A number of regulatory bodies are involved in setting requirements and guidelines. The Company is well positioned to meet all the necessary standards.

The U.S. government enacted the Sarbanes-Oxley Act in 2002. One purpose of this legislation is to give added protection to investors by improving the reliability and accuracy of corporate disclosures. As a foreign private issuer, Shell Canada will comply with this new legislation as required. The Company's existing controls and processes provide an excellent framework for certification under this Act.

In 2002, Shell Canada formalized its Corporate Disclosure Policy in a document approved by the Board of Directors. The intent of this policy is to raise awareness of and ensure compliance inside the organization with disclosure requirements and practices, and legal and regulatory requirements. A disclosure policy committee is responsible for ensuring implementation of and adherence to the policy.

All employees at every level of the organization must understand and be accountable for upholding Shell Canada's Statement of General Business Principles and Code of Ethics. This document is the foundation of the Company's governance, controls and processes that, together, ensure and protect the integrity of all its business dealings. At the end of each quarter, senior managers prepare and sign a letter of assurance affirming that all financial and accounting transactions for their department have been described appropriately and are properly recorded.

RISK MANAGEMENT

Shell Canada conducts annual risk assessment reviews with each business and corporate management team, then consolidates the results. The reviews take place at the beginning of the annual planning cycle so that any action items may be incorporated into the budget and planning process.

Senior management identifies significant risks and reviews them with the Board of Directors. In addition, the Board receives operating and financial reports as well as quarterly reports on health, safety and sustainable development, commodity futures trading, and any interest rate and currency risk management.

Areas of risk identified by Shell Canada relate to project execution, operations, marketing, exploration and development, finance, health, safety and environment, and information technology system security. Senior management performs quarterly reviews to identify and monitor additional risk factors.

Project Execution

Every project undertaken by Shell Canada presents unique risks and challenges. Risks involving material costs, productivity, resource availability and foreign currency fluctuations are influenced by external factors beyond Shell's control. To mitigate these risks, the Company identifies project objectives and critical success factors, measures progress and incorporates flexibility into project plans. Shell monitors and measures progress to meet project objectives, identify critical success factors and achieve milestones.

Operations

Measures in place to mitigate operational risks for Shell Canada include regular maintenance programs, ongoing asset integrity reviews and retention of highly trained and experienced personnel. The varied nature and location of Shell's production facilities reduce the risk of more than one facility being inoperable at the same time.

Marketing

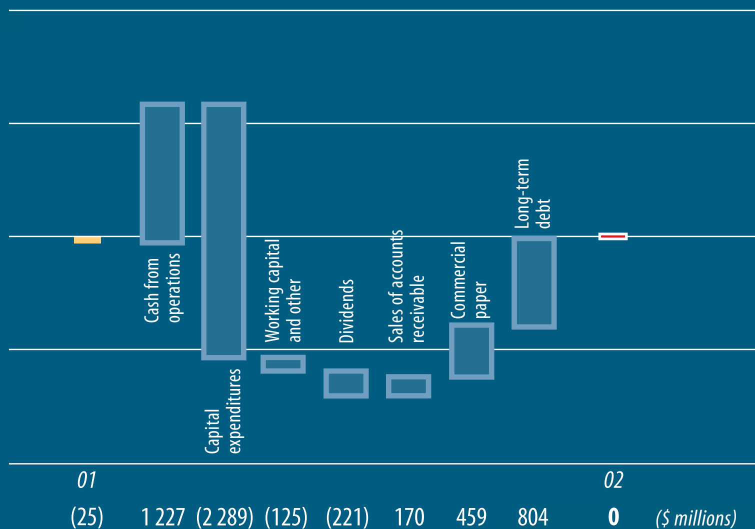
Risks in marketing include disruptions in supply and market accessibility, commodity price volatility and credit risk. Shell has negotiated several supply and transportation arrangements to secure product supply and access to markets. Within the guidelines established by the Board of Directors, hedging tools are used to manage supply and inventory price risk. The Company manages credit risk by regularly reviewing credit profiles of current customers and conducting assessments of new customers.

With completion of the largest capital spending program in its history, Shell Canada remains financially strong

Shell Canada conducts annual risk assessment reviews with each business and corporate management team

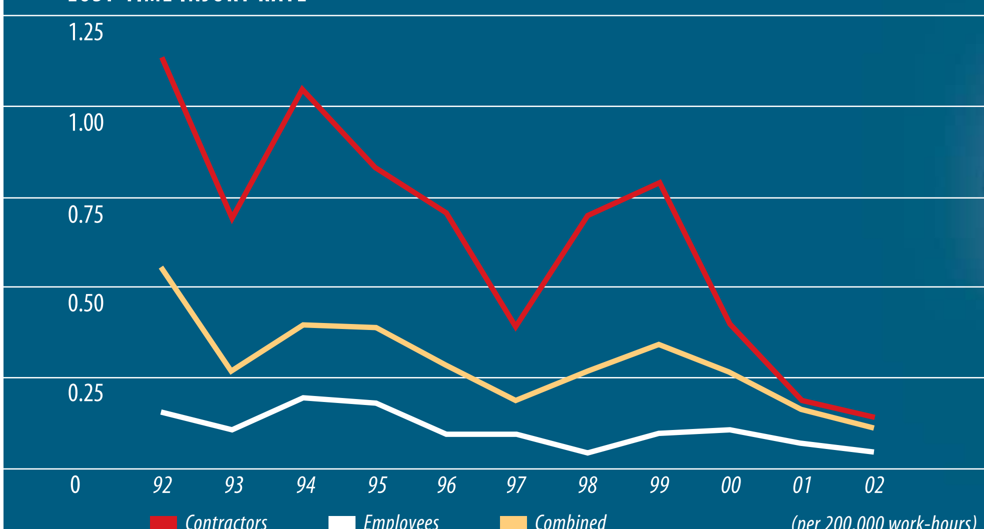
Investment in AOSP is the largest in Shell Canada's history.

2002 CASH FLOW MOVEMENT



Cash flow from operations along with short- and medium-term borrowing financed Shell's record capital spending.

LOST-TIME INJURY RATE



Shell continues to work towards its goal of no harm to people.

Exploration and Development

Exploration and development risks involve activities related to locating commercially viable reserves and carrying out successful drilling programs. The use of modern exploration technology, such as three-dimensional (3-D) seismic surveys, and risk analysis techniques mitigates risk. Shell's diverse portfolio of exploration opportunities ranging from the subarctic Northwest Territories to offshore Eastern Canada also helps to reduce risk.

Finance

Financial exposure risks result from currency and interest rate fluctuations.

Currency risk arises from fluctuation in foreign currency rates relative to the Canadian dollar. The resulting effect on earnings depends on the level of activity involving foreign currency. Shell conducts some commodity transactions priced in non-Canadian currency, mainly U.S. dollars. Netting foreign cash flow transactions across operations each month reduces foreign currency risk. For large capital projects, Shell hedges foreign currency capital commitments.

Interest rate fluctuations affect interest expense. Throughout 2002, the Company's debt was based on floating interest rates.

Shell uses risk control and risk financing techniques, including insurance, to protect Shell against losses due to accidents.

Health, Safety and Environment (HSE) and Sustainable Development

HSE exposure presents critical risks for Shell. The application of standards, procedures, training programs, audits and performance monitoring helps to prevent or minimize these risks. Shell Canada uses a comprehensive HSE management system to manage hazards and effects. Assessing the economic, environmental and social aspects of its projects and activities helps Shell to protect the robustness of its business and its licence to operate.

Information Technology Systems Security

Internet technologies, work force mobility and sophisticated tools for remote access have increased risks to data and information security. Investments in skilled, dependable staff, infrastructure tools and systems management practices manage the risk.

OPERATING EARNINGS SENSITIVITIES *(after-tax)*

		Increase (Decrease)
Resources		
Natural gas	10-cent US increase per million Btu *(Henry Hub)*	$ 12 million
Condensate	$1 US increase per barrel *(West Texas Intermediate)*	$ 4 million
Bitumen	$1 US increase per barrel *(West Texas Intermediate)*	$ 2 million
Sulphur	$1 Cdn increase per tonne	$ 1 million
Foothills natural gas production	Increase of 10 mmcf/day	$ 6 million
Oil Products		
Light oil sales margin	1/4-cent Cdn increase per litre	$ 23 million
Natural gas	10-cent US increase per million Btu *(Henry Hub)*	($ 3 million)
Oil Sands		
Crude oil	$1 US increase per barrel *(West Texas Intermediate)*	$ 25 million
Natural gas	10-cent US increase per million Btu *(Henry Hub)*	($ 2 million)
Equity production	Increase of 1,000 bbl/day	$ 3 million
Shell Canada Exchange Rate *(Total)*	1-cent improvement in $Cdn vs. $US	($ 20 million)

HEALTH, SAFETY, ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

Shell Canada is committed to contributing to sustainable development through the integration of economic, environmental and social considerations in its business decision-making process. This requires the Company to understand and try to meet society's expectations.

Health and Safety

Respecting and Safeguarding People

Shell Canada pursues the goal of no harm to people. So it was with profound regret that the Company experienced two worker fatalities in 2002.

Shell measures its health and safety performance by the frequency of employee and contractor incidents relative to hours worked. The total recordable injury frequency for employees and contractors in 2002 was 1.05 per 200,000 work-hours compared with 1.27 the previous year. In 2002, the total lost-time injury frequency for employees and contractors was 0.11 per 200,000 work-hours compared with 0.16 in 2001, and is the best ever recorded for Shell Canada. By comparison, the overall Canadian industry average for lost-time injury frequency (in 1998) was 2.62.

Shell Bridge over Talfourd Creek near the Sarnia Manufacturing Centre is an important part of the community's St. Clair River trail.

Brockville Lubricants Plant received the 2002 President's Safety Award. This award recognizes the department or operating unit with the most outstanding safety performance and overall approach to safety management.

Brockville demonstrated excellence in safety performance, with exceptional worker involvement, innovation and ownership in addressing performance issues. The plant is a model of highly effective teams, committed to identifying and resolving potential safety hazards.

SAFETY PERFORMANCE

	Lost-Time Injuries	*Frequency of Lost-Time Injuries*	*Frequency of Total Recordable Injuries*
2002			
Employees	**2**	**0.04**	**0.70**
Contractors	**22**	**0.13**	**1.16**
Combined	**24**	**0.11**	**1.05**
2001			
Employees	2	0.06	0.54
Contractors	23	0.18	1.48
Combined	25	0.16	1.27

Protecting the Environment

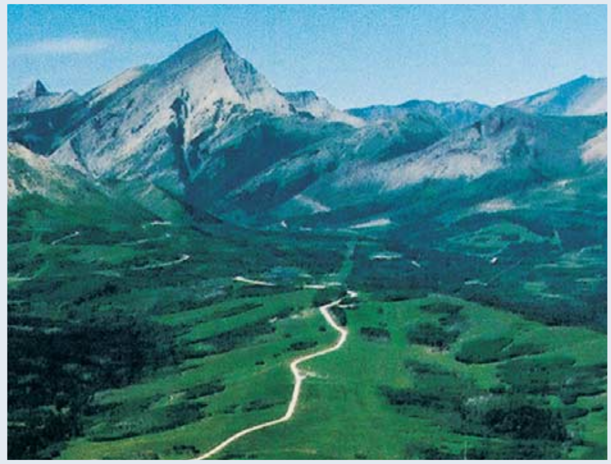
Greenhouse Gas (GHG) Emissions Management

With the ratification of the Kyoto Protocol, Canada has set aggressive GHG reduction targets for the country. Shell Canada has been taking action on climate change for over a decade and is well positioned to participate in and respond to GHG policy development. Each business unit has developed its own GHG management plan, which considers Shell's voluntary commitment and will help the Company respond to the emerging federal government policy for GHG management by industry.

Since achieving its 2000 target of stabilizing the GHG emissions for existing businesses at 1990 levels, Shell Canada has committed to a further six per cent reduction by 2008 for its 2000 base business. In 2002, the GHG emissions were approximately 240,000 tonnes below those in 2000.

For the fourth consecutive year, Shell Canada's Voluntary Climate Change Action Plan Update to the Voluntary Challenge and Registry Inc. (VCR) gained the highest recognition for reporting status (gold).

The Shell Canada Climate Change Advisory Panel met twice in 2002. Panel members include Shell Canada's president, a Shell International representative, and representatives of local communities as well as national and international environmental organizations. They provide input to Shell Canada's strategy for managing climate change. This strategy, which was approved in September 2001, sets out the Company's vision, plans and actions to manage Shell's role in climate change.



The location of Shell's Waterton field facilities underscores the importance of sound environmental management.

Managing Resources

Resources met its target to improve energy use by 1.6 per cent. Oil Products refineries continued their progress towards a target of five per cent energy efficiency improvement between 2000 and 2005.

Since the end of 2000, Shell Canada has purchased the output from three wind turbines in southern Alberta. While this is quite a small contribution to the Company's total electricity requirement, it has been important to the consideration of opportunities for energy diversification. Shell's business strategy includes exploring opportunities to develop, own and operate wind farms in Canada.

Health, Safety and Environment (HSE) Management System

Shell Canada has a systematic approach to identifying and preventing or minimizing health, safety and environmental hazards and effects throughout its operations and activities. Since 2001, Shell Canada has been registered as an ISO 14001 company for all its key operating facilities. These include four natural gas plants, three oil refineries, two lubricants manufacturing plants, and one heavy oil production facility, plus well construction and geophysical operations. The environmental management systems for the Corporate and Resources business units are also ISO 14001 registered. ISO 14001 is a voluntary, internationally recognized standard that is applicable to various industries worldwide.

TECHNOLOGY AND ASSET INTEGRITY

Technology experts provide technical and engineering support to secure the best possible performance from Shell's assets and new business opportunities. This expertise enables Shell to operate its refineries, gas plants, oil sands plants and other facilities efficiently and safely, as well as reduce any potential impact on the environment. The availability and application of this technical expertise and the development of creative solutions to technical problems has saved money for the Company.

Access to the worldwide research and technical support capabilities of the Royal Dutch/Shell Group of Companies augments Shell Canada's capabilities.

Asset integrity requires reviews of Shell's management systems as well as HSE and technical integrity management audits of the Company's facilities.

Piikani Elder Margaret Plain Eagle shares her knowledge with Shell Canada in an historical resources impact assessment of a proposed pipeline route.

e-BUSINESS

Shell Canada continued its successful deployment of applications and business processes where the speed and reach of the Internet could improve efficiency and cost-effectiveness while enhancing communication with customers, suppliers, partners, government and employees.

e-Business applications implemented in 2002 include:

- *a portal that provides a single information window for all Oil Sands locations, joint venture owners and business associates;*
- *the sale of lubricants and bulk fuels on-line to Oil Products commercial customers;*
- *on-line reporting of Resources production volumes to the Petroleum Registry of Alberta; and*
- *a customer portal for on-line ordering, tracking, invoicing and reporting of Resources natural gas liquids.*

COMMUNITY INVOLVEMENT

In support of Shell Canada's commitment to the social dimension of sustainable development, the Company donated a total of $7.3 million to not-for-profit organizations across Canada. The funds supported environmental and educational programs as well as local communities where employees, retirees and marketing associates live and work.

For example, in 2002 Shell pledged more than $1.3 million to post-secondary education over a three-year period. One such pledge of $100,000 was to the *Lambton College Targets Excellence in Education* campaign. Campaign funds will be used to upgrade and renovate the college to ensure it remains a leader in education in the Sarnia-Lambton area of Ontario. The college will apply Shell's donation to the area of chemical production technology. In addition to financial support, Shell's Sarnia Manufacturing Centre continues to provide cooperative education opportunities for Lambton College students.

Combining protection of biodiversity with a 2002 summer employment program for university and college students, Shell Canada partnered with the Nature Conservancy of Canada (NCC) in a new initiative called the Shell Conservation Internship program. Through this program, the NCC hired 16 students of environmental sciences at universities and colleges across Canada to conduct stewardship work on its properties. At the end of their work term, the students joined Shell executives and staff for a two-day workshop on conservation, sustainable development, and renewable energy and fossil fuels.

Meherzad Romer is a student who took part in the Shell Conservation Internship Program.

The 12-year-old Shell Environmental Fund (SEF) continued to support innovative environmental projects in 2002. Since its inception in 1990, the SEF has granted $9.4 million to more than 3,400 community projects, such as habitat restoration, energy conservation, waste reduction, recycling, trail building and educational initiatives.

The Company matched the money raised by employees and retirees for donations totalling $2.6 million

In 2002, one SEF grant to the Alberta Conservation Association of Caroline, Alberta, helped to reintroduce the northern leopard frog into areas from which it has disappeared. Once found throughout central and southern Alberta, this species of amphibian is officially designated “threatened” under Alberta’s Wildlife Act. Employees from Shell’s Caroline complex near Sundre helped to move individual frogs from existing breeding populations in southern Alberta to other areas. And in Ontario, the Uxbridge Public School purchased a small demonstration solar- and wind-powered electric system with funds from an SEF grant. The system enabled conversion of an unused portable classroom into a science laboratory and greenhouse, which was opened in September 2002.

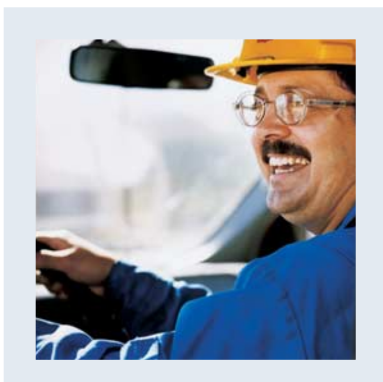
The Shell Community Service Fund (CSF) continues to support the growing volunteer efforts of the Company’s employees, retirees and marketing partners. In 2002, the CSF awarded $430,000 to more than 300 community organizations with which Shell people volunteer.

Shell Canada again conducted United Way campaigns across the country. The Company matched the money raised by employees and retirees for donations totalling $2.6 million. The Calgary and area campaign broke Shell’s 2001 record with a donation of just over $2 million and included 278 Leaders of the Way, who contributed $1,000 or more. Approximately 930 volunteers gave 4,700 hours to support United Way agencies in their communities through Days of Caring.

HUMAN RESOURCES DEVELOPMENT

Shell Canada's commitment to building a positive reputation based on sustainable development and a framework of ethical business principles helps the Company to attract and retain motivated and highly skilled employees. Shell actively encourages all its employees to embrace diversity and, in 2002, published its first annual diversity report. Shell also fosters mutual respect and strives to treat people fairly on the basis of merit. The Company's Ombuds office is a valuable resource in support of these efforts.

Another important goal is to train, develop and reward employees appropriately. Shell provides a wide variety of local, in-house opportunities for training and development, including world-class technical and leadership development programs through the Royal Dutch/ Shell Group of Companies. Employees are encouraged to manage their careers using a career development system, which includes coaching, career and skills discussions, and open job posting.



Marty Ouellette is a rotating craft mechanic at Shell's Waterton Complex.

The annual employee survey, which incorporates upward appraisal, helps to identify employee concerns. It provides management the opportunity to continuously improve the work environment. Employee participation in the annual survey increased again from 77 per cent response rate in 2001 to 82 per cent in 2002. Overall survey results also showed improvement; in 2002, 77 per cent of employees gave the Company a "favourable" score, up one percentage point from 2001. The survey results are benchmarked against other companies both within and outside the oil and gas industry.

Selected from 47,000 organizations, Shell Canada will appear in Canada's Top 100 Employers for the third consecutive year. And, for the first time, a national business magazine has placed Shell among the 50 Best Companies to Work For in Canada.

A company-wide performance management system aligns individual activities with the overall corporate direction. Employees share in the Company's success through a results pay system based on a scorecard. The scorecard covers a range of financial performance measures, including competitive ranking. It also includes Shell's relationship with its customers and overall reputation as well as health, safety, environment and sustainable development. In addition, management compensation is now linked to specific objectives relating to the attraction and retention of employees. By the end of 2002, 1,410 employees, or more than 35 per cent of the workforce, were participating in the Employee Share Purchase Plan introduced in 2001 as an additional incentive for employees to become involved in the fortunes of the Company.

The Company regularly reviews and improves its leadership succession and development planning processes. The senior management team takes steps to equip tomorrow's leaders with the skills and experience necessary for them to meet future business challenges.

■ MANAGEMENT'S REPORT

To the Shareholders of Shell Canada Limited

The management of Shell Canada Limited is responsible for the preparation of all information included in this Annual Report. The consolidated financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on management's informed judgments and estimates. Financial information included elsewhere in this Annual Report is consistent with the consolidated financial statements.

To assist management in fulfilling its responsibilities, a system of internal accounting controls has been established to provide reasonable assurance that the consolidated financial statements are accurate and reliable and that assets are safeguarded. Management believes that this system of internal control has operated effectively for the year ended December 31, 2002.

PricewaterhouseCoopers LLP, Chartered Accountants, appointed by the shareholders, have audited the financial statements and conducted a review of internal accounting policies and procedures to the extent required by generally accepted auditing standards and performed such tests as they deemed necessary to enable them to express an opinion on the consolidated financial statements.

The Board of Directors, through its Audit Committee, is responsible for ensuring that management fulfills its financial reporting responsibilities. The Audit Committee is composed of independent directors who are not employees of the Corporation. The committee reviews the financial content of the Annual Report and meets regularly with management, internal audit and PricewaterhouseCoopers LLP to discuss internal controls, accounting, auditing and financial matters. The committee recommends the appointment of the external auditors. The committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements for issuance to the shareholders.

T. W. Faithfull

Timothy W. Faithfull
President and Chief Executive Officer

S. Støtvig

Steinar Støtvig
Chief Financial Officer

Matt Haney

Matthew B. Haney
Controller

January 31, 2003

■ AUDITORS' REPORT

To the Shareholders of Shell Canada Limited

We have audited the consolidated balance sheets of Shell Canada Limited as at December 31, 2002, 2001 and 2000 and the consolidated statements of earnings and retained earnings and cash flows for each of the years in the three-year period ended December 31, 2002. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002, 2001 and 2000 and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2002, in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Accountants
Calgary, Alberta

January 31, 2003

■ CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

Year ended December 31 ($ millions)	**2002**	2001	2000	1999	1998
			(restated)	*(restated)*	*(restated)*
REVENUES					
Sales and other operating revenues	**7 232**	7 658	8 100	5 286	4 449
Dividends, interest and other income	**82**	72	89	93	57
Total revenues	**7 314**	7 730	8 189	5 379	4 506
EXPENSES					
Purchased crude oil, petroleum products and other merchandise	**4 661**	4 627	5 166	3 205	2 372
Operating, selling and general	**1 222**	1 104	1 086	1 053	1 039
Exploration	**123**	81	42	70	57
Depreciation, depletion, amortization and retirements	**390**	318	366	254	265
Interest on long-term debt	**19**	5	44	49	69
Other interest and financing charges	**30**	12	17	(35)	57
Total expenses	**6 445**	6 147	6 721	4 596	3 859
Asset sales and rationalization	**–**	–	–	367	–
EARNINGS					
Earnings before income tax	**869**	1 583	1 468	1 150	647
Current income tax	**135**	472	607	369	165
Future income tax	**173**	101	(2)	103	52
Total income tax *(Note 4)*	**308**	573	605	472	217
Earnings	**561**	1 010	863	678	430
Per Common Share *(dollars) (Note 13)*					
Earnings – basic	**2.03**	3.67	3.06	2.35	1.48
Earnings – diluted	**2.02**	3.65	3.05	2.34	1.48
RETAINED EARNINGS					
Balance at beginning of year	**4 268**	3 478	3 357	2 889	2 690
Implementation of accounting standard *(Note 4)*	**–**	–	(61)	–	–
Earnings	**561**	1 010	863	678	430
	4 829	4 488	4 159	3 567	3 120
Common Shares buy-back *(Note 3)*	**–**	–	466	2	22
Dividends	**221**	220	215	208	209
Balance at end of year	**4 608**	4 268	3 478	3 357	2 889

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended December 31 ($ millions)	**2002**	2001	2000	1999	1998
			(restated)	*(restated)*	*(restated)*
CASH FROM OPERATING ACTIVITIES					
Earnings	**561**	1 010	863	678	430
Exploration	**123**	81	42	70	57
Non-cash items					
Depreciation, depletion, amortization and retirements	**390**	318	366	254	265
Asset sales and rationalization	**–**	–	–	(367)	–
Current tax related to major property disposal	**–**	–	–	155	–
Future income tax	**173**	101	(2)	103	52
Other items	**(20)**	(15)	(14)	(98)	41
Cash flow from operations	**1 227**	1 495	1 255	795	845
Movement in working capital and other from operating activities	**186**	178	76	227	(301)
	1 413	1 673	1 331	1 022	544
CASH INVESTED					
Capital and exploration expenditures	**(2 289)**	(2 027)	(1 153)	(715)	(796)
Movement in working capital from investing activities	**(67)**	(60)	188	21	16
	(2 356)	(2 087)	(965)	(694)	(780)
Proceeds on disposal of properties, plant and equipment	**3**	59	16	951	253
Investments, long-term receivables and other	**(87)**	(42)	(28)	26	(85)
	(2 440)	(2 070)	(977)	283	(612)
CASH FROM FINANCING ACTIVITIES					
Common Shares buy-back *(Note 3)*	**–**	–	(490)	(2)	(24)
Proceeds from exercise of Common Share stock options	**10**	5	5	4	1
Dividends paid	**(221)**	(220)	(215)	(208)	(209)
Long-term debt and other	**804**	(377)	49	(375)	6
Short-term financing	**459**	212	–	–	–
	1 052	(380)	(651)	(581)	(226)
Increase (decrease) in cash	**25**	(777)	(297)	724	(294)
Cash at beginning of year	**(25)**	752	1 049	325	619
Cash at end of year[1]	**–**	(25)	752	1 049	325
Supplemental disclosure of cash flow information					
Dividends received	**15**	11	13	46	21
Interest received	**35**	21	50	13	27
Interest paid	**45**	33	43	52	67
Income tax paid	**285**	692	559	162	464

[1] *Cash comprises cash and highly liquid short-term investments less bank overdraft.*

■ CONSOLIDATED BALANCE SHEET

As at December 31 ($ millions)	**2002**	2001	2000	1999	1998
			(restated)	*(restated)*	*(restated)*
ASSETS					
Current assets					
Cash and short-term investments	**–**	(25)	752	299	325
Loan to SPCO *(Note 10)*	**–**	–	–	750	–
Accounts receivable	**497**	415	1 119	889	627
Inventories					
Crude oil, products and merchandise	**440**	473	440	464	545
Materials and supplies	**75**	57	47	49	49
Prepaid expenses	**93**	159	157	121	122
	1 105	1 079	2 515	2 572	1 668
Investments, long-term receivables and other	**414**	305	255	219	198
Properties, plant and equipment *(Note 2)*	**7 836**	6 075	4 496	3 783	3 946
Total assets	**9 355**	7 459	7 266	6 574	5 812
LIABILITIES					
Current liabilities					
Short-term borrowings	**671**	212	–	–	–
Accounts payable and accrued liabilities	**1 223**	1 012	1 346	916	656
Income and other taxes payable	**115**	211	404	391	10
Current portion of site restoration and other long-term obligations	**19**	21	20	21	21
Current portion of long-term debt	**402**	2	450	2	367
	2 430	1 458	2 220	1 330	1 054
Site restoration and other long-term obligations *(Note 7)*	**193**	195	205	183	188
Long-term debt *(Note 6)*	**523**	119	51	448	495
Future income tax	**1 132**	959	857	783	717
Total liabilities	**4 278**	2 731	3 333	2 744	2 454
Commitments and contingencies *(Note 11)*					
SHAREHOLDERS' EQUITY					
Capital stock *(Note 3)*					
100 4% Preference Shares	**1**	1	1	1	1
275 908 290 Common Shares (2001 – 275 514 500; 2000 – 275 274 286)	**468**	459	454	472	468
	469	460	455	473	469
Retained earnings	**4 608**	4 268	3 478	3 357	2 889
Total shareholders' equity	**5 077**	4 728	3 933	3 830	3 358
Total liabilities and shareholders' equity	**9 355**	7 459	7 266	6 574	5 812

The consolidated financial statements have been approved by the Board of Directors.

T. W. Faithfull

Timothy W. Faithfull
Director

R. T. Stewart

Robert T. Stewart
Director

Shell Canada's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada. The Corporation's major accounting policies are summarized as follows:

1. ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Shell Canada Limited and its subsidiary companies. The financial statements reflect the Corporation's proportionate interests in joint ventures.

INVENTORIES

Inventories of crude oil, products and merchandise are stated at the lower of cost, applied on the Last-In, First-Out (LIFO) basis, or net realizable value. Materials and supplies are stated at the lower of cost or estimated useful value.

INVESTMENTS

Investments in companies over which Shell Canada exercises significant influence are accounted for using the equity method. Accordingly, the book value of the investment in such companies equals the original cost of the investment, plus Shell Canada's share of earnings since the investment date, less dividends received. Other long-term investments are recorded at cost. Short-term investments are carried at the lower of cost or market value and are highly liquid securities with a maturity of three months or less when purchased.

EXPLORATION AND DEVELOPMENT COSTS

The Corporation follows the successful efforts method of accounting for exploration and development activities. Under this method, acquisition costs of resource properties are capitalized. Exploratory drilling costs are initially capitalized and costs relating to wells subsequently determined to be unsuccessful are charged to earnings. Other exploration costs are charged to earnings. All development costs are capitalized.

DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation and depletion on resource and mining assets are provided on the unit-of-production basis. Land and lease costs relating to producing properties and costs of gas plants are depleted and depreciated over remaining proved reserves. Resource and mining development costs are depleted and depreciated over remaining proved developed reserves. A valuation allowance for unproved properties is provided through amortization of costs; the amortization rate is determined in accordance with experience. Costs relating to refinery, upgrader, distribution, marketing and non-resource assets are depreciated on the straight-line basis over each asset's estimated useful life.

SITE RESTORATION

Estimated site restoration costs are provided for on either the unit-of-production or the straight-line basis over the useful life of the related assets. Costs are based on engineering estimates of the anticipated method and extent of site restoration, in accordance with current legislation, industry practices and costs. Provision is being made for site restoration costs that the Corporation expects to incur within the foreseeable future and that can be reasonably estimated.

INTEREST

Interest costs are expensed as incurred.

REVENUES

Revenues are recognized upon delivery. Inter-segment sales, which are accounted for at estimated market-related values, are included in revenues of the segment making the transfer. On consolidation, such inter-segment sales and any associated estimated profits in inventory are eliminated.

ROYALTIES AND MINERAL TAXES

All royalty entitlements and mineral taxes are reflected as reductions in sales and other operating revenues.

EMPLOYEE FUTURE BENEFITS

The costs of pension and other retirement benefits are actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, retirement ages of employees and expected health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at a market-related value. The excess of the net actuarial gain or loss over 10 per cent of the greater of the benefit obligation and the market-related value of plan assets is amortized over the average remaining service period of active employees.

FOREIGN CURRENCY TRANSLATION

Monetary items are translated to Canadian dollars at rates of exchange in effect at the end of the period. The gains and losses on the translation of foreign denominated monetary items are charged to earnings.

FINANCIAL INSTRUMENTS

Financial instruments including cash, marketable securities and short-term borrowings are recorded at historical cost.

DERIVATIVE INSTRUMENTS

The Company uses derivative instruments in the management of its foreign currency, interest rate and commodity price exposures. The Company does not use derivative instruments for speculative purposes.

Foreign exchange contracts are used to hedge certain foreign purchases and sales. Those foreign transactions are recorded in the financial statements in Canadian dollars at the rate specified in the forward contract. Exchange gains and losses on the contracts offset the gains and losses on the initial transaction.

Interest rate swaps are used to manage interest rate exposure. Differentials under interest rate swap arrangements are recognized by adjustments to interest expense.

Energy futures are used to reduce exposure to price fluctuations in some contractual energy purchases and sales. Any gain or loss on these transactions is applied to the cost of the products purchased or sold.

STOCK-BASED COMPENSATION PLANS

The Corporation has a stock-based compensation plan, which is described in *Note 3*. No compensation expense is recognized for this plan when stock or stock options are issued to employees. Any consideration paid by employees on exercise of stock options or purchase of stock is credited to share capital.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in the preparation of these financial statements include the estimate of proved oil and gas reserves, site restoration and employee future benefits.

CHANGE IN ACCOUNTING POLICY

Effective January 1, 2002, the Corporation adopted the new Canadian accounting standard for foreign currency translation, which eliminates the deferral and amortization of translation gains and losses. The new standard has been applied retroactively and financial statements of prior periods have been restated. The impact on 2002 earnings was nil (2001 – nil; 2000 – $5 million increase). Opening retained earnings for 2000 were decreased by $5 million.

RECLASSIFICATION

Certain information provided for prior years has been reclassified to conform to the current presentation.

2. SEGMENTED INFORMATION

The operating segments are those adopted by senior management of the Corporation to determine resource allocations and assess performance. In all material respects, the segmented information is applied consistently in accordance with the Corporation's significant accounting policies. The Corporation's revenues are attributed principally to Canada where all of its major properties, plants and equipment are located.

Segmented financial results and properties, plant and equipment data are reported as if the segments were separate entities.

EARNINGS *($ millions)*

TOTAL				RESOURCES		
2002	2001	2000 *(restated)*		**2002**	2001	2000
867	1 260	988	Natural gas	**867**	1 260	988
530	619	757	Natural gas liquids	**530**	619	757
77	36	42	Crude oil and bitumen	**74**	36	42
(234)	(371)	(337)	Royalties	**(234)**	(371)	(337)
2 848	2 885	3 025	Gasolines	**–**	–	–
1 984	2 157	2 434	Middle distillates	**–**	–	–
921	858	1 018	Other products	**26**	(6)	76
321	286	262	Other revenues	**39**	40	5
–	–	–	Inter-segment sales	**82**	67	69
7 314	7 730	8 189	**Total revenues**	**1 384**	1 645	1 600
4 661	4 627	5 166	Purchased crude oil, petroleum products and other merchandise	**–**	–	–
–	–	–	Inter-segment purchases	**104**	143	151
1 222	1 104	1 086	Operating, selling and general	**324**	277	275
123	81	42	Exploration	**123**	81	42
390	318	366	Depreciation, depletion, amortization and retirements	**224**	172	189
19	5	44	Interest on long-term debt	**–**	–	–
30	12	17	Other interest and financing charges	**–**	–	–
6 445	6 147	6 721	**Total expenses**	**775**	673	657
869	1 583	1 468	Earnings (loss) before income tax	**609**	972	943
135	472	607	Current income tax	**215**	409	362
173	101	(2)	Future income tax	**7**	(37)	45
308	573	605	Total income tax	**222**	372	407
561	1 010	863	**Earnings (loss)**	**387**	600	536

The Corporation has the following segments:

Resources includes exploration, production and marketing activities for natural gas, natural gas liquids, bitumen, crude oil and sulphur.

Oil Sands includes mining and extraction of bitumen, upgrading of bitumen to synthetic crude oils and marketing of products.

Oil Products includes the manufacturing, distribution and selling of the Corporation's refined petroleum products.

Corporate includes controllership, financing, administration and general corporate facility management.

OIL SANDS			OIL PRODUCTS			CORPORATE		
2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
								(restated)
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
3	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**2 848**	2 885	3 025	**–**	–	–
–	–	–	**1 984**	2 157	2 434	**–**	–	–
–	–	–	**895**	864	942	**–**	–	–
–	–	–	**236**	191	188	**46**	55	69
–	–	–	**108**	143	151	**–**	–	–
3	–	–	**6 071**	6 240	6 740	**46**	55	69
(1)	–	–	**4 665**	4 627	5 166	**(3)**	–	–
1	–	–	**82**	67	69	**3**	–	–
3	–	–	**868**	803	783	**27**	24	28
–	–	–	**–**	–	–	**–**	–	–
1	–	–	**164**	148	176	**1**	(2)	1
–	–	–	**–**	–	–	**19**	5	44
–	–	–	**–**	–	–	**30**	12	17
4	–	–	**5 779**	5 645	6 194	**77**	39	90
(1)	–	–	**292**	595	546	**(31)**	16	(21)
(193)	(33)	(6)	**134**	95	269	**(21)**	1	(18)
197	33	6	**(40)**	99	(63)	**9**	6	10
4	–	–	**94**	194	206	**(12)**	7	(8)
(5)	–	–	**198**	401	340	**(19)**	9	(13)

2. SEGMENTED INFORMATION *(continued)*

CASH FLOW *($ millions)*

TOTAL 2002	2001	2000		RESOURCES 2002	2001	2000
		(restated)				
1 227	1 495	1 255	Cash flow from operations	**740**	812	808
186	178	76	Movement in working capital and other from operating activities	**(33)**	(99)	(206)
1 413	1 673	1 331	**Cash from operating activities**	**707**	713	602
(2 289)	(2 027)	(1 153)	Capital and exploration expenditures	**(389)**	(366)	(254)
(67)	(60)	188	Movement in working capital from investing activities	**(7)**	30	37
(2 356)	(2 087)	(965)		**(396)**	(336)	(217)
(84)	17	(12)	Other cash invested	**(19)**	35	7
1 052	(380)	(651)	Cash from financing activities	**(3)**	1	4
25	(777)	(297)	**Increase (decrease) in cash**	**289**	413	396

CAPITAL EMPLOYED *($ millions except as noted)*

TOTAL 2002	2001	2000		RESOURCES 2002	2001	2000
12 382	10 289	8 478	Properties, plant and equipment at cost	**4 405**	4 153	3 954
4 546	4 214	3 982	Accumulated depreciation, depletion and amortization	**2 226**	2 015	1 893
7 836	6 075	4 496	Net properties, plant and equipment	**2 179**	2 138	2 061
(1 162)	(1 014)	(63)	Other assets less other liabilities	**(454)**	(542)	(653)
6 674	5 061	4 433	**Capital employed**	**1 725**	1 596	1 408
10.1	21.5	20.4	**Return on average capital employed *(%)*** [1]	**23.3**	39.9	38.7

[1] *Return on average capital employed (ROACE) is earnings plus after-tax interest expense divided by the average of opening and closing capital employed for the 12 months to December 31. Capital employed is a total of equity, long-term debt and short-term borrowings.*

OIL SANDS			OIL PRODUCTS			CORPORATE		
2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
								(restated)
193	33	6	**303**	637	429	**(9)**	13	12
(193)	–	–	**297**	165	(60)	**115**	112	342
–	33	6	**600**	802	369	**106**	125	354
(1 460)	(1 313)	(606)	**(433)**	(343)	(279)	**(7)**	(5)	(14)
(38)	(66)	151	**(22)**	(24)	–	**–**	–	–
(1 498)	(1 379)	(455)	**(455)**	(367)	(279)	**(7)**	(5)	(14)
(14)	(4)	14	**(77)**	(6)	22	**26**	(8)	(55)
–	3	2	**8**	3	11	**1 047**	(387)	(668)
(1 512)	(1 347)	(433)	**76**	432	123	**1 172**	(275)	(383)

OIL SANDS			OIL PRODUCTS			CORPORATE		
2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
3 520	2 083	770	**4 363**	3 963	3 656	**94**	90	98
2	–	–	**2 255**	2 137	2 025	**63**	62	64
3 518	2 083	770	**2 108**	1 826	1 631	**31**	28	34
(138)	(172)	(206)	**(195)**	(37)	187	**(375)**	(263)	609
3 380	1 911	564	**1 913**	1 789	1 818	**(344)**	(235)	643
–	–	–	**10.7**	22.2	19.6	**–**	–	–

3. CAPITAL STOCK AND STOCK-BASED COMPENSATION

Shell Canada Limited carries on business under the Canada Business Corporations Act. Common Shares are without nominal or par value and are authorized in unlimited number.

The holder of the four per cent Preference Shares receives fixed, cumulative dividends of $40,000 per annum. The Preference Shares may be redeemed at the amount paid up thereon plus accrued dividends.

Under the Long-Term Incentive Plan, the Company may grant options to executives and other employees. The exercise price of each option equals the market price of the Company's stock on the date of grant and the maximum term of an option is 10 years. Options may not be exercised during the one-year period following the date of grant, after which time one-third of the options may be exercised in each of the next three years on a cumulative basis. For executives, 50 per cent of the options are based on the Company's Total Shareholder Return (TSR). For the option to vest, the TSR must exceed the average TSR of the Corporation's comparator group at the end of the three-year period after being granted. If the Corporation's TSR does not meet the target, the Long-Term Incentive Subcommittee may determine, in its sole discretion, that all or a portion of the options granted shall vest. If the options vest, they must be exercised within seven years of the date of vesting.

At December 31, 2002, the Company had 8,746,667 shares reserved to meet outstanding options for the purchase of Common Shares.

Effective January 1, 2002, the Corporation adopted the new Canadian accounting standard for stock-based compensation plans. The new standard has been applied prospectively and the financial statements have not been restated. No expense related to the stock compensation plan is included in earnings.

In 2002, the Company granted 1,567,000 options with an exercise price of $44.70. The fair value of the options granted in 2002 was estimated using the Black-Scholes model with the following assumptions: risk-free interest rate of 5.42 per cent, expected life of five years, volatility of 22.1 per cent and a dividend yield of 1.9 per cent.

Had the Company included the effects of stock-based compensation in earnings for 2002, after-tax earnings and basic earnings per share would have decreased by $8 million to $553 million or by $0.03 to $2.00, respectively. No effect was included for awards granted prior to January 1, 2002.

On May 10, 2000, the Company initiated a normal course issuer bid for up to five per cent of its outstanding Common Shares. The bid was terminated on September 18, 2000, at which time 14,358,509 shares, five per cent, had been repurchased at an average price of $34.02, for a total cost of $489 million. Shell Investments Limited (SIL), a related company as described on page 77 of this report, owns approximately 78 per cent of the outstanding Common Shares of Shell Canada Limited, and participated in the share purchase program. SIL sold 11,199,552 Shell Canada Limited Common Shares, maintaining its existing ownership interest.

An earlier normal course issuer bid, which commenced August 17, 1999, was terminated May 4, 2000, concurrent with the announcement of the May 10, 2000 bid. Under the terminated bid, Shell purchased 110,100 shares at an average price of $29.78, for a total cost of $3 million, which includes $1 million of shares purchased in 2000.

COMMON SHARES	**2002**		2001		2000	
	Shares	*Dollars*	*Shares*	*Dollars*	*Shares*	*Dollars*
Balance at the beginning of the year	**275 514 500**	**458 793 830**	275 274 286	453 599 996	289 377 839	472 170 047
Activity during the year						
Options exercised	**393 790**	**8 972 144**	240 214	5 193 834	287 056	5 015 731
Normal course issuer bid	**–**	**–**	–	–	(14 390 609)	(23 585 782)
Balance at year-end	**275 908 290**	**467 765 974**	275 514 500	458 793 830	275 274 286	453 599 996

A summary of the status of the Company's stock option plans as at December 31, 2002, 2001 and 2000, and changes during the years ending on those dates is presented below:

STOCK OPTIONS

	2002		2001		2000	
	Options (thousands)	*Weighted Average Exercise Price (dollars)*	*Options (thousands)*	*Weighted Average Exercise Price (dollars)*	*Options (thousands)*	*Weighted Average Exercise Price (dollars)*
Outstanding at the beginning of the year	**3 616**	**28.48**	2 560	23.71	2 059	19.95
Granted	**1 567**	**44.70**	1 311	36.50	801	31.20
Exercised	**(394)**	**22.78**	(240)	21.61	(287)	17.47
Forfeited	**(12)**	**39.73**	(15)	32.01	(13)	26.53
Outstanding at year-end	**4 777**	**34.22**	3 616	28.48	2 560	23.71
Options exercisable at year-end	**1 958**		1 587		1 114	

Stock options outstanding at December 31, 2002:

	Options Outstanding			*Options Exercisable*	
Exercise Price	*Number Outstanding*	*Weighted Average Remaining Contractual Life (years)*	*Weighted Average Exercise Price (dollars)*	*Number Exercisable*	*Weighted Average Exercise Price (dollars)*
$10 to $18	351 750	3.2	15.52	351 750	15.52
$18 to $26	889 036	5.6	22.54	889 036	22.54
$26 to $34	734 766	7.1	31.20	371 605	31.20
$34 to $45	2 801 411	8.6	41.07	345 779	36.50
$10 to $45	**4 776 963**	7.4	34.22	**1 958 170**	25.39

4. INCOME TAX

The income tax provisions included in the determination of earnings are developed by applying Canadian federal and provincial statutory tax rates to pretax earnings, with adjustments as set out in the table below.

Effective January 1, 2000, the Company adopted the new Canadian accounting standard for income taxes. The Corporation adopted this standard retroactively without restating financial statements for prior periods. The effect, on the balance sheet, of the new recommendation was to increase the future income tax liability and decrease retained earnings by $61 million. The effect on net income for the period ended December 31, 2000, is not material.

The future income tax liability is substantially all related to the excess carrying value of property, plant, and equipment over the associated tax basis.

The Corporation has $165 million in capital losses for which no future income tax benefit has been recognized.

($ millions except as noted)	**2002**	2001	2000
			(restated)
Earnings before income tax	**869**	1 583	1 468
Basic corporate tax rate *(%)*	**40.8**	42.2	43.9
Income tax at basic rate	**355**	667	644
Increase (decrease) resulting from:			
Crown royalties and other payments to provinces	**83**	132	123
Resource allowance and other abatement measures	**(99)**	(146)	(137)
Manufacturing and processing credit	**(14)**	(30)	(32)
Changes in income tax rates	**(17)**	(33)	–
Other, including revisions in previous tax estimates	**–**	(17)	7
Total	**308**	573	605

5. TAXES, ROYALTIES AND OTHER

The following amounts were included in the determination of earnings:

($ millions)	**2002**	2001	2000
			(restated)
Items reported separately:			
Income tax	**308**	573	605
Items included in sales and other operating revenues and in operating, selling and general expenses:			
Crown royalties and mineral taxes	**193**	303	274
Royalties paid to private leaseholders	**41**	68	63
Other taxes	**51**	49	53
Research and development expense	**6**	5	7
Total	**599**	998	1 002

6. LONG-TERM DEBT

($ millions)	Issued	Maturity	2002	2001	2000
Debentures					
$8\frac{7}{8}$% ($300 US)		2001	–	–	448
Medium-Term Notes					
Floating rate note[1]	Feb 14, 2002	Dec 15, 2003	**250**	–	–
Floating rate note[1]	Mar 22, 2002	Mar 15, 2004	**140**	–	–
Floating rate note	Mar 22, 2002	Jun 15, 2004	**105**	–	–
Floating rate note[1]	Sep 24, 2002	Sep 24, 2003	**150**	–	–
Floating rate note	Sep 24, 2002	Sep 24, 2004	**100**	–	–
Capital leases		varying dates	**180**	121	53
			925	121	501
Included in current liabilities			**(402)**	(2)	(450)
Total			**523**	119	51

[1] *These floating rate note issues may be extended, at the holder's option, for an additional one-year term.*

Under the Medium-Term Note (MTN) Shelf Prospectus filed in December 2001, the Corporation issued five tranches of floating rate notes. In the first quarter of 2002, three tranches of floating rate notes totalling $495 million were issued. On August 9, 2002, the short-form MTN Shelf Prospectus was amended, increasing the aggregate principal amount of unsecured medium-term notes that may be offered under the Prospectus from $500 million to $1 billion. Subsequent to the amendment in the third quarter of 2002, two additional tranches totalling $250 million of floating rate notes were issued. Interest on the floating rate notes is paid quarterly at rates that range from 10 to 17 basis points above the three-month Canadian Dollar Offer Rate.

Capital leases include $175 million of incurred costs related to the hydrogen manufacturing unit, which will be used in connection with the Athabasca Oil Sands Project.

Repayments of obligations necessary during the next five years are as follows:

$ 402 million in 2003
$ 347 million in 2004
$ 1 million in 2005
$ 1 million in 2006
$ 1 million in 2007

7. SITE RESTORATION AND OTHER LONG-TERM OBLIGATIONS

($ millions)	2002	2001	2000
Site restoration[1]	**66**	68	78
Other employee future benefits	**121**	113	105
Other obligations	**25**	35	42
	212	216	225
Included in current liabilities	**(19)**	(21)	(20)
Total	**193**	195	205

[1] *Site restoration expenditures for 2002 were $8 million (2001 – $16 million; 2000 – $11 million).*

8. FINANCIAL INSTRUMENTS

($ millions)	Notional Fair Value[1] 2002	2001	2000	Unrealized Gain (Loss)[2] 2002	2001	2000
Commodity contracts	**80**	20	278	**1**	(19)	(59)
Foreign exchange contracts	**11**	44	475	**–**	1	2

($ millions)	Notional Fair Value[1] 2002	2001	2000	Carrying Value 2002	2001	2000
Interest rate swaps	**–**	–	–	**–**	–	–
Long-term debt[3]	**745**	–	510	**745**	–	500

[1] *Notional fair value is the product of the contract volume and the mark-to-market forward price. Purchase and sales positions have not been offset. Amounts disclosed represent the sum of the absolute values of the positions. The reported amounts of financial instruments such as cash equivalents, marketable securities and short-term debt approximate fair value.*

[2] *Unrealized gain or loss represents the gain or loss the Corporation would incur if the contract was liquidated at December 31.*

[3] *Long-term debt includes the current portion.*

The Corporation uses commodity contracts to reduce the risk of price fluctuations of some commodities. Over-the-counter contracts with terms generally no longer than one year are used. At December 31, commodity contracts outstanding were:

	2002		2001		2000	
($ millions except as noted)	Face Value	Volume[4]	Face Value	Volume[4]	Face Value	Volume[4]
Crude oil and refined products commitments	**79**	**1 683**	6	294	5	164
Natural gas commitments	**–**	**–**	–	–	116	18
Electricity commitments	**–**	**3**	33	356	65	711

[4] *Crude oil and refined product volumes are expressed as thousands of barrels, natural gas volumes as billions of cubic feet and electricity is denoted in thousands of megawatt hours.*

A portion of the Corporation's cash flow is in U.S. dollars. The U.S. dollar receipts are less than U.S. dollar disbursements primarily due to the cost of foreign crude cargoes exceeding U.S. dollar-denominated product sales. The resulting net shortage of U.S. dollars is funded through U.S. dollar spot, forward and swap contracts. These instruments generally mature in less than 30 days. U.S. dollar requirements for significant capital projects and some marketing transactions are funded through forward contracts with maturities generally of less than one year.

Non-performance by the other parties to the financial instruments exposes the Corporation to credit loss. The counterparties are domestic and international banks and corporations, all with credit ratings of "A" or better. There is no significant concentration of credit risk and Shell does not anticipate non-performance by the counterparties.

9. EMPLOYEE FUTURE BENEFITS

Employees initially participate in the defined contribution segment of the Corporation's pension plan. After meeting certain service requirements, employees can elect to participate in the defined benefit segment of the pension plan. Benefits from this segment are Company-paid and are based on years of service and final average earnings. In addition to the pension plan, life insurance and supplementary health and dental coverage benefits are provided to retirees.

ACCRUED BENEFIT OBLIGATION *($ millions)*

	2002		2001		2000	
	Pension Benefit Plans	*Other Benefit Plans*	*Pension Benefit Plans*	*Other Benefit Plans*	*Pension Benefit Plans*	*Other Benefit Plans*
Accrued benefit obligation as at January 1	**1 730**	**150**	1 548	135	1 416	132
Current service cost	**27**	**2**	24	2	22	1
Interest cost	**112**	**10**	98	9	101	9
Actuarial loss	**58**	**1**	74	(3)	127	(1)
Benefits paid	**(123)**	**(7)**	(120)	(7)	(118)	(6)
Change in assumption	**5**	**7**	106	14	–	–
Accrued benefit obligation as at December 31	**1 809**	**163**	1 730	150	1 548	135

Included in the above are unfunded obligations for the supplemental pension plan of $105 million (2001 – $92 million; 2000 – $68 million) and $30 million (2001 – $32 million; 2000 – $33 million) for the spousal pension plan.

PLAN ASSETS *($ millions)*

	2002		2001		2000	
Plan assets as at January 1	**1 786**	**–**	1 944	–	1 907	–
Actual return on plan assets	**(67)**	**–**	(49)	–	139	–
Employer contributions	**33**	**7**	8	7	7	6
Employee contributions	**2**	**–**	2	–	2	–
Transfers	**22**	**–**	5	–	14	–
Benefits paid	**(123)**	**(7)**	(120)	(7)	(118)	(6)
Expenses	**(5)**	**–**	(4)	–	(7)	–
Fair value as at December 31	**1 648**	**–**	1 786	–	1 944	–
Funded status – surplus (deficit)	**(161)**	**(163)**	56	(150)	396	(135)
Unamortized net (gain) losses	**710**	**15**	474	16	114	(1)
Unamortized transitional (asset) obligation[1]	**(215)**	**27**	(251)	30	(287)	33
Accrued benefit asset (obligation)	**334**	**(121)**	279	(104)	223	(103)

[1] *Unrecorded assets are amortized over the expected average remaining service life of employees, which is currently nine years (2001 – nine years; 2000 – nine years).*

9. EMPLOYEE FUTURE BENEFITS *(continued)*

(INCOME) EXPENSE *($ millions)*	**2002**		2001		2000	
	Pension Benefit Plans	*Other Benefit Plans*	*Pension Benefit Plans*	*Other Benefit Plans*	*Pension Benefit Plans*	*Other Benefit Plans*
Current service cost	**27**	**2**	24	2	22	2
Employee contributions	**(2)**	**–**	(2)	–	(2)	–
Interest cost	**112**	**10**	98	9	101	9
Expected return on plan assets	**(145)**	**–**	(143)	–	(132)	–
Amortization of transitional (asset) obligation	**(36)**	**3**	(36)	3	(36)	3
Amortization of net actuarial loss	**16**	**–**	–	–	–	–
Net (income) expense for plans	**(28)**	**15**	(59)	14	(47)	14
Defined contribution plan	**11**	**–**	10	–	–	–
Total	**(17)**	**15**	(49)	14	(47)	14

ASSUMPTIONS *(per cent)*	**2002**		2001		2000	
Discount rate	**6.6**	**6.6**	6.6	6.6	6.5	6.5
Long-term rate of return on plan assets	**8.0**	**–**	8.0	–	7.5	–
Rate of compensation growth	**3.1**	**3.1**	3.5	3.5	3.0	3.0

For the purpose of measuring the expected cost of other benefit plans, a 10 per cent annual rate of increase in the per-capita cost of covered health care benefits was assumed for 2002, decreasing each year to a rate of four per cent in 2007 and thereafter.

10. TRANSACTIONS WITH AFFILIATED COMPANIES

Shell Canada, in the course of its regular business activities, has routine transactions with affiliates. Such transactions are at commercial rates. The following transactions occurred with Shell International Trading Company and other affiliates of the Royal Dutch/Shell Group of Companies as at December 31:

($ millions)	**2002**	2001	2000
Purchases of crude oil, petroleum products and chemicals	**1 854**	1 802	2 032
Amounts payable in respect of such purchases	**220**	84	141
Sale of natural gas, petroleum products and chemicals	**1 154**	1 400	1 308
Amounts receivable in respect of such sales	**133**	99	200

The only material product purchase is crude oil, which comprises 94 per cent of total affiliated company purchases.

In December 2002, Shell Canada completed a non-recurring transaction with Shell Global Solutions International B.V. regarding the global Oil Products manufacturing cost sharing agreement. This transaction resulted in a $19 million after-tax gain.

Shell Investments Limited (SIL) is a wholly owned subsidiary of the Royal Dutch/Shell Group of Companies and owns about 78 per cent of the outstanding Common Shares of Shell Canada Limited. SIL participated in the share purchase program announced May 10, 2000, as outlined in *Note 3*.

In December 1999, the Corporation entered into a loan agreement with The Shell Petroleum Company, a wholly owned subsidiary of the Corporation's ultimate parents, under which it advanced $750 million Cdn at competitive Canadian short-term interest rates as part of its cash management activities. The loan matured in February 2000.

11. COMMITMENTS AND CONTINGENCIES

At December 31, 2002, the Corporation had non-cancellable operating and other long-term commitments with an initial or remaining term of one year or more. Future minimum payments under such commitments are estimated to be:

($ millions)	*Operating Commitments*[1]	*Other Long-Term Commitments*[2]
2003	46	629
2004	47	502
2005	44	455
2006	39	426
2007	40	422
thereafter	195	6 539[3]

1 *These operating commitments cover leases of service stations, mine equipment, office space and other facilities.*

2 *The Corporation has substantial commitments for use of facilities or services and supply and processing of products, all made in the normal course of business.*

3 *Includes an Oil Products commitment to purchase $4 billion of certain feedstocks from the Athabasca Oil Sands Project (AOSP) joint venture participants, $1.3 billion for pipeline charges and $1.2 billion of AOSP utilities and hydrogen commitments.*

The Corporation has a leasing arrangement for large mobile equipment (trucks, scrapers and shovels) in use at the Muskeg River Mine. A guarantee has been provided to the lessor in order to secure attractive leasing terms and is payable when the equipment is returned to the lessor. At December 31, 2002, the Corporation's share of the maximum payable under the guarantee was $65 million. However, any proceeds received from the sale of the equipment would offset any payment required under the guarantee. The guarantee is in place for the equipment lease term, which will continue for the next two to seven years.

As part of an aircraft leasing arrangement, the Corporation has provided a residual value guarantee to the lessor, which is payable when the aircraft is returned. The maximum amount payable under the guarantee at December 31, 2002, was $15 million. However, proceeds from the sale of the aircraft would offset any payment required under the guarantee. The guarantee is in place for the duration of the lease term, which continues for another 15 months.

The Corporation has been served with a motion to commence a class action suit regarding the Company's pension plan. The claim challenges the Corporation's right to take contribution holidays on the defined benefit segment when the plan is in a surplus position. The claim demands that Shell contribute approximately $100 million to the pension plan. The likelihood and amount of the eventual settlement is not determinable at this time.

Other lawsuits are pending against the Corporation. Actual liability with respect to these lawsuits is not determinable, but management believes, based on counsels' opinions, that any potential liability will not materially affect the Corporation's financial position.

12. SALE OF ACCOUNTS RECEIVABLE

In 2000, the Board of Directors approved a $350 million accounts receivable securitization program. Under this program, the Corporation sold $200 million of receivables in 2000 and $150 million of receivables in 2001. In 2002, the Board of Directors approved a $250 million increase to the program. During the year the Corporation increased sales by $170 million, bringing the total amount sold under the program to $520 million.

The Corporation has not retained any beneficial ownership interest in the sold assets and received proceeds that approximated their fair value. The assets were sold on a fully serviced basis and, as such, the Corporation has not estimated the fair value of the servicing liability.

13. EARNINGS PER SHARE

Effective January 1, 2001, a new accounting standard related to the calculation and disclosure of earnings per share was established. The effect of this change was not material.

	2002	2001	2000
			(restated)
Earnings *($ millions)*	**561**	1 010	863
Weighted average number of Common Shares *(millions)*	**276**	275	282
Dilutive securities *(millions)*			
Options on long-term incentive plan[1]	**2**	2	1
Basic earnings per share *($ per share)*[2]	**2.03**	3.67	3.06
Diluted earnings per share *($ per share)*[3]	**2.02**	3.65	3.05

[1] *The amount shown is the net number of Common Shares outstanding after the notional exercise of the share options and the cancellation of the notionally repurchased Common Shares as per the treasury stock method.*

[2] *Basic earnings per share is the earnings divided by the weighted average number of Common Shares.*

[3] *Diluted earnings per share is the earnings divided by the aggregate of the weighted average number of Common Shares plus the dilutive securities.*

■ SUPPLEMENTAL OIL PRODUCTS DISCLOSURE

Year ended December 31 (unaudited)

PRODUCTION *(thousands of cubic metres/day)*	**2002**	2001	2000	1999	1998
Crude oil processed by Shell refineries					
Montreal East *(Quebec)*	**17.9**	18.2	18.6	17.0	18.0
Sarnia *(Ontario)*	**10.1**	10.6	10.0	9.9	9.7
Scotford *(Alberta)*	**13.4**	14.9	14.5	14.9	14.1
Total	**41.4**	43.7	43.1	41.8	41.8
Rated refinery capacity at year-end					
Montreal East *(Quebec)*	**20.7**	20.7	20.7	20.7	20.6
Sarnia *(Ontario)*	**11.4**	11.4	11.4	11.4	11.4
Scotford *(Alberta)*	**15.5**	15.5	15.3	15.3	15.0
Total	**47.6**	47.6	47.4	47.4	47.0

SALES *(thousands of cubic metres/day)*	**2002**	2001	2000	1999	1998
Gasolines	**20.8**	20.8	20.6	20.8	20.6
Middle distillates	**16.7**	16.6	17.6	17.1	17.0
Other products	**6.9**	7.5	7.2	7.1	7.4
Total	**44.4**	44.9	45.4	45.0	45.0

SUPPLEMENTAL RESOURCES DISCLOSURE

Year ended December 31 (unaudited)

PRODUCTION	2002	2001	2000	1999	1998
Natural gas *(millions of cubic feet/day)*					
Gross	**610**	614	593	562	587
Net	**474**	498	482	473	463
Ethane, propane and butane *(thousands of barrels/day)*					
Gross	**27.9**	28.8	30.2	30.4	30.8
Net	**21.1**	22.5	23.9	25.3	26.8
Condensate *(thousands of barrels/day)*					
Gross	**19.7**	22.3	23.2	23.6	24.9
Net	**13.9**	17.2	17.7	18.7	20.2
Bitumen *(thousands of barrels/day)*					
Gross	**8.9**	4.5	4.2	6.1	7.2
Net	**8.7**	4.4	4.0	5.7	6.9
Crude oil *(thousands of barrels/day)*					
Gross	**–**	–	–	13.6	15.7
Net	**–**	–	–	11.1	13.5
Sulphur *(thousands of long tons/day)*					
Gross	**6.1**	6.1	6.5	6.6	6.6

Gross production includes all production attributable to Shell's interest before deduction of royalties; net production is determined by deducting royalties from gross production.

SALES	2002	2001	2000	1999	1998
Natural gas – gross *(millions of cubic feet/day)*	**598**	608	585	552	593
Ethane, propane and butane – gross *(thousands of barrels/day)*	**47.7**	48.1	54.2	53.5	64.2
Condensate – gross *(thousands of barrels/day)*	**26.4**	28.7	31.5	34.5	36.3
Bitumen – gross *(thousands of barrels/day)*	**13.1**	6.8	6.6	9.1	11.1
Crude oil – gross *(thousands of barrels/day)*	**–**	–	–	13.4	14.1
Sulphur – gross *(thousands of long tons/day)*	**9.5**	8.2	9.1	9.3	8.0

PRICES	2002	2001	2000	1999	1998
Natural gas average plant gate netback price *($/mcf)*	**4.01**	5.75	4.74	2.69	1.89
Ethane, propane and butane average field gate price *($/bbl)*	**19.53**	24.22	22.75	12.91	7.25
Condensate average field gate price *($/bbl)*	**37.72**	38.23	42.62	24.90	18.54
Crude oil average field gate price *($/bbl)*	**–**	–	–	24.97	18.83

EXPLORATION AND DEVELOPMENT WELLS DRILLED

	2002		2001		2000		1999		1998	
	Gross	*Net*	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*
Exploration										
Gas	**2**	**1**	2	1	2	1	1	–	6	3
Oil	**–**	**–**	–	–	–	–	–	–	2	2
Dry	**3**	**2**	4	2	3	2	15	13	12	8
	5	**3**	6	3	5	3	16	13	20	13
Development										
Gas	**11**	**8**	10	7	16	8	9	7	7	6
Bitumen	**17**	**17**	16	16	–	–	–	–	17	17
Oil	**–**	**–**	–	–	–	–	2	1	24	14
Dry	**–**	**–**	–	–	1	1	2	1	–	–
	28	**25**	26	23	17	9	13	9	48	37
Total wells drilled	**33**	**28**	32	26	22	12	29	22	68	50
Wells in progress	**8**	**5**	16	14	8	5	10	3	24	21

Exploration wells – Wells drilled either in search of new and as yet undiscovered pools of oil or gas, or with the expectation of significantly extending the limits of established pools. All other wells are development wells.

PRODUCTIVE WELLS

	2002		2001		2000		1999		1998	
	Gross	*Net*	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*
Gas Wells										
Alberta	**292**	**248**	277	240	254	220	242	213	253	220
Nova Scotia	**13**	**4**	12	4	11	3	2	1	–	–
	305	**252**	289	244	265	223	244	214	253	220
Oil Wells										
Alberta – conventional	**–**	**–**	–	–	–	–	–	–	242	127
Alberta – bitumen	**58**	**58**	41	41	52	52	95	95	123	123
Saskatchewan	**–**	**–**	–	–	–	–	–	–	273	188
	58	**58**	41	41	52	52	95	95	638	438
Total productive wells	**363**	**310**	330	285	317	275	339	309	891	658

Productive wells – Producing and non–unitized wells capable of producing.

Gross wells – The number of wells in which Shell Canada has a working interest.

Net wells – The aggregate of the numbers obtained by multiplying each gross well by the percentage working interest of Shell Canada therein, rounded to the nearest whole number.

RESERVES

Reserve Quantity Information Estimation of reserve quantities is based on established geological and engineering principles and involves judgmental interpretation of reservoir data. These estimates are subject to revision as additional information regarding producing fields and technology becomes available, as economic and operating conditions change, or as properties are divested or acquired. The difference between the gross and net reserves is the volume of reserves dedicated to meet royalty payments over the life of the reserves. The net reserves in the table below have been calculated on the basis of royalty rates and economic conditions in place as of the date the estimate is made. Shell Canada's estimated proved reserves include quantities for the East Coast but exclude any quantities in the Mackenzie Delta and Arctic Islands.

Natural Gas Net natural gas reserves decreased by 261 billion cubic feet (bcf) largely attributed to a downward revision of 85 bcf for Sable coupled with production of 173 bcf. The reduction in reserves for Sable results from new technical information obtained in 2002 and the adoption of a higher confidence level for proved reserves in anticipation of new reserve definitions for 2003.

Also at Sable, approximately 213 bcf were reclassified to proved undeveloped from proved developed reserves. The reclassification was partly based on indications that additional wells would be required to maintain production and recover remaining reserves from the Tier 1 fields. Reserves attributed to recovery by the installation of field compression also accounted for a portion of this reclassified volume, as technical and commercial reviews finalized in 2002 clarified the scope and cost of project compression. It is anticipated that the reclassified volumes will be returned to the developed reserve category as the new infill wells and compression facilities come on stream.

Partially offsetting the reduction in developed reserves at Sable was an addition of nine bcf for a new pool discovery in the Foothills Moose area, and a transfer of 33 bcf to developed from undeveloped reserves due to new wells at Burnt Timber, Limestone and South Mountain Park.

OIL, GAS AND OTHER RESERVES

	NATURAL GAS (billions of cubic feet)		
	2002	2001	2000
Net proved developed and undeveloped reserves			
Beginning of year	**2 067**	2 495	2 666
Revisions of previous estimates	**(97)**	(266)	25
Extensions, discoveries and other additions	**9**	20	6
Improved recovery methods	**–**	–	–
Purchases of reserves in place	**–**	9	–
Sales of reserves in place	**–**	(6)	(27)
Production	**(173)**	(185)	(175)
End of year	**1 806**	2 067	2 495
Net proved developed reserves			
End of year	**1 184**	1 614	1 989
Gross proved developed and undeveloped reserves			
End of year	**2 198**	2 499	2 991
Gross proved developed reserves			
End of year	**1 511**	1 970	2 357

Proved reserves – Estimated quantities of natural gas, natural gas liquids, bitumen, crude oil and sulphur that geological engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs. These estimates are based on existing economic and operating conditions (prices, costs, royalties and income taxes) as of the date the estimate is made.

Proved developed reserves – Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Natural Gas Liquids Net reserves of natural gas liquids decreased by 18 million barrels in 2002, resulting from production during the year and the reassessment of reserves at Sable in conjunction with a lower estimate of recoverable raw gas. Net reserves of ethane, propane and butane declined by 11 million barrels in 2002 and condensate reserves fell by seven million barrels.

Bitumen Net proved bitumen reserves decreased by seven million barrels due to annual production and higher estimated future royalties. Approximately 10 million barrels were transferred to developed from undeveloped reserves as the Pad 40 wells at Peace River came on stream in 2002.

Sulphur Net sulphur reserves declined by two million long tons reflecting production in 2002.

NATURAL GAS LIQUIDS (millions of barrels)			CRUDE OIL AND BITUMEN (millions of barrels)			SULPHUR (millions of long tons)		
2002	2001	2000	**2002**	2001	2000	**2002**	2001	2000
123	142	168	**190**	184	100	**16**	18	19
(5)	(4)	(11)	**(4)**	8	–	**–**	–	1
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	86	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
–	–	–	**–**	–	–	**–**	–	–
(13)	(15)	(15)	**(3)**	(2)	(2)	**(2)**	(2)	(2)
105	123	142	**183**	190	184	**14**	16	18
83	111	129	**30**	24	20	**14**	15	16
121	143	164	**188**	192	194	**16**	18	20
99	130	148	**31**	25	21	**15**	16	18

Proved undeveloped reserves – Reserves that are expected to be recovered from new wells on undrilled acreage adjacent to producing acreage, or from existing wells where further significant expenditure is required.

Gross proved reserves – Reserve estimates before the deduction of royalty interests owned by others.

Net proved reserves – Reserve estimates after deduction of royalties and, therefore, only those quantities that Shell has a right to retain.

■ SUPPLEMENTAL OIL SANDS DISCLOSURE

Year ended December 31 (unaudited)

RESERVES

The Muskeg River Mine on Lease 13 contains proved reserves of bitumen of one billion barrels and probable reserves of 500 million barrels. Shell's 60 per cent interest is 600 million barrels of proved and 300 million barrels of probable reserves. This estimate is before deduction of royalties, which cannot be accurately estimated. Under the Oil Sands Royalty Regulation, royalty is dependent on project cash flows, therefore, the calculation of royalties depends upon price, production rates, capital costs and operating costs over the life of the Muskeg River Mine.

The reserve estimates are based upon a detailed geological assessment including drilling and laboratory tests. They also consider current mine plans, planned operating life and regulatory constraints. The current proved plus probable reserve estimate includes only the portion of Lease 13 that represents the development area approved by the Alberta Energy and Utilities Board. The reserve estimate is the actual barrels of bitumen to be shipped for processing at the Scotford Upgrader. No allowance for volume losses during upgrading is required because of the Scotford Upgrader's hydroconversion upgrading process.

Drilling density is a factor in classifying reserves as either proved or probable. Proved reserves of bitumen are based on drill hole spacing less than 350 metres. Probable reserves of bitumen are based on drill hole spacing less than 700 metres. Classification of both proved and probable reserves of bitumen possesses a high degree of geological certainty and is predicated on the application of existing or piloted technology.

OIL SANDS RESERVES

	MINEABLE BITUMEN *(millions of barrels)*		
	2002	2001	2000
Gross proved developed and undeveloped reserves			
Beginning of year	**600**	600	600
Revisions of previous estimates	**–**	–	–
Extensions, discoveries and other additions	**–**	–	–
Production	**–**	–	–
End of year	**600**	600	600
Gross proved and probable developed and undeveloped reserves			
End of year	**900**	900	900

■ LANDHOLDINGS

As at December 31 (unaudited)

	UNDEVELOPED ACRES				DEVELOPED ACRES			
	2002		2001		**2002**		2001	
(thousands of acres)	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*	*Gross*	*Net*
Onshore within the provinces								
Conventional oil and gas:								
Alberta	**415**	**247**	441	317	**553**	**382**	540	378
British Columbia	**106**	**97**	53	53	**–**	**–**	–	–
Quebec	**10**	**–**	1 351	675	**–**	**–**	–	–
Bitumen:								
– mining	**90**	**72**	95	75	**5**	**3**	–	–
– in-situ	**85**	**85**	198	198	**6**	**6**	7	7
	706	**501**	2 138	1 318	**564**	**391**	547	385
Canada Lands								
Offshore Nova Scotia	**2 467**	**952**	2 467	952	**109**	**34**	109	34
Northwest Territories	**252**	**242**	252	242	**–**	**–**	–	–
West Coast offshore	**13 565**	**12 821**	13 602	12 850	**–**	**–**	–	–
Nunavut Territory	**5 801**	**3 099**	5 801	3 099	**–**	**–**	–	–
	22 085	**17 114**	22 122	17 143	**109**	**34**	109	34
Total	**22 791**	**17 615**	24 260	18 461	**673**	**425**	656	419

Gross acres include the interests of others; net acres exclude the interests of others.

Developed lands are leases and other forms of title documents issued by owners or legislative authorities that contain a well or are in close proximity to other lands that contain a well that has been drilled or completed to a point that would permit production of commercial quantities of oil and gas.

Undeveloped lands are all lands that are not developed, and that retain exploration rights.

■ SUPPLEMENTAL FINANCIAL DATA

Years ended December 31 (unaudited)

DATA PER COMMON SHARE *(dollars except as noted)*	**2002**	2001	2000	1999	1998
			(restated)	*(restated)*	*(restated)*
Earnings – basic	**2.03**	3.67	3.06	2.35	1.48
Earnings – diluted	**2.02**	3.65	3.05	2.34	1.48
Cash flow from operations	**4.45**	5.44	4.45	2.75	2.91
Dividends	**0.80**	0.80	0.76	0.72	0.72
Common shareholders' equity	**18.39**	17.16	14.30	13.25	11.62
Common Shares outstanding at year-end *(millions)*	**276**	276	275	289	289
Registered shareholders *(number at year-end)*	**2 643**	2 742	2 849	3 001	3 161

RATIOS	**2002**	2001	2000	1999	1998
			(restated)	*(restated)*	*(restated)*
Return on average capital employed *(%)*[1]	**10.1**	21.5	20.4	16.7	11.7
Return on net investment *(%)*[2]	**9.2**	18.5	17.3	14.2	9.8
Return on average common shareholders' equity *(%)*[3]	**11.4**	23.3	22.2	18.9	13.2
Common Share dividends as % of earnings[4]	**39.4**	21.8	24.9	30.7	48.6
Price to earnings ratio[5]	**24.2**	12.5	12.8	12.5	15.7
Current assets to current liabilities	**0.5**	0.7	1.1	1.9	1.6
Interest coverage[6]	**18.7**	94.1	32.2	24.5	10.2
Reinvestment ratio *(%)*[7]	**186.3**	135.6	91.9	87.5	93.3
Total debt as % of capital employed[8]	**23.9**	6.6	11.3	10.5	20.4
Debt to cash flow *(%)*[9]	**130.1**	22.3	39.9	56.6	102.0

1 *Earnings plus after-tax interest expense divided by average of opening and closing capital employed. Capital employed is a total of equity, long-term debt and short-term borrowings.*

2 *Earnings plus after-tax interest expense divided by average of opening and closing net investment. Net investment is total assets less current liabilities.*

3 *Earnings divided by average common shareholders' equity.*

4 *Common Share dividends paid divided by earnings.*

5 *Closing share price at December 31 divided by earnings per share.*

6 *Pretax earnings plus interest expense divided by interest expense.*

7 *Capital, exploration and investment expenditures divided by cash flow from operations.*

8 *Total debt divided by total debt plus equity.*

9 *Total debt divided by cash flow from operations.*

EMPLOYEES	**2002**	2001	2000	1999	1998
Employees *(number at year-end)*	**3 825**	3 674	3 392	3 431	3 644

■ QUARTERLY FINANCIAL AND STOCK TRADING INFORMATION

(unaudited) ($ millions except as noted)	2002 Quarter 1st	2002 Quarter 2nd	2002 Quarter 3rd	2002 Quarter 4th	2002 Total Year	2001 Quarter 1st	2001 Quarter 2nd	2001 Quarter 3rd	2001 Quarter 4th	2001 Total Year
Earnings										
Sales and other operating revenues	**1 462**	**1 734**	**1 969**	**2 149**	**7 314**	2 270	2 036	1 851	1 573	7 730
Expenses	**1 311**	**1 637**	**1 728**	**1 769**	**6 445**	1 663	1 568	1 577	1 339	6 147
Earnings before income tax	**151**	**97**	**241**	**380**	**869**	607	468	274	234	1 583
Income tax	**58**	**24**	**93**	**133**	**308**	253	154	102	64	573
Earnings	**93**	**73**	**148**	**247**	**561**	354	314	172	170	1 010
Segmented Earnings										
Resources	**78**	**66**	**91**	**152**	**387**	240	186	95	79	600
Oil Sands	**–**	**–**	**–**	**(5)**	**(5)**	–	–	–	–	–
Oil Products	**21**	**10**	**59**	**108**	**198**	115	122	79	85	401
Corporate	**(6)**	**(3)**	**(2)**	**(8)**	**(19)**	(1)	6	(2)	6	9
Earnings	**93**	**73**	**148**	**247**	**561**	354	314	172	170	1 010
Per Common Share *(dollars)*										
Earnings – basic	**0.34**	**0.26**	**0.54**	**0.89**	**2.03**	1.29	1.14	0.63	0.62	3.67
Earnings – diluted	**0.33**	**0.26**	**0.53**	**0.89**	**2.02**	1.28	1.13	0.62	0.61	3.65
Cash dividends	**0.20**	**0.20**	**0.20**	**0.20**	**0.80**	0.20	0.20	0.20	0.20	0.80
Weighted average shares *(millions)*	**276**	**276**	**276**	**276**	**276**	275	275	275	276	275
Dilutive securities *(millions)*	**5**	**2**	**2**	**1**	**2**	1	2	2	2	2
Share prices *(dollars)*[1]										
High	**57.90**	**58.99**	**56.80**	**52.28**	**58.99**	43.50	48.25	44.44	46.00	48.25
Low	**43.35**	**50.01**	**46.59**	**43.27**	**43.27**	32.90	39.95	38.00	39.25	32.90
Close *(end of period)*	**57.26**	**55.05**	**51.31**	**49.20**	**49.20**	41.40	43.20	40.41	45.75	45.75
Shares traded *(thousands)*[1]	**5 360**	**4 940**	**7 598**	**9 842**	**27 740**	6 443	7 475	3 836	5 732	23 486

[1] *Toronto Stock Exchange quotations.*

CORPORATE DIRECTORY AND BOARD OF DIRECTORS

OFFICERS *(all in Calgary)*

Timothy W. Faithfull
President and Chief Executive Officer

VICE PRESIDENTS

Neil J. Camarta
Senior Vice President, Oil Sands

H. Ian Kilgour
Senior Vice President, Resources

Steinar Støtvig
Vice President and Chief Financial Officer

Harold W. Lemieux
Vice President, General Counsel and Secretary

R. Terry Blaney
Vice President, Marketing

Graham Bojé
Vice President, Manufacturing

TREASURER

Gary N. Stewart

CONTROLLER

Matthew B. Haney

BOARD OF DIRECTORS

Derek H. Burney OC
President and Chief Executive Officer
CAE Inc.
Toronto

Timothy W. Faithfull
President and Chief Executive Officer
Shell Canada Limited
Calgary

Kerry L. Hawkins
President
Cargill Limited
Winnipeg

John D. McNeil
Company Director
Toronto

Ronald W. Osborne
President and Chief Executive Officer
Ontario Power Generation Inc.
Toronto

Raymond Royer OC
President and Chief Executive Officer
Domtar Inc.
Ile Bizard

Paul D. Skinner
Managing Director
The "Shell" Transport and Trading Company, p.l.c.
London, England

Nancy C. Southern
President and Chief Executive Officer
ATCO Ltd.
Calgary

Robert M. Sprague
Director, Regional Business Europe and North America
Shell E.P. International
The Hague, Netherlands

Robert T. Stewart
Retired Chairman of the Board and Chief Executive Officer
Scott Paper Limited
Vancouver

The Corporation is aligned with the guidelines recommended by the Toronto Stock Exchange (TSX) for effective corporate governance.

A complete description of the Corporation's approach to corporate governance is set out in Appendix 2 entitled "Statement of Corporate Governance Practices," which is attached to the Corporation's Management Proxy Circular dated March 13, 2003.

The Board of Directors

The Board of Directors manages and supervises the business and affairs of the Corporation in a stewardship role. The day-to-day management is delegated to the officers of the Corporation. Any responsibilities that have not been delegated to the officers or to a committee of the Board remain with the Board.

The Board is currently composed of 10 directors. Nine of the 10 directors are unrelated to the Corporation, as defined in the TSX guidelines. T.W. Faithfull, President and Chief Executive Officer, is a related director, and P.D. Skinner and R.M. Sprague are related to the significant shareholder. Seven of the 10 directors are outside directors who have no interests in or relationships with either the Corporation or the significant shareholder. The Board believes this fairly reflects the investment of minority shareholders.

The Chairman of the meetings of the Board is a separate role from the President and Chief Executive Officer.

The Board held nine meetings during 2002.

The Board has adopted a Statement of General Business Principles and Code of Ethics, which applies to all employees, including the Chief Executive Officer, Chief Financial Officer, Treasurer and Controller, in their conduct of the Corporation's business. The text of the Statement of General Business Principles and Code of Ethics has been posted on the Corporation's Web site at www.shell.ca. The Board expects management to manage the business of the Corporation in a manner that enhances shareholder value, is consistent with the highest level of integrity and is within the law.

The Investor Relations manager and senior management communicate with significant shareholders, institutional investors and the financial community. The Corporation's transfer agent or the Corporate Secretary's department responds to shareholder account inquiries. Shareholders and the public receive a response from the Public Affairs department, the Investor Relations department, the Corporate Secretary's department or the appropriate member of senior management.

Board Committees

The Board has three committees: the Audit Committee, the Management Resources and Compensation Committee and the Nominating and Governance Committee. All members of the committees are outside directors and not related to the Corporation or its significant shareholder.

Audit Committee

The members of the Audit Committee are R.T. Stewart (Chairman), K.L. Hawkins, J.D. McNeil, R.W. Osborne and R. Royer.

The committee's mandate includes:

- *reviewing the annual audited financial statements and the Auditors' Report on the statements prior to submission to the Board for approval;*
- *reviewing the interim financial statements for each interim period in the financial year prior to public announcement and filing;*
- *approving the interim financial statements for the first nine months of the financial year prior to public announcement and filing, and for any other interim period in a financial year if a meeting of the Board will not be held prior to the announcement;*
- *reviewing the scope of external and internal audits;*
- *reviewing and discussing accounting and reporting policies and changes in accounting principles;*
- *assessing the effectiveness of the Corporation's internal control systems and procedures, and the process for identifying principal business risks;*
- *reviewing compliance with the Corporation's Statement of General Business Principles and Code of Ethics;*
- *reviewing and approving the services to be provided by the external auditors, whether audit or non-audit, prior to the commencement of the services;*
- *reviewing annually all significant relationships between the external auditors and the Corporation to establish independence;*
- *meeting with the internal and external auditors independently of management of the Corporation; and*
- *reviewing the procedures for the disclosure of oil and gas reserves and the Reserves Data prior to Board approval and filing.*

The Audit Committee held five meetings in 2002.

Management Resources and Compensation Committee

The members of the Management Resources and Compensation Committee are J.D. McNeil (Chairman), D.H. Burney, R.W. Osborne, R. Royer and N.C. Southern.

The committee's mandate includes:

- *determining compensation and terms of employment for senior executives, including stock option and incentive programs;*
- *approving pension and benefit plans of the Corporation;*
- *reviewing executive succession and development plans and recommending to the Board candidates for appointment as officers of the Corporation; and*
- *assessing at least annually the performance of the President and Chief Executive Officer and determining his or her compensation and terms of employment.*

The Management Resources and Compensation Committee held five meetings in 2002.

Nominating and Governance Committee

The members of the Nominating and Governance Committee are K.L. Hawkins (Chairman), D.H. Burney, N.C. Southern and R.T. Stewart.

The committee's mandate includes:

- *determining criteria for being a director and assisting the President and Chief Executive Officer in selecting new candidates for the Board;*
- *reviewing and recommending to the Board criteria related to the tenure of directors;*
- *annually reviewing the performance of the Board, its committees and individual directors;*
- *annually reviewing memberships of the committees and making recommendations to the Board on appointments to the committees;*
- *reviewing and making recommendations to the Board on the mandates of committees of the Board;*
- *determining remuneration to be paid to directors for sitting on the Board and committees;*
- *reviewing and making recommendations to the Board on corporate governance; and*
- *administering the Director Share Compensation Plan and the Deferred Share Unit Plan.*

The Nominating and Governance Committee held three meetings in 2002.

SHELL CANADA LIMITED

(incorporated under the laws of Canada)

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Calgary, Alberta T2P 0J4
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Web site www.shell.ca

Transfer Agent and Registrar

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600, 333 – 7th Avenue S.W.
Calgary, Alberta T2P 2Z1
Telephone (403) 232-2400
Facsimile (403) 264-2100
e-Mail inquiries@cibcmellon.com
Web site www.cibcmellon.com
Answerline (416) 643-5500 or
1-800-387-0825
Toll-free throughout North America

Stock Exchange Listings

The Common Shares of Shell Canada Limited are listed on the Toronto Stock Exchange (stock symbol SHC) and do not have an established public trading market in the United States.

Annual and Special Meeting

The annual and special meeting of shareholders will be held at 11:00 a.m., Thursday, April 24, 2003, in the Crystal Ballroom, The Fairmont Palliser Hotel, Calgary, Alberta.

Duplicate Reports

Shareholders who receive more than one copy of the Quarterly Report to Shareholders and the Annual Report, as a result of having their shareholdings represented by two or more share certificates, may wish to contact the transfer agent to have their holdings consolidated. It will not be necessary to forward share certificates.

This Annual Report is recyclable and has been printed using vegetable-based inks. The paper used contains a minimum of 10 per cent post-consumer fibre.

Annual Information Form and Progress Toward Sustainable Development

The Corporation's Annual Information Form for 2002 and the publication "Progress Toward Sustainable Development" are available to shareholders on request from the Corporation's Secretary at Shell's head office.

Ownership and Voting Rights of Shell Canada Limited

(as at December 31, 2002)

Ownership of Shell Canada Limited is divided between Shell Investments Limited and public shareholders. Shell Investments Limited holds approximately 78 per cent of the equity and voting rights.

The publicly held Common Shares (approximately 61 million) constitute about 22 per cent of the equity and voting rights in the Corporation.

Shell Investments Limited is a Canadian company, wholly owned by Shell Petroleum N.V. of the Netherlands, which, in turn, is owned 40 per cent by The "Shell" Transport and Trading Company, p.l.c., an English company, and 60 per cent by Royal Dutch Petroleum Company of the Netherlands.

Approximate Conversion Factors

1 cubic metre of liquids	=	6.29 barrels
1 cubic metre of gases	=	35.3 cubic feet
1 barrel of oil equivalent	=	6,000 cubic feet of gases
1 tonne	=	2,205 pounds
	=	0.984 long ton
	=	1.102 short tons
1 kilometre	=	0.621 mile
1 hectare	=	2.47 acres
1 litre	=	0.22 gallon

Shell Canada Limited

FOR INFORMATION:

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