



## **Fostering Transparency – 2019 ESTMA Report**

### **Cenovus Energy Inc.**

For the Year Ended December 31, 2019

(Canadian Dollars)

## INTRODUCTION

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On June 1, 2015, the *Extractive Sector Transparency Measures Act* (“ESTMA” or “the Act”) was brought into force by the Canadian government. The Act requires companies in the business of the commercial development of crude oil, natural gas and minerals to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad. The Act is one of the ways Canada is delivering on its international commitment to contribute to global efforts to increase transparency and deter corruption in the extractive sector.

This report provides an overview of the payments made to governments by Cenovus Energy Inc. and its subsidiaries and partnerships (collectively, “Cenovus” or the “Company”) involved in the commercial development of crude oil and natural gas for the year ended December 31, 2019.

## BASIS FOR PREPARATION

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### *Legislation*

This report is prepared in accordance with the Act and the ESTMA Technical Specifications. In addition, the ESTMA Guidance document published by Natural Resources Canada (“NRCan”) has been considered in Cenovus’s interpretation of the Act.

### *Reporting Entities and Operatorship*

Cenovus has registered its subsidiaries and partnerships in the business of the commercial development of crude oil and natural gas with NRCan, but has chosen to report as a consolidated group.

Cenovus is engaged in various joint venture agreements with other crude oil and natural gas producers. Each joint venture agreement identifies the operator of the joint venture as the party responsible for administering any obligations to a government and as such, where Cenovus is the operator, the full amount paid is disclosed in this report.

During 2019 no assets were sold during the year, no need for additional information to be presented in 2019 for project classifications relating to ESTMA.

### *Activities*

Payments made by Cenovus and its subsidiaries to governments arising from the commercial development of crude oil and natural gas are disclosed in this report. The commercial development of crude oil and natural gas means:

- The exploration or extraction of crude oil, natural gas liquids or natural gas
- The acquisition or holding of a permit, license, lease or any other authorization to carry out exploration or extraction of crude oil or natural gas

Commercial development includes activities such as prospecting and exploring for crude oil and natural gas and encompasses the abandonment and reclamation of sites. Commercial development is not intended to extend to ancillary or preparatory activities such as manufacturing equipment or the construction of extraction sites. In addition, post-extraction activities such as refining or processing as well as marketing and transporting are generally excluded. For example, business taxes associated with the Company’s Calgary office space has been excluded as it does not relate to commercial development activities.

### *Payee*

A payee includes any government in Canada or in a foreign state; a body that is established by two or more governments; any trust, board, commission, corporation or body or authority that is established to exercise or perform, or that exercises and performs a power, duty or function of government for a government referred to above. This could include any Indigenous group or organization that exercises or performs the power, duty or function of government.

### *Project*

Payments are reported at the project level unless a payment is not attributable to a specific project in which case it is reported at the corporate level. A project means operational activities that are governed by a single contract, license, lease, concession or similar legal agreement that forms the basis for payment obligations with a government. Nonetheless, if a given geographical area or geological formation is managed and operated through multiple agreements, the area will be considered to be substantially interconnected, and will be treated as a single project.

All of Cenovus's crude oil and natural gas reserves and production are located in Canada within the provinces of British Columbia, Alberta and Saskatchewan. Cenovus reports its crude oil and natural gas production in its Oil Sands and Conventional segments.

Projects within Cenovus's Oil Sands segment have been determined based on its Oil Sands Royalty ("OSR") projects approved by the Government of Alberta. Projects within the Conventional segment are based on their geographic proximity, consistent with how they are operated and managed.

In some cases, very early stage oil sands projects that have not yet been assigned an OSR and for which payments are immaterial have been aggregated with another project in close geographic proximity.

### *Payments*

The information is reported under the following payment categories:

- Taxes
- Royalties
- Fees
- Production entitlements
- Bonuses
- Dividends
- Infrastructure improvement payments

For each payee, if payments for the year are less than \$100,000, the payments are excluded from this report. Payments are reported on a cash accounting basis. In-kind payments are included in the report and valued at fair market value based on Cenovus's realized sale price. Payments made in United States dollars are translated into Canadian dollars for this report using the December 31, 2019 Bank of Canada daily average rate of 0.7699 US dollars per Canadian dollar. Payments have been rounded to the nearest \$10 thousand.

## SUMMARY REPORT – BY PAYEE

(\$ thousands)

Payee	Taxes	Royalties	Fees	Production Entitlement	Bonuses	Dividends	Infrastructure Payments	Total
The Federal Government of Canada	4,910	70	330					5,310
The Province of Alberta	21,790	1,078,320	30,790					1,130,900
The Province of British Columbia	1,210	870	1,330					3,410
The Province of Saskatchewan		960	170					1,130
Regional Municipality of Wood Buffalo	17,670		460					18,130
County of Grande Prairie	5,990		30					6,020
Municipal District of Greenview	4,630							4,630
Yellowhead County	3,490							3,490
Clearwater County	2,770		20					2,790
Municipal District of Brazeau	1,500							1,500
County of Ponoka	1,360							1,360
County of Wetaskiwin No. 10	880		20					900
Lacombe County	860							860
Red Deer County	340							340
Woodlands County	310							310
Lac La Biche County	110							110
Conklin Metis Local #193			100		830			930
Cold Lake First Nation			110		610			720
Heart Lake First Nation			80		530			610
Fort McMurray First Nation			130		360			490
Athabasca Chipewyan First Nation			190		190			380
Beaver Lake First Nation			80		300			380
Mikisew Cree First Nation			170		150			320
Fort McKay First Nation					240			240
East Prairie Metis Settlement			140					140
Chipewyan Prairie First Nation			120					120
Fort McMurray Metis Local 1935					110			110
<b>CANADA TOTAL</b>	<b>67,820</b>	<b>1,080,220</b>	<b>32,270</b>	<b>-</b>	<b>3,320</b>	<b>-</b>	<b>-</b>	<b>1,185,630</b>

## SUMMARY REPORT – BY PROJECT

(\$ thousands)

Project	Taxes	Royalties	Fees	Production Entitlement	Bonuses	Dividends	Infra-structure Payments	Total
Christina Lake	17,650	574,030	8,660		1,860			602,200
Foster Creek	20,180	472,860	12,860		610			506,510
Clearwater	8,590	12,460	2,650					23,700
Elmworth Wapiti	9,360	9,210	3,910					22,480
Kaybob Edson	5,400	7,060	1,980					14,440
Cenovus Corporate	6,620							6,620
Telephone Lake	20		2,440		850			3,310
Pelican Lake		2,690						2,690
Marten Hills		940	1,130					2,070
Weyburn		960						960
Narrows Lake			640					640
Palliser		10						10
<b>CANADA TOTAL</b>	<b>67,820</b>	<b>1,080,220</b>	<b>34,270</b>	<b>-</b>	<b>3,320</b>	<b>-</b>	<b>-</b>	<b>1,185,630</b>