



Fostering Transparency – 2016 ESTMA Report

Cenovus Energy Inc.

For the Year Ended December 31, 2016

(Canadian Dollars)

INTRODUCTION

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 ("Cenovus" or the "Company") involved in the commercial development of crude oil and natural gas for the year ended December 31, 2016.

BASIS FOR PREPARATION

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 oil and gas with NRCan, but has chosen to report as a consolidated group.

A wholly owned subsidiary of Cenovus is the operator and managing partner of a partnership in the business of the commercial development of oil and gas which it jointly controls (50 percent) with a third party. The full amount paid by this partnership is disclosed in this report.

In addition, Cenovus has entered into various joint venture agreements with other oil and 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.

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 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.

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.

While the Act encompasses payments to Aboriginal governments, a deferral period has been provided until June 1, 2017 for payments made to Canadian Aboriginal governments. As such, Cenovus has excluded payments made to Canadian Aboriginal governments in its 2016 report. Cenovus did not make payments to Aboriginal governments outside of Canada in 2016.

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 Alberta and Saskatchewan. Cenovus reports its crude oil and natural gas production in its Oil Sands and Conventional segment.

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, 2016 Bank of Canada noon day rate of 0.745 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	Infra-structure Payments	Total
The Province of Alberta	18,780	47,820	55,570	-	-	-	-	122,170
The Province of Saskatchewan	5,200	21,730	1,160	-	-	-	-	28,090
Rural Municipality of Wood Buffalo	18,840	-	90	-	-	-	-	18,930
Municipal District of Newell No. 4	17,040	-	200	-	-	-	-	17,240
Municipal District of Opportunity No. 17	15,370	-	-	-	-	-	-	15,370
Cypress County	7,950	-	-	-	-	-	-	7,950
Rural Municipality of Lamond No. 37	4,110	-	-	-	-	-	-	4,110
Wheatland County	3,860	-	80	-	-	-	-	3,940
The Federal Government of Canada	60	50	2,740	-	-	-	-	2,850
City of Calgary	1,770	-	-	-	-	-	-	1,770
Rural Municipality of Cymri No. 36	720	-	30	-	-	-	-	750
Lac La Biche County	130	-	150	-	-	-	-	280
Vulcan County	100	-	110	-	-	-	-	210
County of Vermillion River	180	-	-	-	-	-	-	180
CANADA TOTAL	94,110	69,600	60,130	-	-	-	-	223,840

SUMMARY REPORT – BY PROJECT

(\$ thousands)

Project	Taxes	Royalties	Fees	Production Entitlement	Bonuses	Dividends	Infra-structure Payments	Total
Palliser	21,070	290	30,050	-	-	-	-	51,410
Pelican Lake	15,540	23,420	1,870	-	-	-	-	40,830
Foster Creek	18,980	8,640	13,110	-	-	-	-	40,730
Christina Lake	18,640	13,030	3,460	-	-	-	-	35,130
Weyburn	10,040	21,730	2,000	-	-	-	-	33,770
Suffield	7,940	2,490	7,020	-	-	-	-	17,450
Cenovus Corporate	1,890	-	220	-	-	-	-	2,110
Telephone Lake	10	-	1,720	-	-	-	-	1,730
Narrows Lake	-	-	680	-	-	-	-	680
CANADA TOTAL	94,110	69,600	60,130	-	-	-	-	223,840