



Fostering Transparency – 2017 ESTMA Report

Cenovus Energy Inc.

For the Year Ended December 31, 2017

(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 (collectively, “Cenovus” or the “Company”) involved in the commercial development of crude oil and natural gas for the year ended December 31, 2017.

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

On May 17, 2017, Cenovus acquired from ConocoPhillips Company and certain of its subsidiaries (collectively, “ConocoPhillips”) a 50 percent interest in FCCL Partnership (“FCCL”) and the majority of ConocoPhillips’ western Canadian conventional crude oil and natural gas assets (the “Deep Basin Assets”). The Acquisition increased Cenovus’s interest in FCCL to 100 percent. Consistent to 2016, Cenovus as the operator and managing partner of FCCL, the full amount paid by FCCL has been disclosed in this report. Payments to governments associated with the Deep Basin Assets have been included in Cenovus’s report for the period June 1, 2017 to December 31, 2017. Payments prior to June 1, 2017, as agreed to with ConocoPhillips, have been include in ConocoPhillips 2017 ESTMA report.

In addition, Cenovus has entered into 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 2017, Cenovus divested the majority of its conventional crude oil and natural gas assets located in Alberta and Saskatchewan. The 2017 report includes any payments made to governments for the period January 1, 2017 to the respective close date of each divestiture or to the end date of any transitional services provided to the purchaser.

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.

While the Act encompasses payments to Indigenous governments, a deferral period was provided until June 1, 2017 for payments made to Canadian Indigenous governments. As such, in 2017, payments to Canadian Indigenous governments have only been included for the period June 1, 2017 to December 31, 2017.

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, Deep Basin 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 Deep Basin and Conventional segments 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, 2017 Bank of Canada daily average rate of 0.7971 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 Federal Government of Canada	2,020	120	2,820					4,960
The Province of Alberta	28,180	283,920	55,840					367,940
The Province of Saskatchewan	5,990	34,550	1,170					41,710
The Province of British Columbia	1,640	2,010	540					4,190
Regional Municipality of Wood Buffalo	22,780		230					23,010
Municipal District of Newell No 4	15,710		360					16,070
Municipal District of Opportunity 17	12,740							12,740
County of Grand Prairie	7,660		30					7,690
Cypress County	7,380							7,380
Municipal District of Greenview	5,110							5,110
Rural Municipality of Lamond No 37	3,890							3,890
Wheatland County	3,690		140					3,830
Yellowhead County	3,760		40					3,800
Clearwater County	2,870		30					2,900
Municipal District of Brazeau	1,530							1,530
County of Ponoka	1,460							1,460
County of Wetaskiwin No 10	890							890
Lacombe County	880							880
Rural Municipality of Cymri No 36	700		30					730
Woodlands County	350							350
Red Deer County	350							350
Lac La Biche County	110		80					190
Conklin Metis Local #193					250			250
Cold Lake First Nation			120		80			200
Beaver Lake Cree Nation					110			110
CANADA TOTAL	129,690	320,600	61,430	-	440	-	-	512,160

SUMMARY REPORT – BY PROJECT

(\$ thousands)

Project	Taxes	Royalties	Fees	Production Entitlement	Bonuses	Dividends	Infra-structure Payments	Total
Foster Creek	22,360	156,140	12,530		80			191,110
Christina Lake	22,610	51,870	3,430		360			78,270
Pelican Lake	12,730	39,010	1,830					53,570
Palliser	19,460	540	30,940					50,940
Weyburn	10,580	34,550	1,950					47,080
Elmworth Wapiti	14,410	11,310	600					26,320
Suffield	7,360	5,960	7,100					20,420
Clearwater	7,990	11,820	250					20,060
Kaybob Edson	4,120	9,400	40					13,560
Cenovus Corporate	8,060		400					8,460
Telephone Lake	10		1,700					1,710
Narrows Lake			660					660
CANADA TOTAL	129,690	320,600	61,430	-	440	-	-	512,160