



Fostering Transparency – 2018 ESTMA Report

Cenovus Energy Inc.

For the Year Ended December 31, 2018

(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, 2018.

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.

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 2017 and early 2018, Cenovus divested the majority of its conventional crude oil and natural gas assets located in Alberta and Saskatchewan. The 2018 report includes any payments made to governments for the period January 1, 2018 to the end date of any transitional services provided to the purchaser, including any post close costs required to be paid to governments which relate to divested assets.

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, 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, 2018 Bank of Canada daily average rate of 0.7330 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	58,210	120	420					58,750
The Province of Alberta	71,470	644,790	44,910					761,170
The Province of Saskatchewan		13,190	170					13,360
The Province of British Columbia	1,310	1,650	1,380					4,340
Regional Municipality of Wood Buffalo	19,470		600					20,070
County of Grande Prairie	7,760		80					7,840
Municipal District of Greenview	5,160							5,160
Yellowhead County	3,680							3,680
Clearwater County	3,030		70					3,100
Municipal District of Brazeau	1,540		10					1,550
County of Ponoka	1,390		10					1,400
County of Wetaskiwin No. 10	900							900
Lacombe County	880							880
Red Deer County	380							380
Woodlands County	320							320
Municipal District of Opportunity 17	280							280
Cold Lake First Nation			210		780			990
Conklin Metis Local #193			100		830			930
Heart Lake First Nation			80		710			790
Fort McMurray First Nation			230		250			480
Beaver Lake First Nation			80		300			380
Athabasca Chipewyan First Nation			310		50			360
Mikisew Cree First Nation			270		50			320
Fort Mckay First Nation			240					240
CANADA TOTAL	175,780	659,750	49,170	-	2,970	-	-	887,670

SUMMARY REPORT – BY PROJECT

(\$ thousands)

Project	Taxes	Royalties	Fees	Production Entitlement	Bonuses	Dividends	Infra-structure Payments	Total
Foster Creek	21,670	433,470	11,960		770			467,870
Christina Lake	19,370	145,180	7,860		2,040			174,450
Cenovus Corporate	108,100		50					108,150
Clearwater	9,000	27,190	3,810					40,000
Elmworth Wapiti	11,450	16,990	5,210					33,650
Kaybob Edson	5,870	19,350	3,150					28,370
Weyburn		13,210	110					13,320
Suffield		580	8,840					9,420
Pelican Lake	310	3,610	1,680					5,600
Telephone Lake	10		3,170		160			3,340
Palliser		170	2,680					2,850
Narrows Lake			650					650
CANADA TOTAL	175,780	659,750	49,170	-	2,970	-	-	887,670