

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	PETRONAS Energy Canada Ltd.					
Reporting Year	From	1/1/2018	To:	12/31/2018	Date submitted	5/30/2019
Reporting Entity ESTMA Identification Number	E662962	<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report				
Other Subsidiaries Included (optional field)						
Not Consolidated						
Not Substituted						
Attestation by Reporting Entity						

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name of Director or Officer of Reporting Entity	Kevin Georget	Date	5/30/2019
Position Title	Chief Financial Officer		

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Subsidiary Reporting Entities (if necessary)			

Payments by Payee

Country	Payee Name	Departments, Agency, etc... within Payee that Received Payments	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
Canada	Province of Alberta	-Minister of Finance -Alberta Energy Regulator -Alberta Petroleum Marketing Commission	-	760,000	200,000	-	-	-	-	960,000	Calculation of in-kind royalties are described in Note 1.
Canada	Province of British Columbia	-Minister of Finance (Multiple departments) -BC Oil and Gas Commission -BC Land Titles -Province of BC Rural Property Tax	5,450,000	7,240,000	9,840,000	-	-	-	-	22,530,000	
Canada	Municipal District of Greenview No. 16		790,000	-	-	-	-	-	-	790,000	
Canada	Halfway River First Nation		-	-	-	-	370,000	-	-	370,000	
Canada	Prophet River First Nation		-	-	-	-	680,000	-	-	680,000	
Canada	West Moberly First Nations		-	-	-	-	470,000	-	-	470,000	
		TOTAL	6,240,000	8,000,000	10,040,000	-	1,520,000	-	-	25,800,000	

Additional Notes: Please refer to "Note 1 - Financial Reporting Framework" for explanatory information and disclosures related to this Annual Report.

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Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	Deep Basin Business Unit	790,000	760,000	210,000	-	-	-	-	1,760,000	Calculation of in-kind royalties are described in Note 1.
Canada	North Montney Joint Venture	5,450,000	7,240,000	9,830,000	-	1,520,000	-	-	24,040,000	
TOTAL		6,240,000	8,000,000	10,040,000	-	1,520,000	-	-	25,800,000	

Additional Notes: Please refer to "Note 1 - Financial Reporting Framework" for explanatory information and disclosures related to this Annual Report.

Note 1 – Financial Reporting Framework

(a) Basis of accounting:

The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively “the Schedules”) prepared by PETRONAS Energy Canada Ltd. (the “Company”) for the year ended December 31, 2018 has been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively the “financial reporting framework”).

The Schedules are prepared to provide information to the Directors of PETRONAS Energy Canada Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the schedules may not be suitable for another purpose.

(b) Significant accounting policies:

i) Cash basis

The Schedules have been prepared on a cash basis of accounting, as required by the financial reporting framework, and exclude any accruals related to payments due to governments (as defined in the financial reporting framework). All amounts are presented in Canadian dollars.

The Schedules include all cash payments made, without inclusion of cash inflows from a government. Where the Company makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

ii) Projects

The Company has aligned its projects with its cash generating units as determined for financial statement reporting purposes.

- North Montney Joint Venture – focused on development of Montney natural gas in North East British Columbia (“NEBC”) for sale within North America; and
- Deep Basin Business Unit – focused on Dunvegan oil production within Alberta. Note that this business unit was disposed on February 15, 2018.

iii) Operator

The Company has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a ‘gross’ basis. Amounts paid by third party operators, who are subject to the financial reporting framework, have not been included in the Schedules.

iv) Take in kind payments

The Company has valued in-kind payments based on the cost to the Company, consistent with the Company’s financial reporting calculations.

v) Excluded payments

Certain payments related to the operation of the Company’s head office, payments made to governments for commercial services or payments made to governments which are not related to the commercial extraction of oil and natural gas resources have been excluded from the Schedules, as described in the financial reporting framework.