

# Extractive Sector Transparency Measures Act - Annual Report

<b>Reporting Entity Name</b>	NuVista Energy Ltd.				
<b>Reporting Year</b>	<b>From</b>	2017-01-01	<b>To:</b>	2017-12-31	<b>Date submitted</b> 2018-05-24
<b>Reporting Entity ESTMA Identification Number</b>	E387030		<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report		
<b>Other Subsidiaries Included</b> (optional field)					
<b>Not Consolidated</b>					
<b>Not Substituted</b>					
<b>Attestation Through Independent Audit</b>					
<p><i>In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.</i></p> <p><i>The auditor expressed an unmodified opinion, dated 2018-04-27, on the ESTMA Report for the entity(ies) and period listed above. The independent auditor's report can be found at End of Report.</i></p>					
<b>Full Name of Director or Officer of Reporting Entity</b>	Ross Andreachuk			<b>Date</b>	2018-05-24
<b>Position Title</b>	Vice President, Finance and Chief Financial Officer				

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<b>Reporting Year</b>	<b>From:</b> 2017-01-01	<b>To:</b> 2017-12-31	
<b>Reporting Entity Name</b>	NuVista Energy Ltd.		<b>Currency of the Report</b> CAD
<b>Reporting Entity ESTMA Identification Number</b>	E387030		
<b>Subsidiary Reporting Entities (if necessary)</b>			

### Payments by Payee

Country	Payee Name <sup>1</sup>	Departments, Agency, etc... within Payee that Received Payments <sup>2</sup>	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes <sup>3,4</sup>
CANADA	GOVERNMENT OF CANADA		-	-	210,000	-	-	-	-	210,000	
CANADA	GOVERNMENT OF ALBERTA		500,000	11,680,000	1,940,000	-	70,000	-	-	14,190,000	Payee includes recipients: ABSA; Alberta Energy Regulator; Alberta Municipal Affairs Special Areas Board; Alberta Petroleum Marketing Commission (APMC); Alberta Sustainable Resource Development; Department of Energy; Department of Resource Development; Grand Prairie Regional College; Grand Prairie Public School District; Grand Prairie Regional Hospital
CANADA	M.D. OF NORTHERN LIGHTS NO. 22		170,000	-	-	-	-	-	-	170,000	
CANADA	MACKENZIE COUNTY		260,000	-	-	-	-	-	-	260,000	
CANADA	MUNICIPAL DISTRICT OF GREENVIEW NO.16		1,410,000	-	590,000	-	-	-	-	2,000,000	
<b>TOTAL</b>			<b>2,340,000</b>	<b>11,680,000</b>	<b>2,740,000</b>	<b>-</b>	<b>70,000</b>	<b>-</b>	<b>-</b>	<b>16,830,000</b>	

**Additional Notes:**

<sup>1</sup> Enter the proper name of the Payee receiving the money (i.e. the municipality of x, the province of y, national government of z).

<sup>2</sup> Optional field.

<sup>3</sup> When payments are made in-kind, the notes field must highlight which payment includes in-kind contributions and the method for calculating the value of the payment.

<sup>4</sup> Any payments made in currencies other than the report currency must be identified. The Reporting Entity may use the Additional notes row or the Notes column to identify any payments that are converted, along with the exchange rate and primary method used for currency conversions.

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<b>Reporting Year</b>	<b>From:</b>	2017-01-01	<b>To:</b>	2017-12-31						
<b>Reporting Entity Name</b>	NuVista Energy Ltd.				<b>Currency of the Report</b>	CAD				
<b>Reporting Entity ESTMA Identification Number</b>	E387030									
<b>Subsidiary Reporting Entities (if necessary)</b>										
<b>Payments by Project</b>										
Country	Project Name <sup>1</sup>	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes <sup>23</sup>
CANADA	Alberta Oil and Gas	2,340,000	11,680,000	2,740,000	-	70,000	-	-	16,830,000	Upstream oil and gas extraction and production activities in the province of Alberta
<b>Additional Notes<sup>3</sup>:</b>										

<sup>1</sup> Enter the project that the payment is attributed to. Some payments may not be attributable to a specific project, and do not need to be disclosed in the "Payments by Project" table.

<sup>2</sup> When payments are made in-kind, the notes field must highlight which payment includes in-kind contributions and the method for calculating the value of the payment.

<sup>3</sup> Any payments made in currencies other than the report currency must be identified. The Reporting Entity may use the "Additional Notes" row or the "Notes" column to identify any payments that are converted, along with the exchange rate and primary method used for currency conversions.

## **INTRODUCTION**

NuVista Energy Ltd. (the “Company” or “NuVista”) has prepared the following audited report (“the Report”) of payments made to government entities for the year ended December 31, 2017 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 (“ESTMA” or “the Act”).

## **BASIS OF PREPARATION**

The Report has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications. 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 Extractor Sector Transparency Measures Act Guidance (collectively the “financial reporting framework”). These Technical Reporting Specifications provides specifications with regards to the form and manner of reporting. The following is a summary of judgments and definitions that NuVista has made for the purpose of preparing the Report.

### **Payee**

For purposes of the Act, a payee is:

- a) Any government in Canada or in a foreign state.
- b) A body that is established by two or more governments.
- c) Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, state/provincial or local/municipal levels. Payees include Crown corporations and other state-owned enterprises that are exercising or performing a power, duty or function of government.

Aboriginal and indigenous groups and organizations within Canada and in other jurisdictions may be regarded as governments for purposes of qualifying as a payee under the Act. However, the Act defers the requirement to report on payments made to Aboriginal governments in Canada, with reporting on these payments beginning on June 1, 2017. For the year ended December 31, 2017, there were no reportable payments to an Aboriginal payee.

The individual department, agency or other body of the payee that received the payment is disclosed, where practical, in a supplementary note to the Report.

### **Activities within the scope of the Report**

Payments made by NuVista to payees relating to the commercial development of oil, gas and minerals (“commercial development”) are disclosed in this Report. NuVista makes payments related to its initial processing activities which are integrated with its extraction operations and comprise commercial development. The Report excludes payments that are not related to NuVista’s commercial development activities, as defined by the Act and in the associated Guidance document published by NRCan.

## **Project**

Payments are reported at the project level except for payments that are not attributable to a specific project and are reported at the entity level. Corporate income taxes, which are typically not levied at a project level, are an example of this.

A “project” means the operational activities that are governed by a single contract, license, lease, concession or similar legal agreement and form the basis for payment liabilities with a government. However, if multiple such agreements are substantially interconnected, NuVista has aggregated such interconnected agreements into a single “Project” for reporting purposes, as permitted under the Act and the associated Technical Reporting Specifications published by NRCan. NuVista’s project is the Province of Alberta.

## **Cash payments**

Payments are reported on a cash basis, meaning they are reported in the period in which they are paid. All information is reported in Canadian dollars (“Cdn\$”). Payments to the “same payee” that meet or exceed \$100,000 Cdn in one category of payment are disclosed. Payments disclosed are rounded to the nearest \$10,000 Cdn.

## **Payments made in situations of joint control**

Where NuVista has itself made a reportable payment to a payee, regardless of whether NuVista is the operator, the full gross amount paid has been disclosed; this is the case even where NuVista as the operator has been proportionally reimbursed by its non-operating partners through a partner billing process. Payments by Non-operators on NuVista’s behalf are not included in the schedule with the exception of instances where the 3rd party, operator is a non-reporting entity and has provided payment details to the company to include in the schedules. Joint control payments have been handled as outlined by the Extractive Sector Transparency Measures Act.

## **Payment Categories**

The information is reported under the following payment categories.

### *Taxes*

This category may include taxes paid by NuVista on its income, profits or production. Taxes reported include property taxes, business taxes and certain provincial resource surcharges. Consumption taxes and personal income taxes are excluded.

### *Royalties*

These are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue less any deductions that may be taken.

### *Fees*

This category may include rental fees, entry fees and regulatory charges as well as fees or other consideration for licenses, permits or concessions. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded.

### *Production entitlements*

A payee’s share of oil, gas or mineral production under a production sharing agreement or a similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2017, there were no reportable production entitlement payments to a payee.

*Bonuses*

Signing, discovery, production and any other type of bonuses paid to a payee are reported under this category.

*Dividends*

These are dividend payments other than dividends paid to a payee as an ordinary shareholder of NuVista. For the year ended December 31, 2017, there were no reportable dividend payments to a payee.

*Infrastructure improvement payments*

These are payments which relate to the construction of infrastructure that do not relate primarily to the operational purposes of NuVista. For the year ended December 31, 2017, there were no reportable infrastructure improvement payments to a payee.



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## INDEPENDENT AUDITORS' REPORT

To the Directors of NuVista Energy Ltd. and the Minister of Natural Resources Canada

We have audited the accompanying Schedule of Payments by Payee totaling \$16,830,000 and the Schedule of Payments by Project totaling \$16,830,000 of NuVista Energy Ltd. for the year ended December 31, 2017 and notes, comprising a summary of significant accounting policies and other explanatory information (together, the "schedules"). The schedules have been prepared by management in accordance with the financial reporting provisions in Section 2, 3, 4 and 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 Extractor Sector Transparency Measures Act – Guidance (collectively, the "financial reporting framework").

### *Management's Responsibility for the Schedules*

Management is responsible for the preparation of the schedules in accordance with the financial reporting framework referred to above, and for such internal control as management determines is necessary to enable the preparation of the schedules that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these schedules based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedules.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the Schedule of Payments by Payee amounting to \$16,830,000 and the Schedule of Payments by Project amounting to \$16,830,000 of NuVista Energy Ltd. for the year ended December 31, 2017 are prepared, in all material respects, in accordance with the financial reporting framework referred to above.

*Basis of Accounting*

Without modifying our opinion, we draw attention to Note 1 to the schedules, which describes the basis of accounting. The schedules are prepared to provide information to the Directors of NuVista Energy 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.

*Restriction on Use*

Our report is intended solely for the Directors of NuVista Energy Ltd. and the Minister of Natural Resources Canada and should not be used by parties other than the Directors of NuVista Energy Ltd. and the Minister of Natural Resources Canada.

**KPMG**LLP

Chartered Professional Accountants

April 27, 2018

Calgary, Canada