

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	Husky Energy Inc.					
Reporting Year	From	1/1/2018	To:	12/31/2018	Date submitted	5/23/2019
Reporting Entity ESTMA Identification Number	E791464		<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report			
Other Subsidiaries Included (optional field)						
For Consolidated Reports - Subsidiary Reporting Entities Included in Report:	Husky Oil Operations Limited E035441, HOI Resources Ltd. E794173, Husky Oil Limited Partnership E483488, Husky Energy International Sulphur Corporation E206499, Husky Energy International Corporation E602104, Husky Oil China Branch of HEIC E908878, Husky Oil Sands Partnership E945280, Sunrise Oil Sands Partnership E653397					
Not Substituted						
Attestation Through Independent Audit						
<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 2019-05-23, on the ESTMA Report for the entity(ies) and period listed above. The independent auditor's report can be found at the conclusion of the ESTMA report..</i></p>						
Full Name of Director or Officer of Reporting Entity	Jeff Hart			Date	5/23/2019	
Position Title	Chief Financial Officer					

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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 - Alberta	Government of Alberta		27,290,000	105,340,000	23,360,000					155,990,000	2, 5
Canada - Saskatchewan	Government of Saskatchewan		36,740,000	85,740,000	3,870,000					126,350,000	6
Canada	Government of Canada		35,700,000	78,390,000	880,000					114,970,000	4, 8
China	Zhanjiang Offshore Oil Tax Bureau		102,830,000							102,830,000	2, 3
China	CNOOC (BVI) LIMITED			65,080,000	5,380,000		660,000			71,120,000	3
Canada - Alberta	Regional Municipality Of Wood Buffalo		15,010,000							15,010,000	
Canada -Saskatchewan	Regional Municipality Of Eldon No 471		9,540,000		540,000					10,080,000	
Canada -Saskatchewan	Rural Municipality of Frenchman Butte No 501		8,090,000							8,090,000	
Canada -Newfoundland and Labrador	Newfoundland Exchequer Account				6,000,000					6,000,000	
Canada - Alberta	Municipal District Of Bonnyville		5,750,000							5,750,000	
Canada -Alberta	County Of Vermilion River		5,380,000		120,000					5,500,000	
Canada -Saskatchewan	Rural Municipality of Turtle River No 469		5,250,000							5,250,000	
Canada -Saskatchewan	Rural Municipality Of Wilton No 472		5,090,000							5,090,000	
Canada -Newfoundland and Labrador	Canada-Newfoundland & Labrador Offshore Petroleum Board				4,490,000					4,490,000	
Canada -Saskatchewan	Rural Municipality of Britannia No 502		4,110,000							4,110,000	
Canada -Alberta	Mackenzie County		3,870,000							3,870,000	
Canada -Alberta	Yellowhead County		3,060,000		260,000					3,320,000	
Canada -Alberta	Municipal District of Wainwright No. 61		3,110,000							3,110,000	
Canada -Alberta	Municipal District Of Opportunity #17		2,790,000		20,000					2,810,000	
Canada -Saskatchewan	Rural Municipality of Mervin No 499		1,910,000		270,000					2,180,000	
Canada -Alberta	Lloydminster, City of		1,760,000							1,760,000	
Canada -Saskatchewan	Manitou Lake 442, Rural Municipality of		1,720,000							1,720,000	
Canada -Northwest Territories	Government of the Northwest Territories				1,450,000					1,450,000	
Canada -Alberta	RURAL MUNICIPALITY OF PAYNTON 470		1,420,000							1,420,000	

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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 -Alberta	Flagstaff County		1,320,000							1,320,000	
Canada -British Columbia	Government of The Province of British Columbia		470,000		790,000					1,260,000	7
Canada -Alberta	Municipal District Of Greenview No. 16		1,220,000							1,220,000	
Canada -Saskatchewan	Rural Municipality Of Hillsdale No 440		1,170,000							1,170,000	
Canada -Alberta	Wheatland County, Municipal District Of		1,110,000							1,110,000	
Canada -Alberta	Clearwater County		970,000							970,000	
Canada -Alberta	Municipal District of Provost #52		960,000							960,000	
Canada -Alberta	Fort McKay First Nation		-				720,000			720,000	
Canada -Alberta	County of Two Hills		630,000							630,000	
	Town of Rainbow Lake		380,000							380,000	
Canada -Alberta	Kneehill County		380,000							380,000	
United States	Federal Trade Commission				370,000					370,000	3
Canada -Alberta	Northern Rockies Regional Municipality		370,000							370,000	
Canada -Alberta	Red Deer County		340,000							340,000	
Canada -Alberta	City of Calgary, The		280,000							280,000	
Canada -Saskatchewan	City of Prince Albert		-						250,000	250,000	
Canada -Alberta	County of St Paul #19		230,000							230,000	
Canada -Alberta	Mikisew Cree First Nation						220,000			220,000	
Canada -Saskatchewan	TECHNICAL SAFETY AUTHORITY OF Saskatchewan				210,000					210,000	
Canada -Alberta	Athabasca Chipewyan First Nation						210,000			210,000	
Canada -Saskatchewan	Moosomin First Nation						200,000			200,000	
Canada -Saskatchewan	Sauteaux First Nation						200,000			200,000	
Canada -Saskatchewan	Rural Municipality Of Lac Pelletier		190,000							190,000	
China	SHENZHEN OFFSHORE OIL TAX BUREAU		180,000							180,000	3
Canada -Alberta	Fort McKay Metis						170,000			170,000	
Canada -Alberta	Kananaskis Improvement District		160,000							160,000	
Canada -Alberta	Fort Chipewyan Metis Association						150,000			150,000	
Canada -Newfoundland and Labrador	Placentia, Town Of		150,000							150,000	
Canada -Alberta	County of Athabasca No.12		130,000							130,000	

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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 -Alberta	Municipal District of Lesser Slave River #124		130,000							130,000	
Canada -Alberta	Lacombe County		90,000		20,000					110,000	
Canada -Saskatchewan	Meota, Rural Municipality of		100,000							100,000	
			291,380,000	334,550,000	48,030,000		2,530,000		250,000	676,740,000	

Additional Notes:	<p>(1) All reported payments have been rounded to the nearest CDN \$10,000.</p> <p>(2) Includes royalties taken in kind, converted to the cash basis using the same methodology as Husky Energy Inc.'s 2018 consolidated financial statements.</p> <p>(3) Includes payments made in foreign currencies. Where payments have been made in a local currency they have been converted to Canadian dollars using the prevailing exchange rate at the time of the payment. The average exchange rates for the reporting period were:</p> <ul style="list-style-type: none"> • \$1 CAD: \$1.2957 USD • \$1 CAD: \$0.000091 IDR • \$1 CAD: \$0.1961 CNY <p>(4) Payments made to the Government of Canada include the following government bodies: (a) Natural Resource Canada and (b) Receiver General for Canada.</p> <p>(5) Payments made to the Government of Alberta include the following government bodies: (a) Government of Alberta; (b) Alberta Energy Regulator; and (c) Alberta Petroleum Marketing Commission</p> <p>(6) Payments made to the Government of Saskatchewan include the following government bodies: (a) Saskatchewan Ministry of the Economy; (b) Government of Saskatchewan Revenue Division; and (c) Ministry of Agriculture Lands Branch</p> <p>(7) Payments made to the Province of British Columbia include the following government bodies: (a) Province of British Columbia; (b) Ministry of Finance and Corporate Relations; (d) Minister of Finance; and (f) Surveyor of Taxes.</p> <p>(8) Payments made related to the White Rose and Terra Nova Fields are paid to the Government of Canada.</p>
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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
China	Liwan Gas Project	102,850,000	65,070,000						167,920,000	2, 3
Canada - Alberta	Cold and EOR	43,930,000	66,600,000	6,910,000					117,440,000	2
Canada - Alberta	Northern Operations	55,430,000	3,930,000	10,900,000					70,260,000	2
Canada -Newfoundland and Labrador	White Rose Oil Field	1,250,000	43,970,000	10,320,000					55,540,000	
Canada - Alberta	Lloydminster Thermal	9,360,000	40,840,000	730,000				250,000	51,180,000	
Canada - Alberta	Sunrise Energy Project	15,460,000	26,310,000	5,000,000		1,870,000			48,640,000	
Canada	Corporate	46,650,000	40,000	1,330,000					48,020,000	
Canada - Alberta	Southern Operations	10,150,000	25,750,000	2,760,000					38,660,000	
Canada -Newfoundland and Labrador	Terra Nova Oil Field		34,360,000						34,360,000	
Canada - Alberta	Rainbow Lake Development	390,000	21,030,000	1,760,000					23,180,000	2
Canada - Alberta	Tucker Thermal Project	5,750,000	6,650,000	710,000					13,110,000	
China	Block 22/11			2,680,000		660,000			3,340,000	2, 3
China	Block 23/07			2,680,000					2,680,000	2, 3
Canada - Northwest Territories	North West Territories			1,450,000					1,450,000	
Canada -Newfoundland and Labrador	East Coast Exploration			780,000					780,000	
China	Corporate - China	120,000							120,000	2, 3
China	Block 15/33	40,000		20,000					60,000	2, 3
		291,380,000	334,550,000	48,030,000		2,530,000		250,000	676,740,000	

Additional Notes³:	<p>(1) All reported payments have been rounded to the nearest CDN \$10,000.</p> <p>(2) Includes royalties taken in kind, converted to the cash basis using the same methodology as Husky Energy Inc.'s 2018 consolidated financial statements.</p> <p>(3) Includes payments made in foreign currencies. Where payments have been made in a local currency they have been converted to Canadian dollars using the prevailing exchange rate at the time of the payment. The average exchange rates for the reporting period were:</p> <ul style="list-style-type: none"> • \$1 CAD: \$1.2957 USD • \$1 CAD: \$0.000091 IDR • \$1 CAD: \$0.1961 CNY
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Extractive Sector Transparency Measures Act (“ESTMA”) Annual Report

Reader Advisories

In this document, the terms "Husky" and the "Company" mean Husky Energy Inc. and its subsidiaries and partnership interests on a consolidated basis, including information with respect to predecessor corporations.

Overview

ESTMA was enacted by the Government of Canada on December 16, 2014, and made effective on June 1, 2015. This Act delivers on Canada's international commitments to contribute to global efforts to increase transparency and deter corruption in the extractive sector. The Act requires extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad. As a Reporting Entity, Husky will meet ESTMA reporting requirements.

Reporting Entity

Husky Energy Inc. ("HEI"), a reporting entity under ESTMA, has prepared and filed a consolidated report on behalf of its subsidiary reporting entities. HEI's ESTMA ID number is: E791464.

Subsidiary Reporting Entities

Included in the consolidated report are the following subsidiary reporting entities of HEI:

1. Husky Oil Operations Limited, ESTMA ID number: E035441
2. HOI Resources Limited, ESTMA ID number: E794173
3. Husky Oil Limited Partnership, ESTMA ID number: E483488
4. Husky Energy International Sulphur Corporation, ESTMA ID number: E206499
5. Husky Energy International Corporation, ESTMA ID number: E602104
6. Husky Oil China Branch of HEIC, ESTMA ID number: E908878
7. Husky Oil Sands Partnership, ESTMA ID number: E945280
8. Sunrise Oil Sands Partnership, ESTMA ID number: E653397

Reporting Principles

1. Scope

The Company, a reporting entity under ESTMA has prepared and filed a consolidated report on behalf of its subsidiary reporting entities. This report includes reportable payments to payees for activities related to the exploration or extraction of oil, gas or minerals and the acquisition or holding of a permit, license, lease or any other authorization to carry out any exploration or extraction of oil, gas or minerals. The report discloses payments made to payees by the Company and/or by any entity controlled by Husky and payments made on behalf of the Company to a payee.

2. Basis for Preparation

The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the "Schedules") prepared by the Company for the year ended December 31, 2018 has been prepared in accordance with the financial reporting provisions in Section 9 of the ESTMA, Section 2.3 of the ESTMA – Technical Reporting Specifications and Sections 3.1 to 3.6 of the ESTMA – Guidance. The Schedules are prepared to meet the requirements of the ESTMA. As a result, the Schedules may not be suitable for another purpose.

Payments are reported on a cash accounting basis. In-kind payments are reported at cost; if the cost is not determinable, then the fair market value is reported.

3. Commercial Development of Oil and Gas

Commercial development does not include post-extraction activities. Husky is one of Canada's largest integrated energy companies with both Upstream and Downstream operations.

The Company's Downstream segment which includes upgrading of heavy crude oil feedstock into synthetic crude oil in Canada, refining in Canada of crude oil, marketing of refined petroleum products including gasoline, diesel, ethanol blended fuels, asphalt and ancillary products, and production of ethanol and refining in the U.S. of primarily crude oil to produce and market gasoline, jet fuel and diesel fuels that meet U.S. clean fuels standards, is out-of-scope of the report.

Additionally, the Company's Infrastructure and Marketing business within the Upstream segment, which markets and distributes the Company's and other producers' crude oil, natural gas, natural gas liquids, sulphur and petroleum coke, manages pipeline transportation, the blending of crude oil and natural gas, and storage of crude oil, diluent and natural gas, is out-of-scope of this report.

4. Joint Operations and Joint Control

The report includes payments to payees made by the Company, its subsidiaries and joint ventures or joint operations of which the Company is the operator. In situations of joint control in which the Company is not the operator, amounts paid by third party operators related to the Company's non-operated working interest have not been included in the report, with the exception of instances where the third party operator is a non-reporting entity or instances where the Company makes payments directly to a payee, even when the Company is not the operator of the project.

5. Payee

In the context of this report, a payee is:

- i. any government in Canada or in a foreign state at a national, regional, state/provincial or local/municipal level;
- ii. a body that is established by two or more such governments; or

- iii. any trust, board, commission, corporation, body or other authority 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 (i) above or a body referred to in paragraph (ii) above

Payees include crown corporations, and other state-owned enterprises that are exercising or performing a power, duty or function of government. Payments made to crown corporations, and other state-owned enterprises operating in Canada are considered to be on normal commercial terms and therefore are not reportable. If a vendor becomes an ESTMA payee during the period due to acquisition or change of control, the payments made to the payee during the fiscal year are included in the report.

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.

6. Reportable Payment Categories

Payments are presented in seven categories:

- taxes, other than consumption taxes and personal income taxes;
- royalties;
- fees, including rental fees, entry fees and regulatory charges, as well as fees or other consideration for licences, permits or concessions;
- production entitlements;
- bonuses, including signature, discovery and production bonuses;
- dividends other than dividends paid as ordinary shareholders; and
- infrastructure improvement payments.

7. Project Definition

A “project” means the operational activities that are governed by a single contract, licence, lease, concession or similar legal agreements and form the basis for payment liabilities with a government. If multiple such agreements are substantially interconnected, this shall be considered a project. “Substantially interconnected” means a set of operationally and geographically integrated contracts, licences, leases or concessions or related agreements with substantially similar terms that are signed with a government, giving rise to payment liabilities.

The reportable projects of the Company are as follows:

Country	Type	Project
China	Offshore	Liwan Gas Project
China	Offshore	Block 15/33
China	Offshore	Block 16/25
China	Offshore	Block 22/11
China	Offshore	Block 23/07
China	Corporate	China Corporate
Canada	Corporate	Corporate
Canada	Offshore	White Rose Oil Field
Canada	Offshore	Terra Nova Oil Field
Canada	Offshore	East Coast Exploration (Operated)
Canada	Oil Sands	Sunrise Energy Project
Canada	Heavy Oil	Lloydminster Thermal Developments
Canada	Heavy Oil	Tucker Lake Oil Sands Thermal Development
Canada	Heavy Oil	Cold and EOR
Canada	Onshore	Northern Operations
Canada	Onshore	Southern Operations
Canada	Onshore	Rainbow Lake Development
Canada	Onshore	NW Territories

8. Breakdown of Payments

Payments are broken down to indicate which payee received the payment, and to the project level when attributed to a specific project.

Corporate income tax payments are reported at the entity level without allocating the payment to specific projects as this would require artificially splitting and disaggregating the payment.

9. Penalties and Interest

Interest and penalties are out-of-scope of this report.

10. Refunds, Credits and Incentives Received from Payees

If a refund, credit, or incentive is received via an offset against another reportable payment to the same payee, then that refund, credit, or incentive is included, in order to report the net cash payment amount made by the Company to the payee.

11. Acquisitions and Divestitures

The Company may acquire or divest properties during the reporting year. Regardless of being subsequently reimbursed or making a payment via an ISOA or FSOA, whichever party to the transaction made the reportable payment will include the respective payment within their report.

12. Social or Corporate Social Responsibility Payments

The Company has only included social or corporate social responsibility payments that are directly related to commercial development. The Company views any social or corporate social responsibility as reportable if they are a condition of the commercial development of oil and gas (i.e. they are expressly required in a legal agreement or are a condition to operate).

13. Infrastructure Improvement Payments

Infrastructure payments are reported in the period in which the payment is incurred, when the infrastructure is transferred to the government or when the infrastructure is brought into use.

Infrastructure improvement payment made on infrastructure that is primarily used for operational purposes during the useful life, are excluded from the report. The Company views any infrastructure improvement payments as primarily for operational purposes, if the infrastructure will be reclaimed or decommissioned at the end of the lease term. In the case of maintenance to existing infrastructure (e.g. roads), if the Company will stop performing the maintenance activity after the lease term and/or when the Company stops operating in that area, then it relates primarily to operational purposes and is out-of-scope of the report.

14. Royalties

Alberta Crown Taken-in-Kind oil royalties are reported by the Operator (refer to section 4 above) under the "Royalties" payment category and are converted to a cash-basis consistent with the methodology the Company uses for external financial reporting purposes.

15. Reporting Currency

The report is prepared in Canadian dollars ("CAD"). Payments to governments in foreign currencies are translated based on the foreign exchange rate at transaction date.

16. Materiality

Payments made to the same payee as a single payment or multiple payments, over CAD \$100,000 within one of the reporting categories during the year are disclosed.



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Husky Energy Inc.

Opinion

We have audited the "Schedule of Payments by Payee" totaling \$676,740,000 and the "Schedule of Payments by Project" totaling \$676,740,000 of Husky Energy Inc. (the "Entity") for the period ended December 31, 2018, and notes to each schedule, including a summary of significant accounting policies (Hereinafter referred to as the "schedules").

In our opinion, the accompanying schedules for the period ended December 31, 2018 of the Entity are prepared, in all material respects, 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.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Schedules***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the schedules in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 in the schedules, which describes the basis of accounting used in the schedules.

The schedules are prepared to assist the Entity to meet the requirements of the Extractive Sector Transparency Measures Act.

As a result, the schedules may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



Responsibilities of Management for the Schedules

Management is responsible for the preparation of the schedules 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 Extractive Sector Transparency Measures Act – Guidance, and for such internal control as management determines is necessary to enable the preparation of schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the schedules.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The engagement partner on the audit resulting in this auditors' report is Jassie Kang.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

May 23, 2019