Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	MEG Energy Corp.					
Reporting Year	**From**	1/1/2021	**To:**	12/31/2021	**Date submitted**	5/25/2022
Reporting Entity ESTMA Identification Number	E553106		(●) Original Submission ( ) 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	**Derek Evans**	**Date**	*5/25/2022*
Position Title	**Chief Executive Officer**		

Extractive Sector Transparency Measures Act - Annual Report

Reporting Year	**From:**	1/1/2021	**To:**	12/31/2021	
Reporting Entity Name		MEG Energy Corp.	**Currency of the Report**	CAD	
Reporting Entity ESTMA Identification Number		E553106			
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 -Alberta	Government of Alberta		730,000	74,470,000	3,380,000					**78,580,000**	Note 1
Canada -Alberta	Regional Municipality of Wood Buffalo		9,230,000				120,000			**9,350,000**	Regional Municipality of Wood Buffalo Conklin Community Association
Canada	Government of Canada				3,150,000					**3,150,000**	Receiver General Export Development Canada[6]
Canada -Alberta	Fort McMurray First Nation				30,000		350,000			**380,000**	
Canada -Alberta	Heart Lake First Nation				60,000					**60,000**	
Canada -Alberta	Chipewyan Prairie First Nation				150,000		550,000			**700,000**	

Additional Notes:

1 Government of Alberta, Alberta Boilers Safety Association, Alberta Elevating Devices and Amusement Rides Safety Association, Alberta Energy Regulator, Minister of Finance, Safety Codes Council.
2 Taxes: property and business tax.
3 Fees: rental fees, administration fees, letter of credit fees, annual fees, interest penalty charges, regulatory charges, consultation funding as well as fees or other consideration for licenses, permits or concessions.
4 Bonuses: social payments.
5 The Corporation does not pay royalties in-kind and does not have any other in-kind payments.
6 This report is presented in Canadian dollars ($ or C$), which is the Corporation's functional reporting currency, and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada Technical Reporting Specifications. Foreign currency payments are translated into Canadian dollars at exchange rates prevailing at the dates of the associated payments pertaining to certain Export Development Canada fees. The weighted average of the exchange rates from January 1 to December 31, 2021: $1 USD = $1.2536 CAD.
7 Payments are rounded to the nearest $10,000.

Extractive Sector Transparency Measures Act - Annual Report

Reporting Year	**From:**	1/1/2021	**To:**	12/31/2021	
Reporting Entity Name		MEG Energy Corp.		**Currency of the Report**	CAD
Reporting Entity ESTMA Identification Number		E553106			
Subsidiary Reporting Entities (if necessary)					

Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada -Alberta	Christina Lake	9,740,000	74,470,000	6,180,000		350,000			**90,740,000**	Note 5
Canada -Alberta	Surmont	190,000		140,000		230,000			**560,000**	
Canada -Alberta	Growth Properties			330,000		210,000			**540,000**	
Canada -Alberta	May River	30,000		120,000		230,000			**380,000**	

Additional Notes[3]:

1 Taxes: property and business tax.
2 Fees: rental fees, administration fees, letter of credit fees, annual fees, interest penalty charges, regulatory charges, consultation funding as well as fees or other consideration for licenses, permits or concessions.
3 Bonuses: social payments.
4 The Corporation does not pay royalties in-kind and does not have any other in-kind payments.
5 This report is presented in Canadian dollars ($ or C$), which is the Corporation's functional reporting currency, and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada Technical Reporting Specifications. Foreign currency payments are translated into Canadian dollars at exchange rates prevailing at the dates of the associated payments pertaining to certain Christina Lake fees. The weighted average of the exchange rates from January 1 to December 31, 2021: $1 USD = $1.2536 CAD.
6 Payments are rounded to the nearest $10,000.

NOTES TO THE EXTRACTIVE SECTOR TRANSPARENCY MEASURES ACT REPORT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2021

1. INTRODUCTION

MEG Energy Corp. (the "Corporation") has prepared the following consolidated report ("the Report") of payments made to government entities for the year ended December 31, 2021 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 ("ESTMA" or "the Act").

2. BASIS OF PRESENTATION

The report is presented in Canadian dollars ($ or C$), which is the Corporation's functional reporting currency, and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada ("NRCan") Technical Reporting Specifications. Foreign currency payments are translated into Canadian dollars at exchange rates prevailing at the dates of the associated payments.

The following is a summary of significant policies and judgments that the Corporation has made for the purpose of preparing the report.

3. SIGNIFICANT POLICIES

(a) Cash and in-kind payments

Payments are reported on a cash basis and have been reported in the period in which the payment was made. In-kind payments are converted to an equivalent cash value based on cost or, if cost is not determinable, the in-kind payment is reported at the fair market value. The valuation method for each in-kind payment, if any, has been disclosed in the notes section of the ESTMA Annual Report.

Payments to the "same payee" that meet or exceed $100,000 in one category of payment are disclosed. Payments are rounded to the nearest $10,000.

(b) Payee

For the purposes of the Act, a payee is:

(i) Any government in Canada or in a foreign state;
(ii) A body that is established by two or more governments; or
(iii) 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 (i) above or a body referred to in paragraph (ii) above.

Payees include governments at any level, including national, regional, provincial, local, or municipal levels. Payees also include any government-owned or government-controlled entities that exercise or perform a power, duty or function of government.

The individual department, agency or other body of the payee that received the payment has been disclosed in the notes section of the ESTMA Annual Report.

(c) Reportable Payments

A reportable payment for ESTMA purposes is one that:

(i) Is made to the same payee;
(ii) Is made in relation to the commercial development of oil, gas or minerals; and
(iii) Totals, as a single or multiple payments, $100,000 or more within one of the following seven categories:

Taxes
This category includes taxes paid by the Corporation on its income, profits or production in relation to the commercial development of its oil sands resources. Taxes reported include property taxes and business income taxes that relate to the commercial development of oil. Consumption taxes, personal income taxes and taxes withheld by others on behalf of the Corporation are excluded.

Royalties
These are payments for the rights to extract oil sands resources, typically at a set percentage of revenue. Cash royalties are reported in this category. For the year ended December 31, 2021, the Corporation does not have any royalties paid in-kind.

Fees
This category may include rental fees, administration fees, letter of credit fees, annual fees, interest penalty charges and regulatory charges as well as fees or other consideration for licenses, permits or concessions. The fee category is broad and includes payments to various payees that in substance is a fee. Consultation funding to Indigenous governments are reported under this category. Amounts paid in ordinary course commercial transactions in exchange for goods or 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 similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2021, there were no reportable production entitlement payments to a payee.

Bonuses
Signing, discovery, production and any other type of bonuses paid to a payee in relation to the commercial development of oil sands resources are reported under this category. Social payments to Indigenous governments are reported under this category. The bonus category is broad and includes payments to payees that in substance is a bonus.

Dividends
Dividends are dividend payments, other than dividends paid to a payee as an ordinary shareholder of the Corporation on shares that were acquired by the payee on the same terms as were available at the time of acquisition to other shareholders that are not in lieu of any other reportable payment. For the year ended December 31, 2021, there were no reportable dividend payments to a payee.

Infrastructure improvement payments
This payment category consists of payments for the construction of infrastructure that does not relate primarily to the operational purposes of the Corporation. For the year ended December 31, 2021, there were no reportable infrastructure improvement payments to a payee.

4. SIGNIFICANT JUDGMENTS

The preparation of the Report in accordance with the Act requires the use of judgments and assumptions, which includes evaluation of the substance, rather than the form, of a payment.

Payments by Project Level

Payments have been reported at the project level, except for payments that are not attributable to a specific project and are reported at the entity or corporate level only. For the year ended December 31, 2021, there were no payments that could not be attributable to a specific project. A "project" means the operational activities are governed by a single contract, license, lease, concession or similar legal agreement that forms the basis for a payment liability with a payee. If multiple such agreements are substantially interconnected, they would be considered a single project.

"Substantially interconnected" means forming a set of operationally and geographically integrated contracts, licenses, leases or concessions or related agreements with substantially similar terms that are signed with a government and give rise to payment liabilities.

The Corporation has determined that the operational activities governed by surface or mineral lease contracts related to key operational areas are substantially interconnected and has reported payments related to each such area as a single project. The Corporation has also considered cash generating units used for external reporting purposes in determining payments by project level as geographical location and geological formation are key indicators for making this determination.

Commercial Development

The Act defines "commercial development of oil, gas or minerals" as:

(a) The exploration or extraction of oil, gas or minerals;
(b) 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; or
(c) Any other prescribed activities in relation to oil, gas or minerals.

Reportable payments made by the Corporation to payees relating to the commercial development of oil, gas or minerals ("commercial development") are disclosed in this Report. The Corporation's initial processing activities, which are integrated with its extraction operations are included in commercial development. The Report excludes payments that are not related to the Corporation's commercial development activities. Payments related to marketing, distribution, transportation and/or export are considered to be post-extraction activities and have been excluded from the Report.

Refunds and credits

Amounts paid to payees have been reported at the amount paid by the Corporation, including instances where an applicable credit reduces the amount payable, to reflect the net cash payment to the payee. Cash refunds received from payees have not been reported where they have not been applied as a credit to amounts owing.

Overcharging

If the cost of a good or service is significantly in excess of its fair market value, the payment, or a portion thereof, in excess of fair market value, could be reportable under the Act. For the year ended December 31, 2021, there were no reportable items related to overcharging.

Social Payments

In determining whether a social payment to Indigenous payees is reportable, the Corporation considers the nature, timing and extent of a payment.

Attribution of payments

Where a payment was made for the Corporation by another entity, such payment has been deemed to have been made by the Corporation. Also, a payment not directly made to a payee, or not received directly by the payee that is a payment for the payee is deemed to have been made to the payee. Whether a payment is made by a third party for the Corporation or to a third party for the payee may be difficult to determine and depends on the facts and circumstances including legal and contractual requirements in various jurisdictions. For the year ended December 31, 2021, there were no attribution of payments identified.