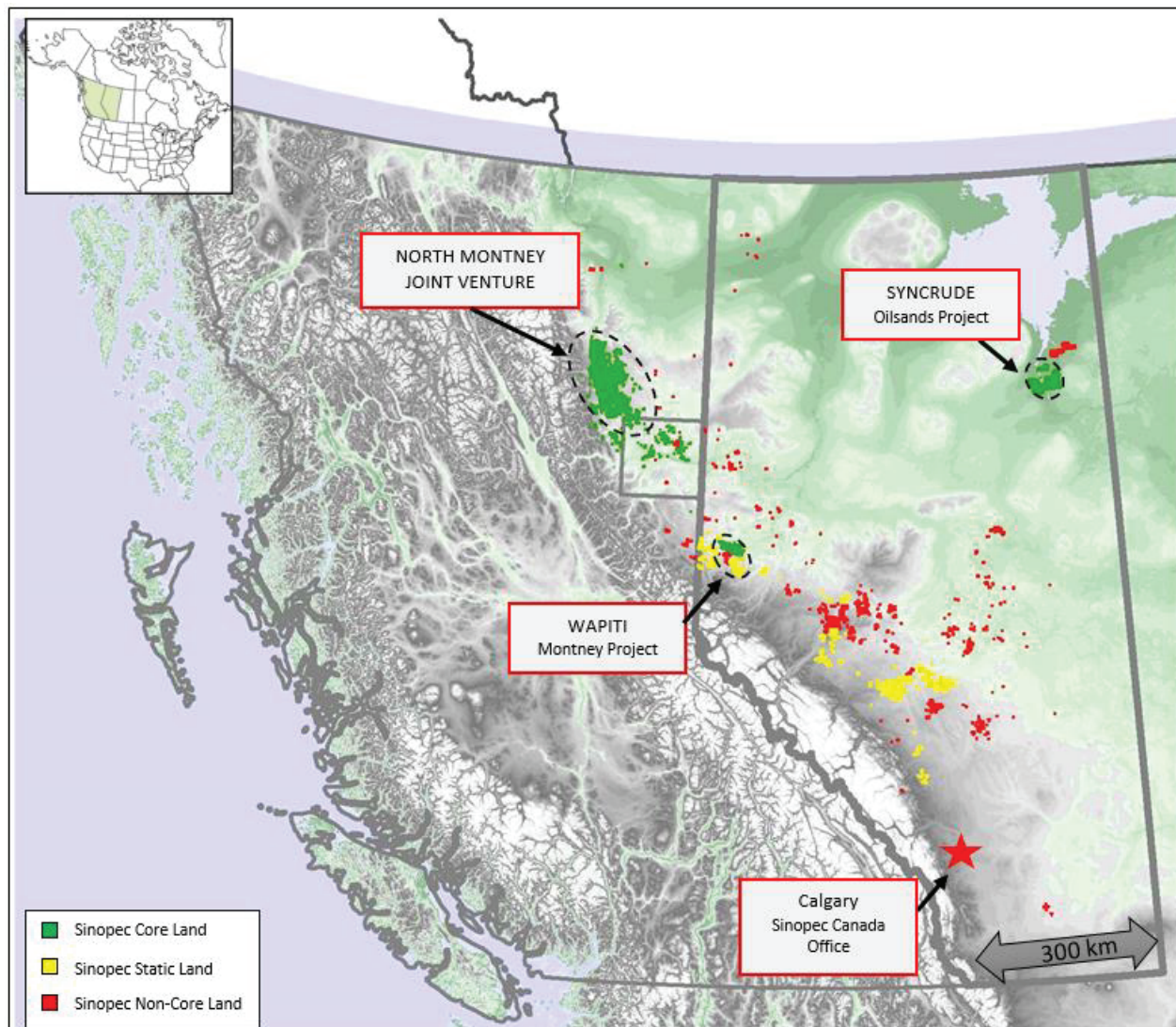




**SINOPEC**

**SINOPEC CANADA ENERGY LTD.  
ANNUAL REPORT 2023**





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## Background

On January 1, 2024, Sinopec Daylight Energy Ltd. amalgamated with Sinopec Canada Energy Ltd. and SinoCanada Petroleum Corporation to form "Sinopec Canada Energy Ltd." ("Sinopec"). Where information is provided in respect of the Canadian business for 2023 that information is provided for Sinopec Daylight Energy Ltd. ("Sinopec Daylight") as the owner of the Canadian business throughout 2023.

## Vision and Long-Term Priorities

Sinopec maintains the following top priorities in achieving long-term success:

- Short-term evaluation and long-term development of our Wapiti Montney assets;
- Optimization of our producing assets;
- Rationalization of non-core assets;
- Active stewardship of our non-operated Syncrude and North Montney Joint Venture projects; and
- Pursuit of technical excellence.

## Governance Standards

Sinopec's Board of Directors and Management team are committed to the highest standards of corporate governance. We employ a variety of policies, programs and practices to manage corporate governance, which are regularly reviewed to ensure their appropriateness for a corporation of Sinopec's size and structure.

## Governance Policies

Sinopec has several key governance policies which facilitate and ensure an ethical and honest business environment, and compliance with applicable laws, rules and regulations. Compliance with Sinopec's Code of Business Conduct and Ethics (the "Code") is certified by each employee, officer and consultant at the commencement of their employment and annually thereafter. The Board has also adopted a Whistleblower Policy and Procedure (the "Whistleblower Policy") which provides an opportunity for employees, service providers and third parties to report any perceived violations or concerns on a confidential and (if the employee desires) anonymous basis directly to the Chair of the Corporate Governance Committee, an "independent" director within the meaning of National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"). Copies of the Code, the Whistleblower Policy and Sinopec's other corporate governance policies are available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

## Written Position Descriptions

Sinopec has developed written position descriptions and terms of reference for the Board Chair, the Chair of each Committee of the Board, and the Chief Executive Officer. The full text of these documents is available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

## The Board of Directors

The Board is responsible for the effective stewardship of Sinopec and oversees its business and affairs through review and approval of Sinopec's strategic, operating, capital and financial plans. The full mandate of the Board is available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

### *Composition of the Board and Independence*

Our articles require us to have seven directors on our Board, subject to any ordinary resolution passed by shareholders. Sinopec is also subject to certain regulatory requirements to have a certain percentage of "Canadian" directors as well as a certain number of directors who are "independent" within the meaning of NI 58-101.

For a director to be considered independent, the Board must determine that the director does not have any material relationship with Sinopec, either directly or indirectly, which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment.

The Board has determined that Messrs. Balloch and Laffin are "independent" for the purposes of Sinopec's Corporate Governance practices and applicable regulatory standards. In determining that Messrs. Balloch and Laffin are independent and do not have any material relationship with Sinopec, either directly or indirectly, which could, in the view of the Board, be reasonably expected to interfere with the exercise of a director's independent judgment, the Board has affirmatively determined that Messrs. Balloch and Laffin:

- are not and have not been within the past three years an employee or executive officer (and no immediate family member of the director is or has been within the past three years an executive officer) of Sinopec;
- have not received (and no immediate family member of the director has received) more than Cdn. \$75,000 per year in direct compensation from Sinopec, other than director and committee fees and other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service) during any 12-month period within the past three years;
- are not a current partner or employee of PricewaterhouseCoopers LLP, our external auditors, nor within the past three years have been a partner or employee of PricewaterhouseCoopers LLP who personally worked on Sinopec's audit during that time (and no immediate family member of the director is a current partner of PricewaterhouseCoopers LLP or is a current employee of PricewaterhouseCoopers LLP who participates in that firm's audit, assurance, or tax compliance practice or within the past three years was a partner or employee of PricewaterhouseCoopers LLP who personally worked on Sinopec's audit during that time);
- are not and have not been within the past three years (and no immediate family member of the director is or has been within the past three years) employed as an executive officer of another company where any of Sinopec's present executive officers at the same time serve or have served on that other company's compensation committee; and
- are not and have not been an executive officer or an employee (and no immediate family member of the director is or has been an executive officer) of an entity that has made payments to, or received payments from, Sinopec for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of US \$1,000,000 or 2% of such other entity's consolidated gross revenues.

## 2023 Board Meetings

There were four meetings of the Board of Sinopec Daylight in 2023.

| Members                       | 2023 Meeting Attendance |
|-------------------------------|-------------------------|
| Xue Weisong (Chairman)        | 3/4                     |
| Michael Laffin <sup>(1)</sup> | 4/4                     |
| Howard Balloch <sup>(1)</sup> | 4/4                     |
| Chen Guangjun                 | 4/4                     |
| Tan Xiaoping                  | 0/4                     |
| Ge Rui                        | 4/4                     |
| Liu Renjing                   | 4/4                     |

<sup>(1)</sup> Independent Director.

## Committees of the Board

The Board fulfills its mandate, in part, through four standing subcommittees, each with a clearly defined charter. These are the Audit and Risk Committee, the Corporate Governance Committee, the Environment, Health & Safety and Reserves Committee, and the Human Resources & Compensation Committee. The full text of the

Sinopec's current committee charters and terms of reference for each of the Committee Chairs are available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

## Audit and Risk Committee

Sinopec's Audit and Risk Committee assists the Board in fulfilling its oversight and supervision of the accounting and financial reporting practices and procedures of Sinopec, the adequacy of Sinopec's internal accounting controls and procedures, the application of accounting and reporting policies and all changes in accounting principles and policies, and the quality and integrity of Sinopec's financial statements. In addition, the Audit and Risk Committee is responsible for meeting with and directing Sinopec's independent auditor's examination of specific areas, as well as overseeing Sinopec's compliance with governmental and legal requirements as they relate to the Audit and Risk Committee or financial related matters. The Audit and Risk Committee annually appoints Sinopec's external auditor and actively monitors the relationship among the external auditors, Management and the Audit and the Risk Committee. This process includes the monitoring of financial risk management, debt covenant compliance, and insurance programs relating to property and to directors' and officers' liability. The Committee is also primarily responsible, on behalf of the Board, for the implementation and effective management of Sinopec's Enterprise Risk Management system.

There were four meetings of the Audit and Risk Committee of Sinopec Daylight in 2023.

| Members                       | 2023 Meeting Attendance |
|-------------------------------|-------------------------|
| Xue Weisong (Chair)           | 3/4                     |
| Michael Laffin <sup>(1)</sup> | 4/4                     |
| Howard Balloch <sup>(1)</sup> | 4/4                     |
| Tan Xiaoping                  | 0/4                     |

(1) Independent Director

The Audit and Risk Committee Mandate and Terms of Reference and the Terms of Reference for the Audit and Risk Committee Chair are available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

## Corporate Governance Committee

Sinopec's Corporate Governance Committee assists the Board in reviewing, formulating and making recommendations in respect of the Board and Sinopec's corporate governance practices, which include: (i) reviewing, on an at least annual basis, the mandates of the Board and its committees and recommending to the Board such amendments to those mandates as the committee believes are necessary or desirable; (ii) establishing a forum to consider concerns of individual directors in respect of matters that are not readily or easily discussed in a full Board meeting, including the performance of management or individual members of management or the performance of the Board or individual members of the Board; and (iii) establishing, reviewing and updating, periodically, the Code of Business Conduct and Ethics and ensure that management has established a system to monitor compliance with this Code. In addition, the Corporate Governance Committee regularly assesses the composition and needs of the Board based on a variety of criteria, and is responsible for monitoring Sinopec's compliance with the undertakings pursuant to the *Investment Canada Act*.

There were four meetings of the Corporate Governance Committee of Sinopec Daylight in 2023.

| Members                               | 2023 Meeting Attendance |
|---------------------------------------|-------------------------|
| Michael Laffin (Chair) <sup>(1)</sup> | 4/4                     |
| Howard Balloch <sup>(1)</sup>         | 4/4                     |
| Chen Guangjun                         | 4/4                     |
| Tan Xiaoping                          | 0/4                     |

<sup>(1)</sup> Independent Director.

The Corporate Governance Committee Mandate and Terms of Reference and the Terms of Reference for the Corporate Governance Committee Chair are available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

## Environment, Health & Safety and Reserves Committee

Sinopec's Environment, Health & Safety and Reserves Committee assists the Board in meeting their responsibilities in respect of their legal, regulatory, industry and community obligations pertaining to the areas of health, safety and the environment. This includes: (i) reviewing and making recommendations to our Board on fundamental policies pertaining to environment, health and safety having the potential of impacting Sinopec's activities and strategies; (ii) reviewing emergency response plans; and (iii) reviewing our performance with respect to applicable laws and the practices of Sinopec.

Additionally, the Committee is responsible for proper reporting and compliance with respect to Sinopec's reserves under National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities* ("NI 51-101"). This includes: (i) reviewing management's recommendations for the appointment of the independent reserves evaluator; (ii) reviewing the terms of the independent reserves evaluator's engagement and the appropriateness and reasonableness of the proposed fees; (iii) reviewing the scope and methodology of the independent engineers' evaluation; (iv) reviewing any significant new discoveries, additions, revisions and acquisitions; (v) reviewing assumptions and consistency with prior years; and (vi) reviewing any problems experienced by the independent reserves evaluator in preparing the reserve report, including any restrictions imposed by management or significant issues on which there was a disagreement with management.

There were four meetings of the Environment, Health & Safety and Reserves Committee of Sinopec Daylight in 2023.

| Members                       | 2023 Meeting Attendance |
|-------------------------------|-------------------------|
| Liu Renjing (Chair)           | 4/4                     |
| Howard Balloch <sup>(1)</sup> | 4/4                     |
| Michael Laffin <sup>(1)</sup> | 4/4                     |
| Tan Xiaoping                  | 0/4                     |

<sup>(1)</sup> Independent Director.

The Environment, Health & Safety and Reserves Committee Mandate and Terms of Reference and the Terms of Reference for The Environment, Health & Safety and Reserves Committee Chair are available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

## Human Resources & Compensation Committee

Sinopec's Human Resources & Compensation Committee assists the Board in fulfilling its responsibilities with matters relating to the Sinopec's human resource policies and the compensation of its directors, officers and employees. This includes (i) reviewing the establishment of performance objectives and individual key performance indicators for executive officers; (ii) administering the long term incentive plan approved by the Board and any other incentive plans implemented by Sinopec, in accordance with their terms; (iii) reviewing and

recommending to the Board succession planning for senior management and managers in other key positions; and (iv) reviewing key human resources policies and procedures and any significant changes thereof.

There was one meeting of the Human Resources & Compensation Committee of Sinopec Daylight in 2023.

| Members                               | 2023 Meeting Attendance |
|---------------------------------------|-------------------------|
| Howard Balloch (Chair) <sup>(1)</sup> | 1/1                     |
| Xue Weisong                           | 1/1                     |
| Michael Laffin <sup>(1)</sup>         | 1/1                     |
| Tan Xiaoping                          | 0/1                     |

<sup>(1)</sup> Independent Director.

The Human Resources & Compensation Committee Mandate and Terms of Reference and the Terms of Reference for the Human Resources & Compensation Committee Chair are available on our website under "Responsibility – Corporate Governance" at [www.sinopeccanada.com](http://www.sinopeccanada.com).

## Orientation and Continuing Education

Upon joining the Board, new directors are provided with an information binder that includes a copy of Board and Committee mandates, corporate policies, governance documents and organizational structure charts, as well as agendas and minutes for Board and Committee meetings held during the preceding twelve-month period. This information binder also includes legal information with respect to the statutory and legal framework of a director's fiduciary duty, the regulatory framework applicable to Sinopec and the Board, and highlights the legal and other resources available to the Board. In addition, new directors receive presentations with respect to Sinopec's operations, internal controls over financial reporting and disclosure controls and procedures.

As part of continuing education, the Board receives regular presentations from senior management with respect to the operations and risks of Sinopec's business, commentary on commodity outlooks and trends, and updates regarding legislative, governance and regulatory matters which affect Sinopec. Individual directors identify their continuing educational needs through a variety of means, including discussions with management and at Board and Committee meetings.

Sinopec adheres to a strong set of corporate principles focused on accountability, cooperation and integrity, and is committed to operate in ways that are safe, environmentally responsible and with the utmost regard for our stakeholders. We strive to ensure that all regulatory requirements are met or exceeded and that effective response measures and capabilities are in place to respond to all unforeseen events.

## Health and Safety

The health and safety of employees, contractors, visitors and the public is of paramount concern to Sinopec, and we believe that management, employees and contractors all share accountability for providing the leadership and direction needed to effectively manage health and safety programs. We are committed to an integrated Health and Safety management system where effective policies and procedures are implemented, communicated and monitored, and where each employee, contractor and subcontractor understands our expectations and is trained and competent in the skills necessary to carry out their job functions safely. This is critical to ensuring the health and well-being of not only our employees, contractors and sub-contractors, but also the public.

We continually communicate learnings from near miss, hazard identification and recordable incident summaries with corrective action recommendations to representatives across the organization to help identify potentially unsafe conditions and unsafe acts for the ultimate purpose of preventing future incidents before they can occur. Our model of establishing long-term relationships with contractors and vendors has helped to create a culture of shared safety values where compliance with our safety management program can be successfully monitored and enforced. Additionally, we carry out regular inspections of our operating facilities and lease sites to ensure the integrity of our management systems and operations.

Sinopec is committed to responding efficiently and effectively to any alert or emergency and has developed emergency response plans (ERP) which acts as a guide for effective management of our emergency response operations. We perform regular emergency response training exercises, tailored to the demands of our specific operating areas, to ensure that our personnel are prepared in the unlikely event that an emergency event should occur. We are also committed to communicating openly with members of the public regarding our activities and our emergency response plans incorporate feedback we have received from the communities in which we operate.

Several specific health and safety initiatives were carried out in 2023. Sinopec carried out eight emergency response exercises, including six tabletop exercises and two full mobilization exercises. 2023 was also another successful health and safety year for all departments, achieved by applying proven safety management tools: 46 contractor spot checks; 567 worker task observations; 519 work site inspections and 2,134 hazard identifications were completed, enhancing Sinopec's safety performance and safety culture.

## Environment

We endeavour to minimize our environmental footprint and focus on maintaining the quality of the environment for future generations. While we understand our operations may have an effect on the environment, we are proactive and strategic in our approach to environmental management.

Through our Future Emissions Management Program, Sinopec Daylight manages fugitive emissions with specialized infrared optical thermal imaging. Together with a unique online data management system, the technology is designed to locate hydrocarbon gas leaks and venting, which provides for safe, accurate detection and measurement of emissions which facilitates compliance with internal company and regulatory requirements.

Sinopec Daylight uses the Stream Crossing & Aquatic Resource Inventory (SCARI) to inspect all of our roadway water crossings. SCARI enables us to identify fluvial (fish bearing) streams, as well as crossings or barriers that affect fish passage. The SCARI program also allows collaboration with other water crossing owners to share information of past remediation projects, satisfy applicable regulatory obligations and optimize the amount of amount of fish habit being restored.



# Corporate Responsibility

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We also manage our environmental responsibilities through the proactive abandonment and reclamation of our facilities, wells, and leases. At the end of 2023, Sinopec had abandoned 96 wells, pipelines, and facilities, and received eight reclamation certificates with another 398 former sites under active surface reclamation in various stages in Saskatchewan, Alberta, and British Columbia. 2023 was an active closure year primarily accomplished through self-funding following termination of the Alberta's Site Rehabilitation Program on February 14, 2023.

Sinopec is committed to making a positive impact in the areas where we live and work. We believe that our operations should benefit the communities in which we operate and we actively seek out opportunities for charitable giving and partnerships that respond to the needs of those communities.

In addition to corporate opportunities, we celebrate the awareness of our dedicated and generous employees who give back their time and money in a meaningful way and help promote the importance of volunteerism and fundraising. This is accomplished through the *Sinopec Canada Shines Community Investment Program*, which is made up of two principal components:

***i) The Two Hands Program***

For every one hour (to a maximum of 250 hours per year) that an employee actively volunteers their personal time for approved charities or established not-for-profit community organizations, Sinopec will give \$5.00 in a charitable giving account for that employee to gift to the registered charity of their choice.

***ii) The Two Times Program***

Sinopec will support employees by matching their donations dollar-for-dollar to approved charities or established not-for-profit organizations of their choice. In this way, Sinopec "magnifies" the impact our employees have and, as a result, helps employees participate in building and maintaining a healthy, caring society. It has been an honor to support dozens of charities, organizations and fundraising efforts and to continue the spirit of giving and to allow employees to have more ownership in where they give, we ask employees to nominate the charity of choice every year.

In 2023, Sinopec contributed to not-for-profit organizations throughout Calgary and our field communities.



## SINOPEC CANADA ENERGY LTD.

### Consolidated Financial Statements

As at and for the years ended December 31, 2023 and 2022

(expressed in millions of U.S. Dollars)

# SINOPEC CANADA ENERGY LTD.

## Management Responsibility Statement

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The consolidated financial statements of Sinopec Canada Energy Ltd. and all information in this report are the responsibility of management and have been approved by the Board of Directors. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The consolidated financial statements include amounts that are based on estimates, which have been objectively developed by management using all relevant information.

Sinopec Canada Energy Ltd. maintains appropriate systems of internal controls to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded from loss or misuse and financial records are properly maintained to provide reliable information for the preparation of financial statements. Sinopec Canada Energy Ltd. has effective disclosure controls and procedures to ensure timely and accurate disclosure of material information relating to the Company.

PricewaterhouseCoopers LLP, an independent firm of Chartered Professional Accountants, has been engaged to examine the consolidated financial statements and provide their auditor's report. Their report is presented with the consolidated financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. Sinopec Canada Energy Ltd. has a seven member Board of Directors of which two Directors are independent. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee includes the independent directors and has full access to management and the Company's external auditors to discuss the results of their audit examination and to review issues related thereto. The external auditors have full access to the Audit Committee with and without the presence of management. The Audit Committee reviews the consolidated financial statements and Management's Annual Report and recommends their approval to the Board of Directors.

Signed "*Guangjun Chen*"

Guangjun Chen  
Chief Executive Officer

Signed "*Rui Ge*"

Rui Ge  
Chief Financial Officer

Calgary, Alberta  
March 25, 2024



## Independent auditor's report

To the Directors and Shareholder of Sinopec Canada Energy Ltd.

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### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Sinopec Canada Energy Ltd. and its subsidiaries (together, the Company) as at December 31, 2023 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated statement of financial position as at December 31, 2023;
- the consolidated statement of income and comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

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### 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 *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

#### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

PricewaterhouseCoopers LLP  
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In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 these consolidated financial statements.

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 consolidated financial statements, 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We 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.

**/s/PricewaterhouseCoopers LLP**

Chartered Professional Accountants

Calgary, Alberta  
March 25, 2024

# SINOPEC CANADA ENERGY LTD.

## Consolidated Statements of Financial Position

As at December 31, 2023 and 2022

(in millions of US dollars)



|   | 2023           | 2022    |
|---|----------------|---------|
| <b>Assets</b>   |                |         |
| Current assets  |                |         |
| Cash and cash equivalents (note 6)                        | 6              | 9       |
| Accounts receivable and prepaid expenses (note 22)        | 136            | 168     |
| Inventories (note 7)                                      | 31             | 31      |
|   | <b>173</b>     | 208     |
| Investments (note 8)                                      | 2              | 3       |
| Property, plant and equipment (note 9)                    | 5,000          | 4,749   |
| Exploration and evaluation assets (note 10)               | 13             | 13      |
| <b>Total assets</b>                                       | <b>5,188</b>   | 4,973   |
| <b>Liabilities</b>  |                |         |
| Current liabilities                                       |                |         |
| Accounts payable and accrued liabilities (note 11)        | 172            | 237     |
| Employee future benefits (note 15)                        | 16             | 15      |
| Due to Company shareholder (note 13)                      | 5,798          | 586     |
| Due to related party (note 20)                            | —              | 5,220   |
| Current portion of asset retirement obligations (note 14) | 23             | 25      |
| Current portion of lease obligations (note 9)             | 2              | 2       |
|   | <b>6,011</b>   | 6,085   |
| Long-term bank debt (note 12)                             | 899            | 899     |
| Asset retirement obligations (note 14)                    | 753            | 594     |
| Employee future benefits (note 15)                        | 6              | 8       |
| Long term lease obligations (note 9)                      | 7              | 7       |
| Deferred tax liability (note 16)                          | 324            | 361     |
|   | <b>8,000</b>   | 7,954   |
| <b>Shareholder's Equity (Deficit)</b>                     |                |         |
| Share capital (note 17)                                   | 2,985          | 2,985   |
| Accumulated other comprehensive loss                      | (887)          | (918)   |
| Deficit   | (5,193)        | (5,364) |
| Controlling interest                                      | (3,095)        | (3,297) |
| Non-controlling interest                                  | 283            | 316     |
| <b>Total shareholder's deficit</b>                        | <b>(2,812)</b> | (2,981) |
| <b>Total liabilities and shareholder's equity</b>         | <b>5,188</b>   | 4,973   |

Commitments and contingencies (note 23)

Subsequent event (note 24)

See accompanying notes to the consolidated financial statements.

**On behalf of the Board of Directors:**

Signed "Xue Weisong"  
Director

Signed "Chen Guangjun"  
Director



# SINOPEC CANADA ENERGY LTD.

## Consolidated Statements of Income and Comprehensive Income

For the years ended December 31, 2023 and 2022

(in millions of US dollars)



|  | 2023         | 2022  |
|--|--------------|-------|
| <b>Revenues</b>  |              |       |
| Oil and natural gas (note 18)  | 1,187        | 1,542 |
| Royalties  | (119)        | (243) |
|  | <b>1,068</b> | 1,299 |
| <b>Expenses</b>  |              |       |
| Operating  | 588          | 560   |
| Exploration (notes 9 and 10)   | —            | 5     |
| General and administrative   | 30           | 22    |
| Finance charges (note 19)  | 60           | 44    |
| Foreign exchange (gain) loss   | 45           | (73)  |
| Loss on financial instruments (notes 8, 12 and 22)                               | 1            | —     |
| Loss on divestiture of assets  | 6            | 3     |
| Depletion, depreciation, amortization and impairment (reversal) of PP&E (note 9) | 304          | (248) |
|  | <b>1,034</b> | 313   |
| <b>Income before income taxes</b>  | <b>34</b>    | 986   |
| <b>Income taxes (note 16)</b>  |              |       |
| Current tax benefit  | (37)         | (1)   |
| Deferred tax expense (benefit)   | (28)         | 226   |
|  | <b>(65)</b>  | 225   |
| <b>Net income for the year</b>   | <b>99</b>    | 761   |
| <b>Other comprehensive income, net of tax</b>                                    |              |       |
| <i>Items that will not be reclassified to net earnings:</i>                      |              |       |
| Actuarial gain relating to pension and other post-retirement benefits            | 5            | 41    |
| <i>Items that may be subsequently reclassified to net earnings:</i>              |              |       |
| Foreign currency translation adjustment  | 35           | (77)  |
| <b>Other comprehensive income (loss)</b>   | <b>40</b>    | (36)  |
| <b>Comprehensive income</b>  | <b>139</b>   | 725   |
| <b>Net income (loss) attributable to:</b>  |              |       |
| Owners of the Company  | 171          | 671   |
| Non-controlling interest   | (72)         | 90    |
|  | <b>99</b>    | 761   |
| <b>Other comprehensive income (loss) attributable to:</b>                        |              |       |
| Owners of the Company  | 31           | (21)  |
| Non-controlling interest   | 9            | (15)  |
|  | <b>40</b>    | (36)  |

See accompanying notes to the consolidated financial statements.

# SINOPEC CANADA ENERGY LTD.

## Consolidated Statements of Changes in Equity

For the years ended December 31, 2023 and 2022

(in millions of US dollars)



|                                 | Share<br>Capital | AOCI <sup>(1)</sup> | Deficit | Total<br>Controlling<br>Interest | NCI <sup>(2)</sup> | Total<br>Shareholder's<br>Equity<br>(Deficit) |
|---------------------------------|------------------|---------------------|---------|----------------------------------|--------------------|---|
| Balance at January 1, 2022      | 2,985            | (897)               | (6,035) | (3,947)                          | 240                | (3,707)                                       |
| Capital contributions (note 17) | —                | —                   | —       | —                                | 4                  | 4   |
| Dividend paid                   | —                | —                   | —       | —                                | (3)                | (3)   |
| Net income                      | —                | —                   | 671     | 671                              | 90                 | 761   |
| Other comprehensive loss        | —                | (21)                | —       | (21)                             | (15)               | (36)  |
| Balance at December 31, 2022    | 2,985            | (918)               | (5,364) | (3,297)                          | 316                | (2,981)                                       |

|                                 | Share<br>Capital | AOCI <sup>(1)</sup> | Deficit | Total<br>Controlling<br>Interest | NCI <sup>(2)</sup> | Total<br>Shareholder's<br>Equity<br>(Deficit) |
|---------------------------------|------------------|---------------------|---------|----------------------------------|--------------------|---|
| Balance at January 1, 2023      | 2,985            | (918)               | (5,364) | (3,297)                          | 316                | (2,981)                                       |
| Capital contributions (note 17) | —                | —                   | —       | —                                | 30                 | 30  |
| Net income (loss)               | —                | —                   | 171     | 171                              | (72)               | 99  |
| Other comprehensive income      | —                | 31                  | —       | 31                               | 9                  | 40  |
| Balance at December 31, 2023    | 2,985            | (887)               | (5,193) | (3,095)                          | 283                | (2,812)                                       |

<sup>(1)</sup> Accumulated Other Comprehensive Income (Loss)

<sup>(2)</sup> Non-Controlling Interest

See accompanying notes to the consolidated financial statements.

# SINOPEC CANADA ENERGY LTD.

## Consolidated Statements of Cash Flows

For the years ended December 31, 2023 and 2022

(in millions of US dollars)



|  | 2023       | 2022       |
|--|------------|------------|
| <b>Cash provided by (used in):</b>   |            |            |
| <b>Operating activities</b>  |            |            |
| Net income for the year  | 99         | 761        |
| Add or deduct non-cash items:  |            |            |
| Depletion, depreciation, amortization and impairment (reversal) of PP&E (note 9) | 304        | (248)      |
| Asset retirement obligation accretion (notes 14 and 19)                          | 20         | 14         |
| Non-cash exploration expense   | —          | 5          |
| Interest expense (note 19)   | 40         | 28         |
| Loss on divestiture of assets  | 6          | 3          |
| Unrealized loss on financial instruments   | 1          | —          |
| Unrealized (gain) loss on foreign exchange                                       | 42         | (64)       |
| Change in employee future benefits (note 15)                                     | 4          | 13         |
| Deferred tax expense (benefit) (note 16)   | (28)       | 226        |
| Asset retirement expenditures (note 14)  | (23)       | (14)       |
| Change in non-cash operating working capital (note 21)                           | (31)       | (51)       |
| Cash provided by operating activities  | 434        | 673        |
| <b>Financing activities</b>  |            |            |
| Funds paid to Company shareholder  | (394)      | (1,267)    |
| Funds advanced from related parties  | 317        | 871        |
| Interest and financing fees paid   | (37)       | (20)       |
| Amounts contributed from non-controlling interest, net of dividends              | 30         | 1          |
| Capital lease payments   | (2)        | (2)        |
| Cash used in financing activities  | (86)       | (417)      |
| <b>Investing activities</b>  |            |            |
| Property, plant and equipment additions (note 9)                                 | (346)      | (266)      |
| Change in non-cash investing working capital (note 21)                           | (4)        | 12         |
| Cash used in investing activities  | (350)      | (254)      |
| <b>Decrease in cash and cash equivalents during the year</b>                     | <b>(2)</b> | <b>2</b>   |
| <b>Effect of foreign exchange on cash balances</b>                               | <b>(1)</b> | <b>(2)</b> |
| <b>Cash and cash equivalents, beginning of year</b>                              | <b>9</b>   | <b>9</b>   |
| <b>Cash and cash equivalents, end of year</b>                                    | <b>6</b>   | <b>9</b>   |

See accompanying notes to the consolidated financial statements.

# SINOPEC CANADA ENERGY LTD.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

(all amounts in millions of US dollars, unless otherwise stated)



### 1. REPORTING ENTITY AND DESCRIPTION OF THE BUSINESS

Sinopec Canada Energy Ltd. ("SCEL" or the "Company") was incorporated under the *Business Corporations Act (Alberta)* and on November 27, 2023 was continued under the *Business Corporations Act (British Columbia)*. The principal place of business of the Company is 112 - 4 Avenue SW, Calgary, Alberta, Canada T2P 0H3. The registered office of the Company is 3500 - 1133 Melville Street, P.O. Box 49314, Vancouver, BC, Canada V6E 4E5.

SCEL has an indirect interest ("working interest") in the Syncrude Joint Venture ("Syncrude") through the purchase of Sinopec Oil Sands Partnership ("SOP"). SOP holds a 9.03% working interest in Syncrude. Syncrude is involved in the mining of bitumen from its oil sands leases located in Northern Alberta and the upgrading of the bitumen to synthetic crude oil and is a joint operation controlled by four owners.

SCEL has a 100% interest in an upstream oil and gas development and exploration company, Sinopec Daylight Energy Ltd. ("SDEL").

SCEL, through its subsidiaries, acquired a 15% interest in certain Petroliam Nasional Berhad natural gas assets ("NMJV"). These assets include natural gas producing properties and reserves in northeast British Columbia. This acquisition was completed with China Huadian Corporation ("Huadian"), whereby SCEL owns two-thirds and Huadian owns one-third of the interest in the natural gas assets.

SCEL is an indirect subsidiary of China Petrochemical Corporation ("CPC"), a state owned enterprise ("SOE") of the Government of the People's Republic of China ("PRC"). SCEL's immediate operating parent company is Sinopec International Energy Investment Corporation ("SIEI") and SCEL's immediate parent company is Sinopec International Energy Investment (HK) Holdings Limited ("SIEIHK"). Sinopec Century Bright Investment Limited ("Century Bright") performs certain banking and finance functions for CPC's consolidated group. SIEI, Century Bright and SIEIHK are direct or indirect subsidiaries of CPC.

On November 23, 2023, CPC undertook a corporate reorganization in which SIEIHK acquired 100% of the equity interest in SCEL from TipTop Luxembourg S.A.R.L ("TipTop").

Prior to the reorganization, SCEL was an indirect subsidiary of CPC and also owned by China Chentong Holdings Group Ltd. ("CCHG") and China Reform Holdings Co. Ltd. ("CRHC"), all of which are SOEs of the PRC. SCEL's immediate operating parent company was Sinopec International Petroleum Exploration and Production Corporation ("SIPC") and SCEL's immediate parent company was TipTop. SIPC and TipTop are direct or indirect subsidiaries of CPC.

The consolidated financial statements of SCEL as at and for the year ended December 31, 2023, comprise the results of the Company and its subsidiaries and partnership interests as follows:

- Sinopec Oil Sands Partnership (100%)
- 1527203 Alberta Ltd. (100%)
- Sinopec Daylight Energy Ltd. (100%)
- Daylight Energy Trust (100%)
- Sinopec Huadian Canada LNG Ltd. ("SHCLL") (66.67%)<sup>(1)</sup>
- Sinopec Huadian Montney Limited Partnership ("SHMLP")(66.67%)<sup>(1)</sup>

<sup>(1)</sup> Huadian owns the remaining 33.33% of these interests; representing the non-controlling interest.

The consolidated financial statements have been prepared on the basis that the Company will continue as a going concern for the foreseeable future, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they become due. Management has considered what elements and plans are in place to continue as a going concern and these plans include reliance on the continued financial support of the Company's parents. SIEI has committed to supporting the financial obligations and commitments of the Company and continue to provide financial support to the Company by providing operating and capital funding.

# SINOPEC CANADA ENERGY LTD.

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2023 and 2022

*(all amounts in millions of US dollars, unless otherwise stated)*



## 2. BASIS OF PRESENTATION AND STATEMENT OF COMPLIANCE

### Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards").

These consolidated financial statements were authorized for issue by the Company's Board of Directors on March 25, 2024.

### Basis of Measurement

The consolidated financial statements have been prepared on a historical cost basis except for assets stated at fair value relating to investments and derivative assets.

Certain prior period balances have been reclassified to conform to the current period's presentation.

### Functional and Presentation Currency

The consolidated financial statements are presented in United States ("US") dollars which is the functional currency of the Company, its subsidiaries and partnerships, other than SDEL, Daylight Energy Trust, SHCLL and SHMLP which maintain a Canadian dollar functional currency. All financial information presented has been rounded to the nearest million dollars. In cases where Canadian dollars are referred to, the amounts will be identified as "CAD".

### Use of Estimates and Judgments

The timely preparation of financial statements requires that management make estimates and assumptions and use judgment. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgment used in the preparation of the financial statements are described in note 4.

## 3. MATERIAL ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements and have been applied consistently by the Company's subsidiaries and partnerships, except for items noted in note 5.

### Basis of Consolidation

These financial statements consolidate the financial results of SCEL and its subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. Control exists when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are deconsolidated from the date that control ceases.

Many of the Company's oil and natural gas activities, including the activities of Syncrude, SDEL and SHMLP, involve jointly owned assets. These consolidated financial statements reflect only the Company's proportionate interest in such assets and activities which include a proportionate share of assets, liabilities, income and expenses, on a line-by-line basis.

All intercompany balances and transactions have been eliminated in preparing these consolidated financial statements.

### Segmented Information

Operating segments have been determined based on the nature of the Company's activities and are consistent with the level of information regularly provided to and reviewed by the Company's chief operating decision makers.

### Foreign Currency Translation

Functional currencies of the Company's individual entities represent the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the appropriate

# SINOPEC CANADA ENERGY LTD.

## Notes to the Consolidated Financial Statements

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functional currency at foreign exchange rates that approximate those on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currency at foreign exchange rates at the reporting date. Foreign exchange differences arising on translation are recognized in net earnings. Non-monetary assets that are measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction.

In preparing the Company's consolidated financial statements, the financial statements of each entity are translated into US dollars. The assets and liabilities of entities with a functional currency other than US dollars are translated into US dollars at exchange rates at the reporting date. Revenues and expenses of entities with a functional currency other than the US dollar are translated into US dollars using a foreign exchange rate that approximates those on the date of the underlying transaction. Foreign exchange differences are recognized in other comprehensive income.

### **Cash and Cash Equivalents**

The Company considers cash on hand and term investments held with banks, with an original maturity of three months or less, to be cash and cash equivalents.

### **Inventories**

Inventories of crude oil and refined products are valued at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes direct and indirect expenditures incurred in bringing an item or product to its existing condition and location.

### **Investments**

Investments in which the Company does not exercise significant influence are initially recorded at their fair value with changes in their fair value recognized in net earnings.

Investments in which the Company does have significant influence are classified as equity investments and are accounted for using the equity method, where the Company's share of earnings or losses are recognized in earnings or loss and its share of other comprehensive income or loss is recognized in other comprehensive income. When the Company's cumulative share of losses equals or exceeds the Company's carrying amount of the investment, the Company does not recognize further losses unless the Company has incurred obligations or made payments on behalf of the investment. After application of the equity method, the Company determines whether it is necessary to recognize an impairment loss. Any loss is recognized in earnings or loss.

### **Business Combinations and Goodwill**

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities and contingent liabilities assumed are measured at their recognized amounts at the acquisition date which is at fair value with limited exceptions. The cost of an acquisition is measured as the aggregate consideration transferred, measured at the acquisition date fair value. Acquisition costs incurred are expensed.

Goodwill is measured as the excess of the cost of the acquisition over the recognized amounts of the identifiable assets, liabilities and contingent liabilities of the acquired company. The Company's assets are aggregated into cash-generating units ("CGU" or "CGUs") for the purpose of calculating impairment. Cash-generating units are based on an assessment of the unit's ability to generate independent cash inflows. At the acquisition date, any goodwill is allocated to a CGU or a group of CGUs expected to benefit from the combination's synergies. Goodwill is stated at cost less any accumulated impairment losses and is not amortized. Goodwill is tested for impairment on an annual basis.

### **Exploration and Evaluation Assets**

Costs incurred prior to receiving the legal right to explore an area are expensed when incurred.

The costs to acquire exploratory non-producing oil and gas properties or licenses to explore, drill exploratory wells and the costs to evaluate the commercial potential of underlying resources, including related borrowing costs, are initially capitalized as exploration and evaluation assets ("E&E"). Management deems exploration and evaluation assets to be costs associated with licenses to which proved and probable reserves have not been

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## Notes to the Consolidated Financial Statements

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assigned and to which a new reservoir or formation is being sought and is subject to significant exploration risk. Certain exploration costs, including geological, geophysical, seismic and sampling on oil sands properties, are charged to expense as incurred.

Exploration and evaluation assets are subject to technical, commercial and management review to confirm the continued intent to develop and extract the underlying resources. If an area or exploration well is no longer considered technically feasible or commercially viable, the related capitalized costs are charged to net earnings. If undeveloped land is abandoned or the rights to the undeveloped land expires, the associated costs are charged to net earnings.

Exchanges of assets within exploration and evaluation assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. Unless the fair value of the asset received is more clearly evident, the cost of the acquired asset is measured at the fair value of the asset given up. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognized in net earnings.

When management determines, with reasonable certainty, that an exploration and evaluation asset has reached technical feasibility and commercial viability and will be developed, as evidenced by the classification of proved or probable reserves and the appropriate internal and external approvals, the asset is transferred to property, plant and equipment. The costs transferred are determined to be those directly related to specific oil and gas licenses with proved or probable reserves assigned. Exploration and evaluation assets are tested for impairment immediately prior to costs being transferred to property, plant and equipment.

### **Property, Plant and Equipment**

Property, plant and equipment ("PP&E") is measured at cost less accumulated depletion, depreciation and amortization and accumulated impairment losses. Capitalized costs include the purchase price or construction cost of the asset, any costs directly attributable to bringing the asset into operation, seismic costs related to the development of a property, the initial estimate of any asset retirement obligation, and borrowing costs for qualifying assets, if any. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Oil and gas properties and licenses acquired in areas or fields with previously established proved or probable reserves are included in property, plant and equipment, although no proved or probable reserves may be assigned to those specific properties or licenses, as they are considered to be development opportunities in existing reservoirs or formations with minimal exploration risk.

The costs of planned major inspection, overhaul and turnaround activities that maintain property, plant and equipment and benefit future years of operations are capitalized. Recurring planned maintenance activities performed on shorter intervals are expensed as operating costs. This includes ongoing overburden removal expenditures on producing mines. Replacements outside of major inspection, overhaul or turnaround activities are capitalized when it is probable that future economic benefits will flow to the Company and the associated carrying amount of the replaced asset is derecognized.

The gain or loss from the divestitures of property, plant and equipment is recognized in net earnings. In addition, risk-sharing agreements in which the Company cedes a portion of its working interest to a third-party are generally considered to be divestitures of property, plant and equipment, resulting in a gain or loss on disposition.

Exchanges of assets within property, plant and equipment are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. Unless the fair value of the asset received is more clearly evident, the cost of the acquired asset is measured at the fair value of the asset given up. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognized in net earnings.

An asset within property, plant and equipment is derecognized upon divestiture or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of

# SINOPEC CANADA ENERGY LTD.

## Notes to the Consolidated Financial Statements

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(all amounts in millions of US dollars, unless otherwise stated)



the asset (calculated as the difference between the net divestiture proceeds and the carrying amount of the asset) is included in net earnings in the period in which the item is derecognized.

Borrowing costs relating to assets that take a substantial period of time to construct are capitalized as part of the asset. Capitalization of borrowing costs ceases when substantially all of the activities necessary to prepare the qualifying asset for its intended use or sale is complete.

### Depletion, Depreciation and Amortization

Exploration and evaluation assets are not subject to depletion, depreciation and amortization for conventional oil and gas assets. Once transferred to property, plant and equipment and commercial production commences, these costs for conventional oil and natural gas assets are depleted on a unit-of-production basis over proved developed reserves with the exception of property acquisition costs which are depleted over proved reserves.

Capital expenditures associated with significant development projects are not depleted until assets are substantially complete and ready for their intended use.

Capitalized costs of oil and natural gas properties included in property, plant and equipment, other than oil sands properties, are depleted using the unit-of-production method. For purposes of these calculations, production and reserves of natural gas are converted to barrels on an energy equivalent basis at a ratio of six thousand cubic feet of natural gas to one barrel of oil, calculated in accordance with National Instrument 51-101

- *Standards of Disclosure for Oil and Gas Activities*. Depletion and depreciation rates are updated in each reporting period that a significant change in circumstances, including reserves revisions, occurs. Successful exploratory wells transferred from exploration and evaluation assets and development costs are depleted over proved developed reserves. Acquired resource properties included in property, plant and equipment, including those transferred from exploration and evaluation assets, with proved reserves are depleted over total proved reserves. Future development costs are excluded from the depletion calculation. Acquisition costs related to resource properties without proved reserves and undeveloped land included within property, plant and equipment are not depleted until proved reserves are assigned at which time they are depleted over total proved reserves. If undeveloped land is abandoned or expires, the costs are immediately expensed.

Property, plant and equipment related to oil sands development is depreciated on a straight-line basis over the estimated useful lives of the assets, with the exception of mine development and asset retirement costs, which are depleted on a unit-of-production basis over the estimated proved and probable reserves of the producing mines, calculated in accordance with National Instrument 51-101 - *Standards of Disclosure for Oil and Gas Activities*. Future development costs are excluded from the depletion calculation. Acquisition costs related to oil sands properties without proved and probable reserves are not depleted until proved and probable reserves are assigned.

Corporate assets primarily consist of office furniture, fixtures, leasehold improvements and information technology which are stated at cost less accumulated depreciation and are depreciated straight-line over the estimated life of the asset. The following estimated useful lives of assets depreciated on a straight-line basis are reviewed annually for any changes to those estimates.

| Asset   | Estimated Life |
|---|----------------|
| Mildred Lake plant, Aurora North plant, extraction plant, upgrading, utilities and offsites and spare parts related to these major assets       | 15-25 years    |
| Various plant assets  | 5-25 years     |
| Mobile equipment comprised of loaders, shovels and haul trucks  | 10-20 years    |
| Crawlers, graders and cranes  | 15 years       |
| Building and trailers   | 15-20 years    |
| Support equipment, office furniture, computer equipment, software, miscellaneous mobile equipment, buses, vans and light vehicles, and aircraft | 4-15 years     |
| Housing and accommodations  | 25 years       |

### Leases



# SINOPEC CANADA ENERGY LTD.

## Notes to the Consolidated Financial Statements

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*(all amounts in millions of US dollars, unless otherwise stated)*



At inception of a contract, the Company assesses whether a contract is, or contains a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company assesses whether: the contract involves the use of an identified asset; the Company has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and, the Company has the right to direct the use of the asset.

The Company recognizes a lease asset and a lease liability at the commencement date of the lease contract, which is the date that the lease asset is available to the Company. The lease asset is initially measured at cost. The cost of a lease asset includes the amount of the initial measurement of the lease liability, lease payments made prior to the commencement date, initial direct costs and estimates of the asset retirement obligation, if any. Subsequent to initial recognition, the lease asset is depreciated using the straight-line method over the earlier of the end of the useful life of the lease asset or the lease term.

Lease liabilities are initially measured at the present value of lease payments discounted at the rate implicit in the lease, or if not readily determinable, the Company's incremental borrowing rate. Lease payments include fixed lease payments, variable lease payments based on indices or rates, residual value guarantees, and purchase options expected to be exercised. Subsequent to initial recognition, the lease liability is measured at amortized cost using the effective interest method. Lease liabilities are remeasured if there are changes in the lease term or if the Company changes its assessment of whether it is reasonably certain it will exercise a purchase, extension or termination option. Lease liabilities are also remeasured if there are changes in the estimate of the amounts payable under the lease due to changes in indices or rates, or residual value guarantees. Lease assets are reported within property, plant and equipment in the consolidated balance sheet. Lease liabilities are reported within long-term liabilities in the consolidated balance sheet.

Depreciation on lease assets used in the construction of property, plant and equipment is capitalized to the cost of those assets over their period of use until such time as the property, plant and equipment is substantially available for its intended use.

Where the Company acts as the operator of a joint operation, the Company recognizes 100% of the related lease asset and lease liability. As the Company recovers its joint operation partners' share of the costs of the lease contract, these recoveries are recognized in the consolidated statements of earnings.

### **Impairment**

#### ***Non-financial assets***

Property, plant and equipment and exploration and evaluation assets are assessed for indicators of impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Exploration and evaluation assets are also tested for impairment immediately prior to costs being transferred to property, plant and equipment.

If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated as the higher of the fair value less costs to dispose and value-in-use. In determining fair value less costs to dispose, recent market transactions are taken into account, if available. In the absence of such transactions, an appropriate valuation model is used. This model is typically a discounted cash flow model based on external and internal estimates of reserves and volumes with associated cash flows discounted at a pre-tax market rate. Value-in-use is assessed using the present value of the expected future cash flows of the relevant asset. If the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the asset is tested as part of a CGU, which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to the CGU or group of CGUs that are expected to benefit from the synergies of the combination. Exploration and evaluation assets are combined with all CGUs at the operating segment level when they are assessed for impairment, both at the time of any triggering facts and circumstances as well as upon their eventual reclassification to property, plant and equipment.

# SINOPEC CANADA ENERGY LTD.

## Notes to the Consolidated Financial Statements

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An impairment loss is recognized in depletion, depreciation and amortization for the amount by which the carrying amount of the individual asset or CGU exceeds its recoverable amount.

Impairments are reversed for all CGUs and individual assets, other than goodwill, to the extent that events or circumstances give rise to changes in the estimate of the recoverable amount since the period the impairment was recorded. Impairment is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would otherwise have been determined, net of depletion, depreciation and amortization, if no impairment loss had been recognized. Impairment reversals are recognized within depletion, depreciation and amortization.

### **Financial assets**

At each reporting date, the Company assesses whether there is evidence that a financial asset is impaired. If a financial asset carried at amortized cost is impaired, the amount of the loss is measured as the difference between the amortized cost of the payable or receivable and its recoverable amount. All impairment losses are recognized in net earnings. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

### **Provisions**

Provisions are recognized by the Company when it has a legal or constructive obligation as a result of past events, it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are recognized for asset retirement obligations associated with the Company's exploration and evaluation assets and property, plant and equipment. Provisions for asset retirement obligations are measured at the present value of management's best estimate of the future cash flows required to settle the present obligations, using a risk-free interest rate specific to the asset. The value of the obligations are added to the carrying amount of the associated assets and amortized over the useful life of the assets. The provisions are accreted over time through finance charges with actual expenditures charged against the accumulated obligations to the extent the provisions are established. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows, including functional currency foreign exchange differences, are recognized as a change in the asset retirement obligations of the related assets.

### **Revenue**

Revenue is recognized when the performance obligations in the sales contract are satisfied and it is probable that the Company will collect the consideration to which it is entitled. Performance obligations are generally satisfied at the point in time when the product is delivered to a location specified in a contract and control passes to the customer.

Royalty income is recognized as it accrues in accordance with the terms of overriding royalty agreements.

### **Finance Charges**

Finance charges comprise interest expense on bank debt, the amortization of bank financing fees, the interest cost component of the pension obligation, the accretion of the discount on asset retirement obligations and the realized gain or loss on the interest rate swap. Borrowing costs are recognized in net earnings using the effective interest method and are recognized in net earnings in the period in which they are incurred. Borrowing costs for the construction of a qualifying asset are capitalized for the period of time from when construction commences and the asset is prepared for its intended use. The capitalization rate to determine the amount of borrowing for a qualifying asset is the weighted average interest rate applicable to the Company's outstanding borrowings during the capitalization period.

### **Income Taxes**

Income tax expense comprises current and deferred tax expense.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable in respect of previous years.

# SINOPEC CANADA ENERGY LTD.

## Notes to the Consolidated Financial Statements

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*(all amounts in millions of US dollars, unless otherwise stated)*



Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets are recognized for deductible temporary differences, unused tax losses and unused tax credits only if it is probable that sufficient future taxable income will be available to utilize those temporary differences and losses. Such deferred tax liabilities and assets are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable net income nor the accounting profit or from investments in subsidiaries, associates and interests in joint ventures to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in net earnings in the period that the change occurs.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

Income tax expense is recognized in net earnings except to the extent that it relates to a business combination or items recognized directly in equity or other comprehensive income.

### **Share Capital**

Common shares are classified as equity. Incremental costs directly attributable to the issuance of common shares are recognized as a deduction from equity, net of any tax effects.

### **Financial Instruments**

#### ***Initial measurement and recognition***

Financial assets and liabilities, including derivatives, are initially recognized on the trade date at which the Company enters into the contractual provisions of the instrument. Financial assets and liabilities are initially measured at fair value. Subsequent measurement of financial assets or liabilities is at amortized cost or fair value. Subsequent measurement of derivatives are at fair value.

#### ***Derecognition***

A financial asset is derecognized when the contractual rights to the cash flow from the financial asset expire or are transferred. Any difference between the carrying amount of the asset and the consideration received is recognized in net earnings. A financial liability is derecognized when it is extinguished. Any difference between the carrying amount of the liability extinguished and the consideration paid is recognized in net earnings.

#### ***Derivative assets and liabilities***

The Company may, from time to time, use various financial derivatives to reduce market risk exposure from changes in interest rates. Derivatives are recorded at fair value on the consolidated statement of financial position with changes recorded in net loss unless designated as effective hedging instruments.

#### ***Non-derivative financial assets***

A financial asset is subsequently measured at amortized cost using the effective interest method, net of any impairment loss if:

- The asset is held within a business model with an objective to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest.

# SINOPEC CANADA ENERGY LTD.

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Financial assets other than those measured at amortized cost are subsequently measured at fair value with all changes in fair value recognized in net earnings.

Financial assets measured at amortized cost are cash and cash equivalents, accounts receivable and income taxes receivable. Investments in equity securities which do not constitute significant influence or control are measured at fair value.

### ***Non-derivative financial liabilities***

Financial liabilities other than those measured at amortized cost are subsequently measured at fair value with all changes in fair value recognized in net earnings.

Financial liabilities measured at amortized cost comprise accounts payable and accrued liabilities, bank debt, amounts due to related parties, and the payables due to the Company Shareholder and affiliates.

The Company accounts for its physical delivery sales contracts, which were entered into and continue to be held for the purpose of receipt or delivery of non-financial items, in accordance with its expected purchase, sale or usage requirements as executory contracts. As such, these contracts are not considered to be derivative financial instruments and have not been recorded at fair value on the statement of financial position. Settlements of these physical sales contracts are recognized in oil and natural gas revenues.

### **Employee Benefits**

#### ***Post-employment benefit obligations***

SCEL accrues its proportionate share of Syncrude Canada's post-employment benefit obligations, which includes defined benefit and defined contribution pension plans and a defined benefit plan for other post-employment benefits ("OPEB"). The OPEB includes health care benefits and life insurance benefits to retirees, their beneficiaries and covered dependents. These obligations are valued annually by independent qualified actuaries.

The costs of the defined benefit pension and OPEB plans are actuarially determined using the projected unit credit method based on length of service and reflect SCEL's best estimate of financial and demographic assumptions. The discount rate used to determine the accrued benefit obligation is based on a market rate of interest for high-quality corporate debt instruments with cash flows that match the timing and amount of expected benefit payments. The interest cost component of the pension obligation is presented within finance charges. Plan assets accrete at the same rate as that used to accrete the discounted accrued benefit obligation. Actuarial remeasurements arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period in which they arise. The current service cost of the defined benefit plans is recognized in operating expense as the service is rendered. Any past service costs arising from plan amendments are recognized immediately in operating expenses.

The cost of the defined contribution plans is recognized in operating expenses as the service is rendered and contributions become payable.

#### ***Bonus plan and other employment incentives***

SCEL through its interest in Syncrude has two performance-based incentive plans (Annual Incentive Program and Share Based Compensation program) and an employee retention program.

The Annual incentive plan is based on Suncor's Corporate and Business Unit performance and individual payouts are based on the employee level and performance.

The Share Based Compensation plan that can be settled in cash or have the option to be settled in cash and shares is measured at the fair value at the end of the period being reported using the Black-Scholes options pricing model. They are treated as cash settled plans. The plan grants stock options for common shares of Suncor at the market price on the grant date and are subject to fulfilling vesting terms. The Black-Scholes pricing model is used to determine the fair value of the options at the time the option is granted. The expense is recognized over the vesting period of the option.

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The employee retention housing support program expenses are recognized as they are earned, net of adjustments for forfeitures.

#### 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make estimates and judgments that affect reported assets, liabilities, revenues, expenses, gains, losses, and disclosures of contingencies. These estimates and judgments are subject to change based on experience and new information.

The financial statement areas that require significant estimates and judgments are as follows:

##### **Critical Accounting Estimates**

###### ***Business combinations***

Business combinations are accounted for using the acquisition method which requires the fair value of certain acquired assets, liabilities and contingent consideration, if any, to be estimated. Oil and natural gas reserves form the basis for estimating the value of oil and gas properties which requires the estimation of reserves. Contingent consideration requires the estimation of amounts owing and probability of occurring.

###### ***Asset retirement obligations***

In determining the estimated value of the asset retirement obligations, the Company must estimate the timing and amount of future abandonment, reclamation and closure expenditures. These provisions are based on estimated costs, which take into account the anticipated method and extent of abandonment and restoration, technological advances and the possible future use of the site. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future asset retirement and restoration may change due to certain factors, including reserve life. Changes to estimates related to future expected costs, discount rates and timing may have a material impact on the amounts presented.

###### ***Employee future benefits***

The Company provides benefits to employees, including pensions and other post-retirement benefits through its interest in Syncrude. The costs of defined benefit pension plans and other post-retirement benefits received by employees are estimated based on actuarial valuation methods. Estimates typically used in determining these amounts include, as applicable, rates of employee turnover, future claim costs, discount rates, future salary and benefit levels, the return on plan assets, mortality rates and future medical costs. Changes to these estimates may have a material impact on the amounts presented.

###### ***Asset impairment and reversals***

The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to dispose or value-in-use calculations. The key estimates the Company applies in determining the recoverable amount normally include estimated future commodity prices, expected production volumes, future royalty rates, future operating and development costs as they relate to the estimation of proven, probable, possible reserves and/or contingent resources, undeveloped land values, and discount rates. Changes in economic conditions could significantly change these estimates. Changes to these estimates will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

###### ***Oil and natural gas prices and exchange rates***

The December 31, 2023 future prices used to determine cash flows from oil, natural gas and oil sands reserves are as follows:

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| Benchmark Reference Price Forecasts |       |       |       |       |       |        |        |        |        |        |
|-------------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|--------|--------|
|                                     | 2024  | 2025  | 2026  | 2027  | 2028  | 2029   | 2030   | 2031   | 2032   | 2033   |
| WTI (\$US/Bbl)                      | 72.50 | 73.95 | 75.43 | 76.94 | 78.48 | 80.05  | 81.65  | 83.28  | 84.95  | 86.64  |
| Edmonton par (\$Cdn/Bbl)            | 92.00 | 93.84 | 95.72 | 97.63 | 99.58 | 101.58 | 103.61 | 105.68 | 107.79 | 109.95 |
| AECO (\$Cdn/MMBtu)                  | 2.25  | 3.06  | 3.90  | 3.98  | 4.06  | 4.14   | 4.22   | 4.31   | 4.39   | 4.48   |
| Exchange rate (\$US/\$Cdn)          | 0.75  | 0.75  | 0.75  | 0.75  | 0.75  | 0.75   | 0.75   | 0.75   | 0.75   | 0.75   |

After 2033, the price forecast for WTI, Edmonton par and AECO escalates at 2% per year to the end of the reserve life and the exchange rate remains constant at 0.75 \$US/\$Cdn.

The December 31, 2022 future prices used to determine cash flows from oil, natural gas and oil sands reserves are as follows:

| Benchmark Reference Price Forecasts |        |       |       |       |       |       |       |        |        |        |
|-------------------------------------|--------|-------|-------|-------|-------|-------|-------|--------|--------|--------|
|                                     | 2023   | 2024  | 2025  | 2026  | 2027  | 2028  | 2029  | 2030   | 2031   | 2032   |
| WTI (\$US/Bbl)                      | 80.00  | 76.50 | 75.43 | 74.28 | 75.77 | 77.29 | 78.83 | 80.41  | 82.02  | 83.66  |
| Edmonton par (\$Cdn/Bbl)            | 102.67 | 96.67 | 95.13 | 93.50 | 95.37 | 97.27 | 99.22 | 101.20 | 103.23 | 105.29 |
| AECO (\$Cdn/MMBtu)                  | 4.00   | 4.08  | 4.16  | 4.24  | 4.33  | 4.42  | 4.50  | 4.59   | 4.69   | 4.78   |
| Exchange rate (\$US/\$Cdn)          | 0.75   | 0.75  | 0.75  | 0.75  | 0.75  | 0.75  | 0.75  | 0.75   | 0.75   | 0.75   |

After 2032, the price forecast for WTI, Edmonton par and AECO escalates at 2.0% per year to the end of the reserve life and the exchange rate remains constant at 0.75 \$US/\$Cdn.

Benchmark reference prices, as noted above, are provided by independent reserve engineers. Volumes are either evaluated by independent reserve engineers or internally evaluated and supported by other independent evidence as available. Undeveloped land values were based on assessments by independent evaluators.

### Discount rate

Estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Based on the individual characteristics of the asset, other economic and operating factors are also considered which may increase or decrease the implied discount rate.

### Depletion, depreciation and amortization

SCEL calculates depreciation and amortization expense for the majority of its oil sands assets on a straight-line basis and must estimate the useful lives of these assets accordingly. While these useful life estimates are reviewed on a regular basis and depreciation and amortization calculations are revised accordingly, actual lives may differ from the estimates. The Company calculates depletion expense for asset retirement costs, conventional oil and natural gas operations and mine development on a unit-of-production basis and must estimate reserves, which are used as a component of the depletion calculations to allocate capital costs over the estimated useful lives. As circumstances change and new information becomes available, estimated reserves and resultant depletion calculations could change.

### Oil and gas reserves and resources

Estimations of recoverable quantities of proved, probable and possible reserves and/or contingent resources include estimates and assumptions regarding future commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows as well as the interpretation of complex geological and geophysical models and data. Changes in reported reserves can affect the impairment of assets, asset retirement obligations, the economic feasibility of exploration and evaluation assets and the reported depletion, depreciation and amortization of property, plant and equipment.

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### Critical Accounting Judgments

#### ***Crown royalties***

When calculating deemed bitumen revenues on which Crown royalties are based, SCEL must determine a deemed bitumen value and deductible costs. This requires the use of judgment in the application of the governing royalty agreement.

#### ***Taxes***

In determining its current and deferred tax provisions, the Company must apply judgment when interpreting and applying complex and changing tax laws and regulations. The determination of the appropriate application of these laws and regulations by tax authorities may remain uncertain for several years. The final outcome of such determination could result in amounts different from those initially recorded and would impact current or deferred tax expense in the period in which a determination is made.

#### ***Determination of CGUs***

A CGU is defined as the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets into CGUs requires significant judgment and interpretations with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared infrastructures, and the way in which management monitors the operations.

#### ***Asset impairment and reversals***

Judgments are required to assess when impairment indicators exist and impairment testing is required. In determining the recoverable amount of assets, in the absence of quoted market prices, impairment tests are based on estimates of reserves, production rates, future oil and natural gas prices, future costs, discount rates, market value of land and other relevant assumptions.

#### ***Oil and gas activities***

The Company is required to apply judgment when designating the nature of oil and natural gas activities as exploration and evaluation or development and production, and when determining whether the initial costs of these activities are capitalized.

Certain exploration and evaluation costs are initially capitalized with the intent to establish commercially viable reserves. The Company is required to make judgments about future events and circumstances as to whether economic quantities of reserves have been found. The costs are subject to technical, commercial and management review to confirm the continued intent to develop the project. Level of drilling success, or changes to project economics, resource quantities, expected production techniques, production costs and required capital expenditures are important judgments when making this determination.

Management uses judgment to determine when exploration and evaluation assets are reclassified to property, plant and equipment. This decision considers several factors, including the existence of proved or probable reserves, appropriate approvals from regulatory bodies and the Company's internal project approval processes.

#### ***Leases***

Purchase, extension and termination options are included in certain of the Company's lease to provide operational flexibility. To measure the lease liability, the Company uses judgment to assess the likelihood of exercising these options. These assessments are reviewed when significant events or circumstances indicate that the likelihood of exercising these options may have changed. The Company also uses estimates to determine its incremental borrowing costs if the interest rate implicit in the lease is not readily determinable.

#### ***Functional currency***

The Company's functional currency is based on the primary economic environment in which it operates and is based on an analysis of several factors including which currency principally affects sales prices of products sold by the Company, which currency influences the main expenses of providing services, in which currency the

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Company keeps its receipts from operating activities and in which currency the Company has received financing. Management used its judgment to assess these factors.

### 5. CHANGES IN ACCOUNTING POLICES

#### New Standards Adopted

In January 2020, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* to clarify that liabilities are classified as either current or non-current, depending on the existence of the substantive right at the end of the reporting period for an entity to defer settlement of the liability for at least twelve months after the reporting period. The amendments were effective January 1, 2023 with early adoption permitted. The amendments are required to be adopted retrospectively. The Company adopted the amendments with no impact to its consolidated financial statements.

In May 2020, the IASB issued amendments to IAS 37 *Provisions*, to clarify (i) the meaning of “costs to fulfil a contract”, and (ii) that, before a separate provision for an onerous contract is established, an entity recognizes any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract. These amendments were effective for periods beginning on or after January 1, 2022. The Company adopted the amendments with no impact to its consolidated financial statements.

In May 2021, the IASB issued amendments to IAS 12 *Income Taxes*, to recognize deferred tax on particular transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. These amendments were effective for periods beginning on or after January 1, 2023. The Company adopted the amendments with no impact to its consolidated financial statements.

#### Standards Issued but Not Yet Adopted

In October 2022, the IASB issued *Non-current Liabilities with Covenants* (Amendments to IAS 1 *Presentation of Financial Statements*). The amendments improve the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments are effective January 1, 2024, with early adoption permitted. The Company does not anticipate any significant impact from these amendments on the consolidated financial statements as a result of the initial adoption.

In September 2022, the IASB issued *Lease Liability in a Sale and Leaseback* (Amendments to IFRS 16 *Leases*). The amendments add subsequent measurement requirements for sale and leaseback transactions. The amendments are effective January 1, 2024, with early adoption permitted. The Company does not currently have any sale and leaseback transactions and therefore does not anticipate any changes resulting from these amendments on the consolidated financial statements as a result of the initial adoption.

### 6. CASH AND CASH EQUIVALENTS

|                     | 2023 | 2022 |
|---------------------|------|------|
| US dollar balances  | 1    | 1    |
| CAD dollar balances | 5    | 8    |
| Total               | 6    | 9    |

All cash and cash equivalents are bank deposits.



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### 7. INVENTORIES

The Company's major inventory items are raw bitumen, pipes and small parts. Bitumen is stock piled as part of the normal Syncrude mining process. Ongoing mining of raw bitumen is delivered directly to the upgrader but during equipment shutdown phases no bitumen or insufficient quantities are mined such that the utilization of the upgrader would be below normal capacity. In these instances, bitumen inventory is used to meet the upgrader processing requirements. Use of the bitumen inventory stockpile is frequent with ongoing replenishment. Pipes and small parts are used in the mining operations. There has been no impairment of inventory in either the current or prior year.

### 8. INVESTMENTS

#### Investment at Fair Value

The Company holds an investment in 4,316,666 common shares of Gear Energy Ltd. ("Gear") (2022 - 4,316,666 common shares). At December 31, 2023, the investment in Gear was recorded at fair value of \$2 million (December 31, 2022 - \$3 million), being CAD \$0.64 per common share resulting in an unrealized loss of \$1 million during the year (2022 - \$nil million).

|                                | 2023 | 2022 |
|--------------------------------|------|------|
| Investment in Gear Energy Ltd. | 2    | 3    |
|                                | 2    | 3    |

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### 9. PROPERTY, PLANT AND EQUIPMENT

|   | Oil Sands              |                     | Development and Production    | NMJV                          | Corporate | Total  |
|---|------------------------|---------------------|-------------------------------|-------------------------------|-----------|--------|
|   | Reserves and Resources | Plant and Equipment | Property, Plant and Equipment | Property, Plant and Equipment | Corporate |        |
| <b>Cost</b>                                       | Assets                 |                     |                               |                               |           |        |
| Balance at December 31, 2021                      | 3,292                  | 2,618               | 3,894                         | 1,982                         | 50        | 11,836 |
| Additions   | —                      | 75                  | 83                            | 107                           | 1         | 266    |
| Right of use additions                            | —                      | —                   | 1                             | —                             | —         | 1      |
| Property acquisitions                             | —                      | —                   | —                             | 8                             | —         | 8      |
| Divestitures and lease expiries                   | —                      | (42)                | (6)                           | (1)                           | —         | (49)   |
| Changes in asset retirement obligations (note 14) | (45)                   | —                   | (88)                          | (16)                          | —         | (149)  |
| Foreign currency translation                      | —                      | —                   | (233)                         | (127)                         | (1)       | (361)  |
| Balance at December 31, 2022                      | 3,247                  | 2,651               | 3,651                         | 1,953                         | 50        | 11,552 |
| Additions   | —                      | 90                  | 114                           | 138                           | 4         | 346    |
| Right of use additions                            | —                      | —                   | 2                             | —                             | —         | 2      |
| Divestitures and lease expiries                   | —                      | (16)                | —                             | —                             | (1)       | (17)   |
| Changes in asset retirement obligations (note 14) | 127                    | —                   | 18                            | 7                             | —         | 152    |
| Foreign currency translation                      | —                      | —                   | 105                           | 56                            | 1         | 162    |
| Balance at December 31, 2023                      | 3,374                  | 2,725               | 3,890                         | 2,154                         | 54        | 12,197 |

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|   | Oil Sands              |                     | Development and Production    | NMJV                          | Corporate        | Total |
|---|------------------------|---------------------|-------------------------------|-------------------------------|------------------|-------|
|   | Reserves and Resources | Plant and Equipment | Property, Plant and Equipment | Property, Plant and Equipment | Corporate Assets |       |
| <b>Accumulated depletion, depreciation and amortization</b> |                        |                     |                               |                               |                  |       |
| Balance at December 31, 2021                                | 1,652                  | 1,741               | 2,688                         | 1,213                         | 33               | 7,327 |
| Depletion, depreciation and amortization                    | 23                     | 85                  | 106                           | 54                            | 3                | 271   |
| Lease expiries  | —                      | —                   | (1)                           | —                             | —                | (1)   |
| Impairment reversals  | (126)                  | (58)                | (120)                         | (215)                         | —                | (519) |
| Divestitures  | —                      | (32)                | —                             | (1)                           | —                | (33)  |
| Foreign currency translation                                | —                      | —                   | (166)                         | (75)                          | (1)              | (242) |
| Balance at December 31, 2022                                | 1,549                  | 1,736               | 2,507                         | 976                           | 35               | 6,803 |
| Depletion, depreciation, and amortization                   | 26                     | 97                  | 108                           | 77                            | 3                | 311   |
| Impairment (reversals)                                      | (229)                  | (90)                | 118                           | 194                           | —                | (7)   |
| Divestitures  | —                      | (9)                 | —                             | —                             | (1)              | (10)  |
| Foreign currency translation                                | —                      | —                   | 71                            | 28                            | 1                | 100   |
| Balance at December 31, 2023                                | 1,346                  | 1,734               | 2,804                         | 1,275                         | 38               | 7,197 |

|                       | Oil Sands              |                     | Development and Production    | NMJV                          | Corporate        | Total |
|-----------------------|------------------------|---------------------|-------------------------------|-------------------------------|------------------|-------|
|                       | Reserves and Resources | Plant and Equipment | Property, Plant and Equipment | Property, Plant and Equipment | Corporate Assets |       |
| <b>Net Book Value</b> |                        |                     |                               |                               |                  |       |
| December 31, 2022     | 1,698                  | 915                 | 1,144                         | 977                           | 15               | 4,749 |
| December 31, 2023     | 2,028                  | 991                 | 1,086                         | 879                           | 16               | 5,000 |

| Amounts Excluded from Calculation of Depreciation, Depletion and Amortization                               | 2023  | 2022  |
|---|-------|-------|
| Undeveloped land and acquired resource properties without depletable reserves assignments and salvage value | 1,135 | 1,258 |

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The Company has lease contracts for office space, office equipment, field vehicles, field equipment and pipelines. Lease assets included in above:

|                              | Oil Sands              |                     | Development and Production    | NMJV                          | Corporate        | Total |
|------------------------------|------------------------|---------------------|-------------------------------|-------------------------------|------------------|-------|
|                              | Reserves and Resources | Plant and Equipment | Property, Plant and Equipment | Property, Plant and Equipment | Corporate Assets |       |
| <b>Cost</b>                  |                        |                     |                               |                               |                  |       |
| Balance at December 31, 2021 | —                      | 1                   | 6                             | —                             | 2                | 9     |
| Additions                    | —                      | —                   | 1                             | —                             | —                | 1     |
| Disposals                    |                        |                     |                               |                               |                  |       |
| Depreciation                 | —                      |                     | (1)                           | —                             | (1)              | (2)   |
| Foreign currency translation | —                      | —                   | (1)                           | —                             | —                | (1)   |
| Balance at December 31, 2022 | —                      | 1                   | 5                             | —                             | 1                | 7     |
| Additions                    | —                      | —                   | 2                             | —                             | —                | 2     |
| Disposals                    |                        |                     |                               |                               |                  |       |
| Depreciation                 | —                      | (1)                 | (1)                           | —                             | —                | (2)   |
| Foreign currency translation | —                      | (1)                 | (1)                           | —                             | —                | (2)   |
| Balance at December 31, 2023 | —                      | (1)                 | 5                             | —                             | 1                | 5     |

Lease obligations are as follows:

|                             | December 31, 2023 | December 31, 2022 |
|-----------------------------|-------------------|-------------------|
| Lease obligations           | 9                 | 9                 |
| Less: current portion       | (2)               | (2)               |
| Long-term lease obligations | 7                 | 7                 |

### Impairment testing

At December 31, 2023, the Company determined there were indicators of impairment and reversal, primarily due to decreased commodity prices and changing circumstances. As a result, the Company prepared impairment testing and impairments were recorded in all CGUs except the Oil Sands CGU that recorded a recovery. At December 31, 2022 the Company determined there were indicators of impairment reversal, primarily due to sustained increased commodity prices. As a result, the Company prepared impairment reversal testing and reversals were recorded in all CGUs.

In accordance with IFRS Accounting Standards, a recoverable value was determined using the higher of fair value or value in use based on discounted pre-tax cash flows ranging from 12% to 17% (2022 - 12% to 17%) of proved and probable reserves evaluated by independent engineers using the independent engineers forecast prices (note 4) and costs. Undeveloped land was externally evaluated and included in the impairment test.

The recoverable amount using fair value for the Pembina CGU was \$163 million (2022 - \$218 million). This resulted in recording an impairment of \$68 million (2022 - \$46 million reversal). Fair value was developed using a level 3 measurement in the fair value hierarchy applying the assumptions described above and a pre-tax discount rate of 17% (2022 - 17%).

The recoverable amount using fair value for the Peace River Arch CGU was \$661 million (2022 - \$863 million). This resulted in recording an impairment of \$30 million (2022 - \$60 million reversal). Fair value was developed using a level 3 measurement in the fair value hierarchy applying the assumptions described above and a pre-tax discount rate of 17% (2022 - 17%).

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The recoverable amount using fair value for the West Central CGU was \$42 million (2022 - \$68 million). This resulted in recording an impairment of \$20 million (2022 - \$14 million reversal). Fair value was developed using a level 3 measurement in the fair value hierarchy applying the assumptions described above and a pre-tax discount rate of 17% (2022 - 17%).

The recoverable amount using fair value for the Oil Sands CGU was \$2,504 million (2022 - \$2,231 million). This resulted in recording an impairment reversal of \$320 million (2022 - \$184 million reversal). Fair value was developed using a level 3 measurement in the fair value hierarchy applying the assumptions described above and a pre-tax discount rate of 12% (2022 - 12%).

The recoverable amount using fair value for the NMJV CGU was \$850 million (2022 - \$944 million). This resulted in recording an impairment of \$194 million (2022 - \$215 million reversal). Fair value was developed using a level 3 measurement in the fair value hierarchy applying the assumptions described above and a pre-tax discount rate of 15% (2022 - 15%).

The following are the sensitivity impacts that would increase (decrease) the impairment reversals taken in 2023.

| Operating Segment          | CGU              | 1% increase in discount rate | 5% decrease in cash flows | 1% decrease in discount rate | 5% increase in cash flows |
|----------------------------|------------------|------------------------------|---------------------------|------------------------------|---------------------------|
| Oil Sands                  | Oil Sands        | (165)                        | (133)                     | 27                           | 133                       |
| Development and Production | Pembina          | (4)                          | (8)                       | 5                            | 8                         |
| Development and Production | Peace River Arch | (31)                         | (29)                      | 39                           | 29                        |
| Development and Production | West Central     | —                            | (1)                       | —                            | 1                         |
| NMJV                       | NMJV             | (47)                         | (43)                      | 82                           | 43                        |
|                            |                  | <b>(247)</b>                 | <b>(214)</b>              | <b>153</b>                   | <b>214</b>                |

### Lease expiries

Lease expiries of \$nil (2022 - \$6 million) are included in exploration expense.

## 10. EXPLORATION AND EVALUATION ASSETS

| Cost                                  |           |
|---------------------------------------|-----------|
| Balance at December 31, 2021          | 14        |
| Foreign currency translation          | (1)       |
| Balance at December 31, 2022 and 2023 | <b>13</b> |

Exploration and evaluation assets consist of the Company's cost for exploration projects which are pending the determination of proved or probable reserves. Management deems exploration projects to be those in areas or fields with no previously established proved or probable reserves where a new reservoir or formation is being sought to which there is significant exploration risk.

### Lease expiries

There were no lease expiries (2022 - \$nil) included in exploration expense.

# SINOPEC CANADA ENERGY LTD.

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### 11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

|                  | 2023       | 2022       |
|------------------|------------|------------|
| Trade payables   | 160        | 191        |
| Taxes payable    | —          | 37         |
| Interest payable | 12         | 9          |
| <b>Total</b>     | <b>172</b> | <b>237</b> |

### 12. BANK DEBT

At December 31, 2023, the Company has one US dollar term loan outstanding as follows:

|                                   | Principal Amount | Term Loan Due Date | 2023       | 2022       |
|-----------------------------------|------------------|--------------------|------------|------------|
| Citicorp Syndicated Term Loan     | 900              | April 2025         | 900        | 900        |
| Citicorp Syndicated Term Loan Fee |                  |                    | (1)        | (1)        |
| <b>Bank debt</b>                  | <b>900</b>       |                    | <b>899</b> | <b>899</b> |
| Current portion of bank debt      |                  |                    | —          | —          |
| <b>Long-term bank debt</b>        |                  |                    | <b>899</b> | <b>899</b> |

#### Citicorp Syndicated Term Loan facility

On April 3, 2020, the Company entered into a Syndicated Term Loan facility for \$900 million ("Citicorp Syndicated Term Loan"), with Citicorp International Limited acting as Facility Agent, and bore interest at LIBOR plus a specified margin. This loan was amended July 14, 2023 to bear interest at SOFR plus a specified margin. The loan is guaranteed by CPC and requires that CPC maintain certain financial covenants as guarantor of the facility.

#### Reconciliation of cash flow arising from financing activities (long-term debt)

|                             | 2023       | 2022       |
|-----------------------------|------------|------------|
| Balance, beginning of year  | 899        | 898        |
| Deferred financing costs    | —          | 1          |
| <b>Balance, end of year</b> | <b>899</b> | <b>899</b> |

### 13. DUE TO COMPANY SHAREHOLDER

The Company received operating advances from its shareholder which are unsecured, repayable on demand and interest free.

In November 2023, TipTop and Sinopec Overseas Oil & Gas Ltd. ("SOOGL"), a related party, assigned their debt from the Company to SIEIHK. See Note 20.

### 14. ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations result from its net ownership interests in oil and natural gas assets including well sites, gathering systems and processing facilities as well as its net share of ongoing environmental obligations related to the abandonment and reclamation of the Syncrude properties. The provision for the costs of reclaiming and abandoning the Syncrude properties and facilities and conventional oil and natural gas wells and facilities at the end of their economic lives has been estimated using existing technology, at current prices or

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long-term assumptions, depending on the expected timing of the activity, and discounted using a risk-free rate of 3.02% (December 31, 2022 - 3.24%). The Company estimates the total undiscounted inflation adjusted cash flow required to settle its asset retirement obligations is approximately \$1,542 million (December 31, 2022 - \$1,517 million). An inflation factor of 1%-2% has been applied to the estimated asset retirement obligations at December 31, 2023.

|   | 2023 | 2022  |
|---|------|-------|
| Asset retirement obligations, beginning of year | 619  | 787   |
| Liabilities incurred                            | 14   | 10    |
| Liabilities settled                             | (23) | (14)  |
| Change in estimated liability                   | 138  | (159) |
| Accretion expense                               | 20   | 14    |
| Foreign currency translation                    | 8    | (19)  |
| Asset retirement obligations, end of year       | 776  | 619   |
| Less: current portion                           | (23) | (25)  |
| Non-current portion                             | 753  | 594   |

### 15. EMPLOYEE FUTURE BENEFITS

Employee future benefits consist of an accrued variable compensation plan, long-term incentive plans and post-employment obligations.

|                               | 2023 | 2022 |
|-------------------------------|------|------|
| Current liabilities:          |      |      |
| Accrued variable compensation | 13   | 12   |
| Long-term incentive           | 2    | 2    |
| Post-employment obligations   | 1    | 1    |
|                               | 16   | 15   |
| Long-term liabilities:        |      |      |
| Accrued variable compensation | 3    | 4    |
| Long-term incentive           | 1    | 1    |
| Post-employment obligations   | 2    | 3    |
|                               | 6    | 8    |
| Total                         | 22   | 23   |

#### Accrued variable compensation plan

SCEL accrues its proportionate share of Syncrude's short- and long-term performance-based incentive plans and employee retention plan.

#### Annual incentive program

In 2022, the short-term compensation program was transitioned to the Annual Incentive Program. The plan is based on Suncor's Corporate and Business Unit performance. The individual employee payouts are based on the employees' level and performance.

#### Share-based compensation program

In 2022, the long-term compensation program was transitioned to a share-based compensation program. The new program consists of three plans: Restricted Share Units, Performance Share Units and Stock Options. The calculations consider Suncor's share price at time of vesting or over time depending on the plan. The Black-Scholes option pricing model is used for the fair value calculations.

# SINOPEC CANADA ENERGY LTD.

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For the Restricted Share Unit and Performance Share Unit Plans, the fair value at the end of each reporting period is measured. The expense is recognized over the vesting period and the outstanding liability is adjusted. For the Stock Options Plan, the fair value of the options is measured at the time of the grant. The expense is recognized over the vesting cycle of the options.

### ***Syncrude employee retention incentives***

Syncrude introduced a first-time housing support program effective January 1, 2014 to December 31, 2023. The housing support program contains two components: the House Purchase Program and the Rental Subsidy Program. Employees must meet certain criteria to be eligible. Eligible employees who remain in the program for five years will receive 100% of the benefit. SCEL's share of the housing support program expensed in 2023 was \$1 million and is included in employee future benefits. After December 31, 2023, there will be no further entrants to this program.

### **Post-employment obligations**

SCEL accrues its proportionate share of obligations as a joint venture owner in respect of Syncrude's post-employment benefit obligations, which include a defined benefit pension plan, defined contribution pension plans, and a defined benefit other post-employment benefits plan which provides certain health care and life insurance benefits for retirees, their beneficiaries and covered dependents.

### ***Defined benefit plans***

Syncrude is the plan sponsor for a defined benefit plan under the jurisdiction of The Employment Pension Plans Act of the Province of Alberta, Canada. The plan is managed through a plan administrator who is overseen by the pension committee of the Syncrude Operator. Syncrude measures its defined benefit obligation and the fair value of plan assets for accounting purposes as at December 31 of each year. The most recent actuarial valuation of the pension plan and OPEB for funding purposes was completed in December 2022. SCEL's share of Syncrude's defined benefit plan accrued liability, based on its 9.03% ownership at December 31, 2023, is comprised of its share of the defined benefit obligation net of its share of the defined benefit plan assets. The following table presents the Company's proportionate share of Syncrude's defined benefit plans.



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| Defined Benefit Plans                                  | Pension |      | OPEB        |      | Total |      |
|--|---------|------|-------------|------|-------|------|
|  | 2023    | 2022 | 2023        | 2022 | 2023  | 2022 |
| <b>Defined Benefit Obligation</b>                      |         |      |             |      |       |      |
| Balance, beginning of year                             | 223     | 327  | 9           | 12   | 232   | 339  |
| Current service costs                                  | 6       | 11   | —           | —    | 6     | 11   |
| Interest costs   | 11      | 10   | —           | —    | 11    | 10   |
| Transfers  | 1       | 1    | —           | —    | 1     | 1    |
| Benefits paid  | (11)    | (12) | —           | —    | (11)  | (12) |
| <i>Remeasurements:</i>                                 |         |      |             |      |       |      |
| Actuarial (gains) losses from experience adjustments   | (4)     | (3)  | —           | 1    | (4)   | (2)  |
| Actuarial (gains) losses from changes in discount rate | 18      | (94) | 1           | (3)  | 19    | (97) |
| Foreign currency translation                           | 6       | (17) | —           | (1)  | 6     | (18) |
| Balance, end of year                                   | 250     | 223  | 10          | 9    | 260   | 232  |
| <b>Plan Assets</b>                                     |         |      |             |      |       |      |
| Balance, beginning of year                             | 228     | 291  | —           | —    | 228   | 291  |
| Interest income  | 11      | 8    | —           | —    | 11    | 8    |
| Employer contributions                                 | —       | 3    | —           | —    | —     | 3    |
| Transfers  | 1       | 1    | —           | —    | 1     | 1    |
| Benefits paid  | (11)    | (11) | —           | —    | (11)  | (11) |
| <i>Remeasurements:</i>                                 |         |      |             |      |       |      |
| Return on plan assets, excluding interest              | 21      | (48) | —           | —    | 21    | (48) |
| Foreign currency translation                           | 7       | (16) | —           | —    | 7     | (16) |
| Balance, end of year                                   | 257     | 228  | —           | —    | 257   | 228  |
| Pension and Other Post-employment Liability            | (7)     | (5)  | 10          | 9    | 3     | 4    |
| <b>Plan Assets</b>                                     |         |      | <b>2023</b> |      |       | 2022 |
| Equity securities                                      |         |      | 128         |      |       | 138  |
| Debt securities  |         |      | 129         |      |       | 90   |
|  |         |      | 257         |      |       | 228  |

Fair value of equity and debt securities are based on the market trading price of the underlying funds.

### Significant Actuarial Assumptions

The discount rate used for the Pension and OPEB is 4.6% (2022 - 5.1%)

For the Pension, the rate of compensation increase assumed was promotion scale plus 3.0% per year.

For the OPEB, a 5.0% annual rate of increase in the cost of supplemental health care benefits was assumed in 2023 (2022 - 5.0%). An annual rate increase in the dental rate of 4.0% per year was used in 2023 (2022 - 4.0%).

### Defined contribution plans

SCEL's share of expense related to the Syncrude's defined contribution plans in 2023 was \$1 million (2022 - \$1 million).

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### 16. INCOME TAXES

| Tax Expense (Benefit)                             | 2023        | 2022       |
|---|-------------|------------|
| <b>Current tax</b>                                |             |            |
| Current year                                      | (37)        | (1)        |
|   | (37)        | (1)        |
| <b>Deferred tax</b>                               |             |            |
| Origination and reversal of temporary differences | —           | 176        |
| Change in unrecognized tax assets                 | (13)        | 45         |
| Impact of foreign exchange                        | (15)        | 3          |
| Impact of change in tax rates                     | 1           | 1          |
| Adjustments in respect of prior periods           | (1)         | 1          |
|   | (28)        | 226        |
| <b>Total tax expense (benefit)</b>                | <b>(65)</b> | <b>225</b> |

The adjustments in respect of prior periods relate to events in the current period and reflect the effects of changes in rules, facts or other factors compared with those used in establishing the tax balance in prior periods. The provision benefit for taxes in the consolidated statement of earnings and comprehensive income reflects an effective tax rate which differs from the expected statutory tax rate.

| Reconciliation of Effective Tax Rate    | 2023        | 2022       |
|---|-------------|------------|
| Income before taxes                     | 34          | 986        |
| Statutory income tax rate               | 19.93 %     | 23.16 %    |
| Expected tax expense                    | 7           | 228        |
| Add (deduct):                           |             |            |
| Non-taxable portion of capital gains    | 13          | (45)       |
| Impact of foreign exchange              | 1           | 18         |
| Impact of change in tax rates           | —           | 1          |
| Change in unrecognized tax assets       | (13)        | 45         |
| Adjustments in respect of prior periods | (1)         | —          |
| Other                                   | (72)        | (22)       |
| <b>Tax expense (benefit)</b>            | <b>(65)</b> | <b>225</b> |

In 2023, the blended statutory tax rate was 19.93% (2022 - 23.16%).

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### Movement in and Components of Deferred Tax Liability

For Year Ended December 31, 2023

|   | 2022  | Charge to |                      | 2023  |
|---|-------|-----------|----------------------|-------|
|   |       | Earnings  | Other <sup>(1)</sup> |       |
| <b>Deferred tax liabilities:</b>                                    |       |           |                      |       |
| Property, plant and equipment and exploration and evaluation assets | 658   | 71        | 4                    | 733   |
| Bank debt   | 127   | —         | (12)                 | 115   |
| Other   | 47    | (49)      | —                    | (2)   |
|   | 832   | 22        | (8)                  | 846   |
| <b>Deferred tax assets:</b>   |       |           |                      |       |
| Asset retirement obligations  | (142) | (35)      | (1)                  | (178) |
| Employment future benefits  | (2)   | (1)       | 1                    | (2)   |
| Right of use assets   | (3)   | —         | 1                    | (2)   |
| Losses, non-capital and net capital                                 | (324) | (14)      | (2)                  | (340) |
|   | (471) | (50)      | (1)                  | (522) |
| Total   | 361   | (28)      | (9)                  | 324   |

<sup>(1)</sup> Other Comprehensive Income and Other

### Movement in and Components of Deferred Tax Liability

For Year Ended December 31, 2022

|   | 2021  | Charge to |                      | 2022  |
|---|-------|-----------|----------------------|-------|
|   |       | Earnings  | Other <sup>(1)</sup> |       |
| <b>Deferred tax liabilities:</b>                                    |       |           |                      |       |
| Property, plant and equipment and exploration and evaluation assets | 564   | 96        | (2)                  | 658   |
| Bank debt   | 101   | —         | 26                   | 127   |
| Other   | 49    | (2)       | —                    | 47    |
|   | 714   | 94        | 24                   | 832   |
| <b>Deferred tax assets:</b>   |       |           |                      |       |
| Asset retirement obligations  | (179) | 33        | 4                    | (142) |
| Employment future benefits  | (12)  | (2)       | 12                   | (2)   |
| Right of use assets   | (3)   | —         | —                    | (3)   |
| Losses, non-capital and net capital                                 | (435) | 101       | 10                   | (324) |
|   | (629) | 132       | 26                   | (471) |
| Total   | 85    | 226       | 50                   | 361   |

<sup>(1)</sup> Other Comprehensive Income and Other

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax losses can be utilized. At December 31, 2023, the Company recognized a tax benefit of \$340 million (2022 - \$324 million) of non-capital and net capital losses available to carry forward that would be available to offset against future taxable profit and future taxable capital gains, respectively.

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| <b>Expiry of Non-capital Losses</b> |              |
|-------------------------------------|--------------|
| 2034                                | 25           |
| 2035                                | 232          |
| 2036                                | 199          |
| 2037                                | 249          |
| 2038                                | 283          |
| 2039                                | 158          |
| 2040                                | 159          |
| 2042                                | 136          |
| 2043                                | 30           |
| <b>Total</b>                        | <b>1,471</b> |

The Company has not recognized a deferred tax asset in respect of realized and unrealized losses on account of capital of \$191 million (2022 - \$155 million) as it is not probable at this time that it will have sufficient future capital gains to utilize these amounts.

### 17. SHARE CAPITAL

The Company is authorized to issue an unlimited number of no-par value common shares and non-voting Class A convertible preferred shares.

| <b>Common shares</b>                         | <b>2023</b>             |               | <b>2022</b>             |               |
|--|-------------------------|---------------|-------------------------|---------------|
|  | <b>Number of Shares</b> | <b>Amount</b> | <b>Number of Shares</b> | <b>Amount</b> |
| <i>(\$millions, except number of shares)</i> |                         |               |                         |               |
| Balance, beginning and end of year           | <b>1,585,339,871</b>    | <b>2,985</b>  | 1,585,339,871           | 2,985         |

#### Class A convertible preferred shares

No Class A convertible preferred shares ("Preferred Shares") have been issued. Preferred Shares are entitled to receive fixed, cumulative, annual preferential dividends in Canadian dollars at a rate equal to SOFR plus 1.6% per annum. The Preferred Shares are subject to a redemption amount ("Redemption Amount") equal to unpaid dividends and the value of any note payable extinguished by their issuance. The Preferred Shares shall convert, without payment of additional consideration, into that number of common shares determined by dividing the Redemption Amount by the fair market value per common share at the time of conversion. Any conversion shall occur on such date as selected by the holder of such Preferred Shares, provided that no such conversion may be made 2 years or more after the issuance of such Preferred Shares. Subject to the provisions of the *Business Corporations Act (British Columbia)*, any holder of the Preferred Shares may at any time demand that the Company redeem all or any part of such Preferred Shares by payment to the holder of the Redemption Amount in respect of such shares. In the event of liquidation, dissolution or winding-up of the Company, the holders of the Preferred Shares shall be entitled to receive for each such share, in priority to the holders of common shares, the Redemption Amount.

#### Restrictions on share transfers

The Articles of provide that, unless the Company is a public company or a pre-existing reporting company with the Statutory Reporting Company Provisions as part of its Articles or otherwise applicable to the Company, no share or designated security may be sold, transferred or otherwise disposed of without the consent of the directors and the directors are not required to give any reason for refusing to consent to any such sale, transfer or other disposition.

# SINOPEC CANADA ENERGY LTD.

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### 18. SEGMENTED INFORMATION

SCEL has three operating segments all of which operate in Canada. The Company recognizes its joint arrangement with Syncrude as a joint operation and accordingly records its share of the assets, liabilities, revenues and expenses (proportionately consolidates) of this operation which are represented as the Oil Sands segment. Development and Production ("D&P") represents conventional oil and natural gas assets. The NMJV segment represents the Company's ownership interest in certain Petronas assets. The Corporate segment includes company-wide costs for general and administrative and financing activities. Segment information as at and for the years ended December 31, 2023 and 2022 is set out below.

|  | Oil Sands |       | D&P   |      | NMJV  |       | Corporate |      | Total |       |
|--|-----------|-------|-------|------|-------|-------|-----------|------|-------|-------|
|  | 2023      | 2022  | 2023  | 2022 | 2023  | 2022  | 2023      | 2022 | 2023  | 2022  |
| <b>Revenues</b>  |           |       |       |      |       |       |           |      |       |       |
| Oil  | 833       | 994   | 57    | 77   | 34    | 38    | —         | —    | 924   | 1,109 |
| Gas  | —         | —     | 78    | 179  | 88    | 120   | —         | —    | 166   | 299   |
| Natural Gas Liquids  | —         | —     | 83    | 113  | 14    | 21    | —         | —    | 97    | 134   |
| Oil and natural gas  | 833       | 994   | 218   | 369  | 136   | 179   | —         | —    | 1,187 | 1,542 |
| Less: royalties  | (89)      | (183) | (24)  | (51) | (6)   | (9)   | —         | —    | (119) | (243) |
|  | 744       | 811   | 194   | 318  | 130   | 170   | —         | —    | 1,068 | 1,299 |
| <b>Expenses</b>  |           |       |       |      |       |       |           |      |       |       |
| Operating  | 414       | 392   | 103   | 100  | 71    | 68    | —         | —    | 588   | 560   |
| Exploration  | —         | —     | —     | 5    | —     | —     | —         | —    | —     | 5     |
| Loss (gain) on divestiture of assets                                   | 7         | 10    | (1)   | —    | —     | (7)   | —         | —    | 6     | 3     |
| Depletion, depreciation, amortization and impairment (reversal) of PPE | (194)     | (76)  | 225   | (14) | 270   | (161) | 3         | 3    | 304   | (248) |
| <b>Segment expenses</b>  | 227       | 326   | 327   | 91   | 341   | (100) | 3         | 3    | 898   | 320   |
| <b>Segment income (loss) before tax</b>                                | 517       | 485   | (133) | 227  | (211) | 270   | (3)       | (3)  | 170   | 979   |
| General and administrative   |           |       |       |      |       |       | 30        | 22   | 30    | 22    |
| Finance charges  |           |       |       |      |       |       | 60        | 44   | 60    | 44    |
| Foreign exchange loss (gain)   |           |       |       |      |       |       | 45        | (73) | 45    | (73)  |
| Loss on financial instruments  |           |       |       |      |       |       | 1         | —    | 1     | —     |
| <b>Income (loss) before income tax</b>                                 |           |       |       |      |       |       | (139)     | 4    | 34    | 986   |
| Income tax (recovery) expense  |           |       |       |      |       |       | (65)      | 225  | (65)  | 225   |
| <b>Net income</b>  |           |       |       |      |       |       |           |      | 99    | 761   |

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|                                   | Oil Sands |       | D&P   |       | NMJV |       | Corporate |      | Total |       |
|-----------------------------------|-----------|-------|-------|-------|------|-------|-----------|------|-------|-------|
|                                   | 2023      | 2022  | 2023  | 2022  | 2023 | 2022  | 2023      | 2022 | 2023  | 2022  |
| Property, plant and equipment     | 3,019     | 2,613 | 1,086 | 1,144 | 879  | 977   | 16        | 15   | 5,000 | 4,749 |
| Exploration and evaluation assets | —         | —     | 13    | 13    | —    | —     | —         | —    | 13    | 13    |
| Assets                            | 3,144     | 2,753 | 1,129 | 1,198 | 899  | 1,007 | 16        | 15   | 5,188 | 4,973 |
| Capital expenditures              | 90        | 75    | 114   | 83    | 138  | 107   | 4         | 1    | 346   | 266   |

### 19. FINANCE CHARGES

|   | 2023 | 2022 |
|---|------|------|
| Bank debt and other interest                        | 39   | 26   |
| Finance lease, interest                             | 1    | 1    |
| Amortization of bank financing fees                 | —    | 1    |
| Interest expense on employee future benefits        | —    | 2    |
| Accretion of asset retirement obligations (note 14) | 20   | 14   |
|   | 60   | 44   |

### 20. RELATED PARTY TRANSACTIONS

#### Inter-relationship with State Owned Enterprises of the People's Republic of China

SCEL's shareholder, SIEIHK, is a State Owned Enterprises of the Government of the People's Republic of China ("PRC"). Huadian is also controlled by the PRC by means of the PRC's governance structures.

#### Related Party Transactions

Transactions between related parties, including amounts due to and from affiliates and due to Company Shareholder (note 13), are recorded at the exchange amount agreed to between them. Unless otherwise noted in these financial statements, the exchange amount approximates fair value at the date of transaction and is premised on terms common to transactions entered into with arm's length parties.

Unipecc Canada Ltd., an affiliate of SCEL, was contracted to sell all SCEL's Syncrude Sweet Premium production from Syncrude. Total sales in the year ended December 31, 2023 were \$833 million (2022 - \$994 million). The amount due from Unipecc Canada Ltd. at December 31, 2023 is \$72 million (December 31, 2022 - \$83 million) and is included in accounts receivable.

In November 2023, TipTop and SOOGL assigned their debt from the Company to SIEIHK.

During 2023, the Company repaid \$394 million (2022 - received \$1,267 million) to the Company's shareholder in the period. The Company reimburses its parent company for certain travel and accommodation expenses.

A related party, SOOGL, advanced \$317 million (2022 - \$871 million) to the Company in the period to fund the Company's operations.

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### Key Management Compensation

The Company's key management personnel have been identified as the seven directors as well as the executive management team of the Company. The executive management team for 2023 is comprised of the Chief Executive Officer (also a director), Chief Financial Officer (also a director), Chief Expert (also a director), Executive Vice President, Operations and the Executive Vice President, Corporate Development. The executive management team for 2022 was comprised of the Chief Executive Officer (also a director), Executive Vice President & Chief Financial Officer (also a director), Chief Expert (also a director), Executive Vice President, Chief Expert of Operations, Executive Vice President, Operations and the Executive Vice President, Corporate Development.

|   | 2023     | 2022     |
|---|----------|----------|
| Salaries, Director Fees and Short-Term Benefits | 2        | 2        |
| Other Long-Term Benefits                        | 1        | 1        |
| <b>Total</b>                                    | <b>3</b> | <b>3</b> |

## 21. SUPPLEMENTAL DISCLOSURE

### Comprehensive Income Statement Presentation

The Company's consolidated statements of income and comprehensive income are prepared primarily by nature of expense with the exception of employee compensation costs, including employee future benefits, which are included in the following accounts.

|                            | 2023       | 2022       |
|----------------------------|------------|------------|
| General and administrative | 19         | 17         |
| Operating                  | 88         | 99         |
|                            | <b>107</b> | <b>116</b> |

The following table provides a detailed breakdown of certain line items contained within cash flow from operating and investing activities:

|   | 2023        | 2022        |
|---|-------------|-------------|
| Accounts receivable                             | 32          | (59)        |
| Accounts payable and accrued liabilities        | (67)        | 24          |
| Inventory                                       | —           | (4)         |
| <b>Total change in non-cash working capital</b> | <b>(35)</b> | <b>(39)</b> |
| Operating activities                            | (31)        | (51)        |
| Investing activities                            | (4)         | 12          |
| <b>Total change in non-cash working capital</b> | <b>(35)</b> | <b>(39)</b> |

## 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, income taxes receivable, investments, accounts payable and accrued liabilities, derivatives, amounts due to related parties, amounts due to Company Shareholder and bank debt.

The fair values of cash and cash equivalents, accounts receivable, income tax receivable, accounts payable and accrued liabilities, amounts due to related parties, and amounts due to Company shareholder approximate their carrying values due to the nature of the items or the short time to maturity. The Company's term loans bear interest at floating market rates and, accordingly, their fair value approximates their carrying amount. Investments, comprising the shares held in Gear, are carried at their fair value using transaction prices obtained

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from publicly traded markets. These amounts are Level 1 fair value measurements which are fair value measurements based on unadjusted quoted market prices.

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices.

Level 3 fair value measurements are based on unobservable information.

### Risk Management Overview

The Company is exposed to financial risks arising from its financial assets and liabilities that include credit and liquidity risk in addition to the market risks associated with commodity prices, and interest and foreign exchange rates. Net earnings, cash flows and the fair value of financial assets may fluctuate due to movement in market prices or as a result of the Company's exposure to credit and liquidity risks. This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these consolidated statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's management has implemented and continues to maintain and monitor risk management procedures for the benefit of the organization.

The Company's risk management policies are established to: (i) identify and analyze the risks faced by the Company; (ii) set appropriate risk limits and controls; and (iii) monitor risks and consider the implications of market conditions in relation to the Company's activities.

### Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers.

#### Aging of Outstanding Receivable Balances and Prepaid Expenses, Net of Allowance

| As at December 31            | 2023 | 2022 |
|------------------------------|------|------|
| Current (90 days or less)    | 134  | 167  |
| Past due (more than 90 days) | 2    | 1    |
| Total                        | 136  | 168  |

The Company has provided an allowance for doubtful accounts as at December 31, 2023 of \$1 million (2022 - \$1 million).

The Company does not typically obtain collateral from its oil and natural gas marketers or joint venture partners. The credit risk exposure for oil and natural gas marketers is mitigated through the use of Board-approved credit policies governing the Company's credit portfolio and with credit practices that limit transactions according to counterparty credit quality as well as requiring collateral where deemed appropriate.

Cash and cash equivalents are held by major financial institutions. The credit risk from joint venture receivables is mitigated by obtaining partner approval of significant capital expenditures prior to expenditure and in certain circumstances may require cash deposits in advance of incurring financial obligations on behalf of joint venture partners. However, the receivables are from participants in the oil and natural gas sector and collection of the outstanding balances is dependent on industry factors such as changes in commodity prices, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venture partners from occasional contractual disputes that increase the potential for non-collection. The Company does have the ability to withhold production from joint venture partners in the event of non-payment or may be able to register security on the assets of joint venture partners.

The carrying amount of cash and cash equivalents, accounts receivable, income tax receivable, investments and derivative assets represents the Company's maximum credit exposure.



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As at December 31, 2023, receivables of approximately \$72 million (2022 - \$46 million) were due from a related party, Unipec Canada Ltd., who is contracted to sell the Company's share of Syncrude production. There are no other receivables from customers with more than 10% of total revenues for December 2023.

### Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking harm to the Company's reputation.

The Company has the support of its operating parent, SIEI, and its ultimate parent, CPC. The Company monitors its cash inflows and outflows and required financing for capital expenditures. SIEI provides funding as required. The Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. The Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures.

The timing of undiscounted cash outflows relating to the financial liabilities outstanding as at December 31, 2023 is outlined in the table below:

| <b>Contractual Maturities of Financial Liabilities</b> | <b>&lt; 1 Year</b> | <b>1 - 2 Years</b> | <b>3 - 5 Years</b> |
|--|--------------------|--------------------|--------------------|
| Accounts payable and accrued liabilities (note 11)     | 172                | —                  | —                  |
| Due to Company Shareholder (note 13)                   | 5,798              | —                  | —                  |
| Bank debt - principal (note 12)                        | —                  | 900                | —                  |
| <b>Total</b>   | <b>5,970</b>       | <b>900</b>         | <b>—</b>           |

The timing of undiscounted cash outflows relating to the financial liabilities outstanding as at December 31, 2022 is outlined in the table below:

| <b>Contractual Maturities of Financial Liabilities</b> | <b>&lt; 1 Year</b> | <b>1 - 2 Years</b> | <b>3 - 5 Years</b> |
|--|--------------------|--------------------|--------------------|
| Accounts payable and accrued liabilities (note 11)     | 237                | —                  | —                  |
| Due to Company Shareholder (note 13)                   | 586                | —                  | —                  |
| Due to related party (note 21)                         | 5,220              | —                  | —                  |
| Bank debt - principal (note 12)                        | —                  | —                  | 900                |
| <b>Total</b>   | <b>6,043</b>       | <b>—</b>           | <b>900</b>         |

### Market Risks

Market risk is the risk that changes in market prices, such as foreign exchange rates, commodity prices, and interest rates will affect the Company's operations, net income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing long-term returns. The Company utilizes physical delivery sales contracts to manage market risks. All such transactions are conducted in accordance with the Company's established risk management procedures.

### Commodity price risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by world economic events that dictate the levels of supply and demand as well as the currency exchange rate relationship between the Canadian and United States dollar. The Company may elect to mitigate commodity price risk through the use of various physical delivery sales contracts. Any such transactions are conducted in accordance with the Company's established risk management procedures. There are no physical delivery sales contracts outstanding as at December 31, 2023 and 2022.

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### Interest rate risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent that changes in SOFR rates will impact its various debt facilities which are subject to floating interest rates. Assuming all other variables remain constant, an increase or decrease of 10 basis points in LIBOR/SOFR rates in the year ended December 31, 2023 would have decreased or increased pre-tax net earnings by \$1 million. The Company had no other financial contracts in place as at or during the year ended December 31, 2023.

| <b>Carrying Amount of Interest-bearing Financial Instruments</b> |             |             |
|--|-------------|-------------|
| <b>At December 31,</b>   | <b>2023</b> | <b>2022</b> |
| Citicorp Syndicated Term Loan (note 12)                          | 899         | 899         |
| <b>Total</b>   | <b>899</b>  | <b>899</b>  |

### Foreign currency exchange rate risk

Foreign exchange risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. While the Company's oil and natural gas sales in SDEL and SHMLP are denominated in Canadian dollars, the underlying market prices in Canada for oil and natural gas are impacted by changes in the exchange rate between the Canadian and United States dollar. Therefore, the effects of foreign exchange fluctuations are embedded in the Company's results and the total effect of foreign exchange fluctuations are not separately identifiable. Fluctuations in the US dollar exchange rate will impact exchange gains and losses recorded in profit and loss and also foreign currency translation in other comprehensive income and accumulated other comprehensive income. An increase or decrease of 1 cent in the exchange rate between the Canadian and United States dollar will correspondingly increase or decrease other comprehensive income and accumulated other comprehensive income by approximately \$15 million.

### Capital Management

SCEL is an indirect subsidiary of CPC through which CPC has invested in Canada's oil sands and conventional oil and natural gas industries. CPC strategically oversees its allocation of equity and debt capital based on group needs and opportunities. CPC, through its subsidiaries, maintains hands-on involvement in the day-to-day management of cash inflows and outflows and determines equity needs and debt borrowings for the longer term. The Company targets to fully finance its capital expenditures over the long term but may not fully finance these expenditures within annual periods. CPC guarantees the interest and principal of the Company's Citicorp Syndicated Term Loan.

The Company prepares annual capital expenditure budgets, which are updated as necessary depending on varying factors including current and forecast commodity prices and production levels, the success of the capital expenditure program and general industry conditions.

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### 23. COMMITMENTS AND CONTINGENCIES

#### Contractual Obligations and Commitments

The following is a summary of the Company's contractual obligations and commitments as at December 31, 2023:

| Commitments                              | 2024         | 2025       | 2026      | 2027      | 2028      | Thereafter |
|--|--------------|------------|-----------|-----------|-----------|------------|
| Leases                                   | 4            | 2          | —         | —         | —         | —          |
| Capital commitments                      | 15           | 3          | 1         | 1         | —         | —          |
| Natural gas purchases and transportation | 30           | 21         | 20        | 18        | 17        | 5          |
| Due to Company Shareholder               | 5,798        | —          | —         | —         | —         | —          |
| Bank debt (note 12)                      | —            | 900        | —         | —         | —         | —          |
| Interest on bank debt                    | 57           | 14         | —         | —         | —         | —          |
| <b>Total</b>                             | <b>5,904</b> | <b>940</b> | <b>21</b> | <b>19</b> | <b>17</b> | <b>5</b>   |

Pension plan deficiency payments represent the Company's share of the required solvency payments for Syncrude's defined benefit plan as determined by actuarial valuation.

In addition to the above, the following contingencies exist at December 31, 2023.

#### Legal Claims Contingency

The Company is involved in litigation and claims arising in the normal course of operations. Management is of the opinion that pending litigation will not have a material adverse impact on the Company's financial position or results of operations.

#### Income and Other Tax Uncertainties

The Company files income tax, goods and services tax and other tax returns with various provincial and federal taxation authorities in Canada. There can be differing interpretations of applicable tax laws and regulations. The resolution of these tax positions through negotiations or litigation with tax authorities can take several years to complete. The Company does not anticipate that there will be any material impact upon the results of its operations, financial position or liquidity.

### 24. SUBSEQUENT EVENT

On January 1, 2024, the Company amalgamated with SDEL and SinoCanada Petroleum Corporation, another subsidiary of SIEI, and continues to carry on business under the name of Sinopec Canada Energy Ltd.

## Board of Directors

### **Xue Weisong (Chairman)** <sup>(1) (4)</sup>

Chief Financial Officer  
Sinopec International Petroleum Exploration and  
Production Corporation  
Beijing, China

### **Tan Xiaoping** <sup>(1) (2) (3) (4)</sup>

Deputy Director General (International Cooperation  
Department)  
China Petrochemical Corporation  
Beijing, China

### **Chen Guangjun** <sup>(3)</sup>

Chief Executive Officer  
Sinopec Canada Energy Ltd.  
Calgary, Alberta

### **Michael Laffin, Q.C.** <sup>(1) (2) (3) (4) (5)</sup>

Retired Partner (Major Canadian Law Firm)  
& Corporate Director  
Calgary, Alberta

### **Howard Balloch** <sup>(1) (2) (3) (4) (5)</sup>

Corporate Director & Private Investor  
Rockcliffe Park, Ontario

### **Ge Rui**

Executive Vice President and Chief Financial Officer  
Sinopec Canada Energy Ltd.  
Calgary, Alberta

### **Liu Renjing** <sup>(2)</sup>

Chief Expert  
Sinopec Canada Energy Ltd.  
Calgary, Alberta

#### Members of the following Committees:

- (1) Audit and Risk
- (2) Environment, Health & Safety and Reserves
- (3) Corporate Governance
- (4) Human Resources & Compensation Committee
- (5) Independent Director

## Executive Team

### **Chen Guangjun**

Chief Executive Officer

### **Ge Rui**

Executive Vice President and Chief Financial Officer

### **Jim Broughton**

Executive Vice President, Corporate Development

### **Ryan Hansen**

Executive Vice President, Operations

### **Liu Renjing**

Chief Expert

### **Wang Jiangshan**

Executive Vice President and Corporate Secretary

### **Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants  
Calgary, Alberta

### **Evaluation Engineers**

McDaniel and Associated Consultants Ltd.  
Calgary, Alberta



# SINOPEC

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