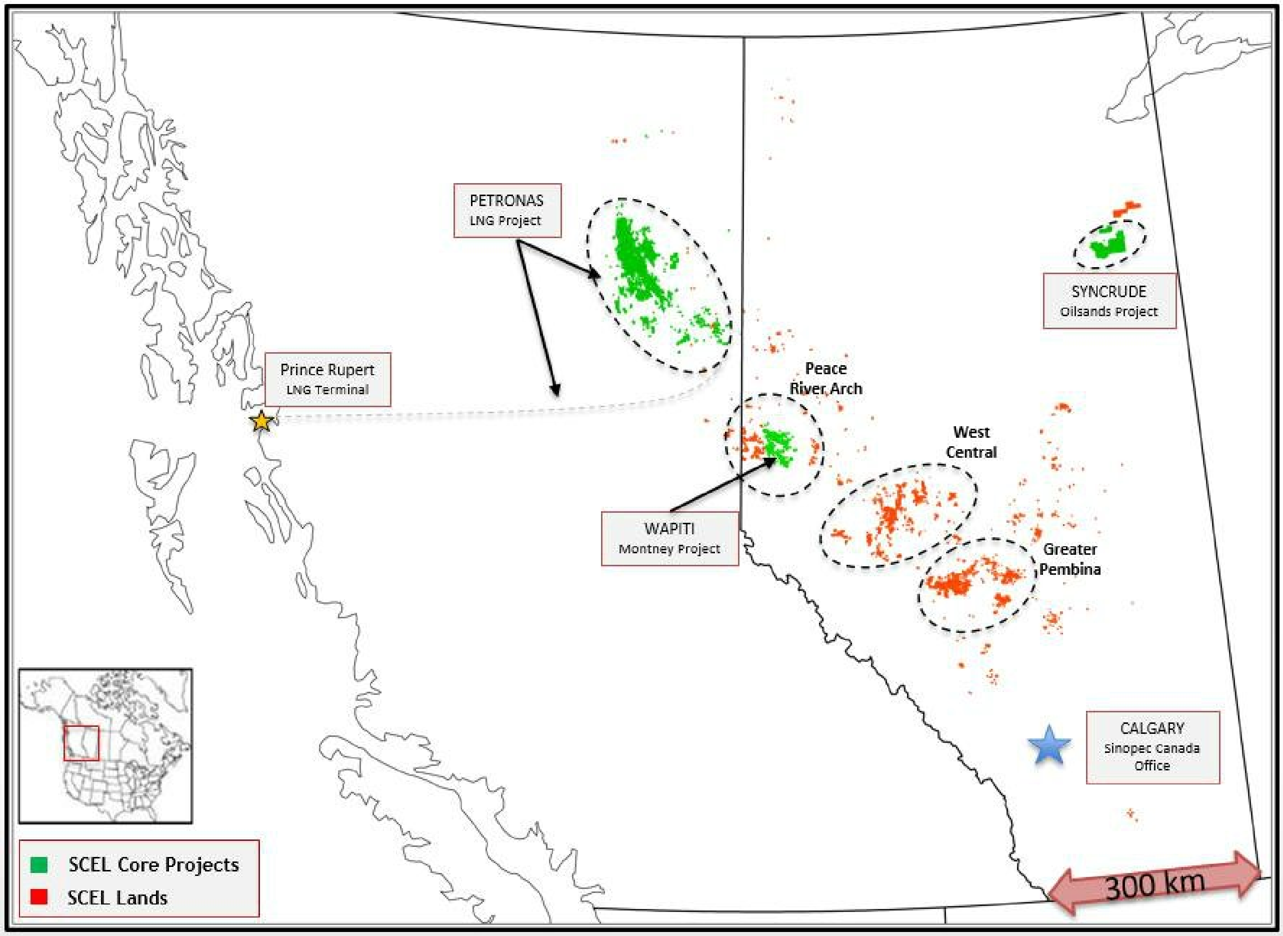
SINOPEC DAYLIGHT ENERGY LTD.
Annual Report 2015



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SINOPEC DAYLIGHT ENERGY LTD.
Message to Stakeholders

We are pleased to report on Sinopec Daylight Energy Ltd.'s ("Sinopec Daylight", or the "Company") operations for the 2015 fiscal year. Sinopec Daylight was formed following the December 2011 acquisition of Daylight Energy Ltd. by Sinopec International Petroleum Exploration and Production Corporation ("SIPC").

This past year was a particularly dramatic and volatile one for oil and gas companies worldwide, as the industry responded to sustained lower oil and gas prices with an increased focus on operational discipline. While the short-term results for the Company included a significant reduction in our non-Pacific Northwest (PNW) LNG- related exploration and development activity levels compared to recent years, the downturn afforded us the opportunity to reallocate significant resources to complete an extensive technical evaluation of our current asset portfolio and to undertake a comprehensive assessment and planning study on our key Wapiti Montney project, all in partnership with SIPC. These activities aligned well with the Company's mission, namely to promote and facilitate the application of superior technical analysis and the best operational practices to deliver long-term profitable and sustainable growth from the existing and future portfolio of SIPC assets in Canada.

Our strategy in achieving our long-term goals is focused on the following priorities:

- Short-term evaluation and long-term development of our Wapiti Montney assets;
- Optimization of our base cash flow producing assets;
- Rationalization of non-core assets;
- Active stewardship of our non-operated Syncrude, PNW, and Northern Gateway projects; and
- Pursuit of technical excellence

We made great progress in advancing corporate initiatives which targeted these priorities in 2015. This focus, and the ingenuity and dedication of our staff over the past year, have resulted in systemic improvements in our operations, processes and cost structure which will serve the Company well in the future regardless of how the pricing environment evolves.

Of course, the impact of commodity price declines reaches well past our bottom line and into the communities where we operate. Sinopec Daylight remains dedicated to supporting charitable initiatives and continuing our long-standing policy of matching the financial contributions and volunteer efforts of our employees. In 2015, we were proud to be able to maintain our charitable spending at similar levels to 2014. While this included support for a number of worthy causes, our principal sponsorship of the Calgary Zoo's 2015 Illuminasia Latern & Garden Festival stood out as a resounding success and one we expect will lead to future collaboration.

As we reflect on 2015, we are once again reminded that our most important asset is our people. Their resourcefulness and professionalism have allowed us to continue to move our business plans forward in the face of significant obstacles, and we thank them for efforts in this challenging environment. By aligning their capabilities to our fundamental strategy, we will be well-positioned to overcome future challenges and achieve long-term value creation in 2016 and beyond.

"Be not afraid of growing slowly; be afraid only of standing still" - Chinese Proverb

SINOPEC DAYLIGHT ENERGY LTD.
Corporate Governance

Sinopec Daylight'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 Daylight's size and structure.

Governance Policies

Sinopec Daylight 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 Daylight'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 Daylight's other corporate governance policies are available on our website under "Responsibility - Corporate Governance" at www.sinopeccanada.com.

Written Position Descriptions

Sinopec Daylight 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.

The Board of Directors

The Board is responsible for the effective stewardship of Sinopec Daylight and oversees its business and affairs through review and approval of Sinopec Daylight'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.

Composition of the Board and Independence

Our articles require us to have between one and eleven directors on our Board. Subject to our articles, the Board is entitled to determine the number of directors from time to time. Sinopec Daylight is also subject to certain legislative and 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 Daylight, 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 Daylight’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 Daylight, 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 Daylight;
- 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 Daylight, 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 KPMG LLP, our external auditors, nor within the past three years have been a partner or employee of KPMG LLP who personally worked on Sinopec Daylight’s audit during that time (and no immediate family member of the director is a current partner of KPMG LLP or is a current employee of KPMG 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 KPMG LLP who personally worked on Sinopec Daylight'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 Daylight'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 Daylight 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.

2015 Board Meetings

There were three meetings of the Board in 2015, two of which were held in Canada and one of which was held in China.

Members	2015 Meeting Attendance
Feng Zhiqiang (Chairman)	2/3
Deng Hanshen	1/3
Zhang Lianhua (1)	3/3
Yin Pengfei (2)	1/3
Luo Hong (3)	1/3
Michael Laffin (4)	3/3
Howard Balloch (4)	3/3
Brian Tuffs	3/3
Derek McCoubrey	3/3
Mou Hansheng (5)	1/3
Li Jinhong (6)	1/3

(1) Mr. Zhang ceased to be a director effective January 15, 2016.
(2) Mr. Yin ceased to be a director effective May 29, 2015 and therefore was not a director at the time of the Board Meetings on June 11, 2015 and December 10, 2015.
(3) Mr. Luo ceased to be a director effective July 7, 2015 and therefore was not a director at the time of the Board Meeting on December 10, 2015.
(4) Independent Director.
(5) Mr. Mou was appointed to the Board effective June 11, 2015 and therefore was not a director at the time of the Board Meeting on April 2, 2015.
(6) Ms. Li was appointed to the Board effective July 20, 2015 and therefore was not a director at the time of the Board meetings on April 2, 2015 and June 11, 2015.

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 Committee, the Corporate Governance Committee, the Environment, Health & Safety and Reserves Committee, and the Human Resources & Compensation Committee. The full text of the Sinopec Daylight'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.

Audit Committee

Sinopec Daylight's Audit Committee assists the Board in fulfilling its oversight and supervision of the accounting and financial reporting practices and procedures of Sinopec Daylight, the adequacy of Sinopec Daylight'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 Daylight's financial statements. In addition, the Audit Committee is responsible for meeting with and directing Sinopec Daylight's independent auditor's examination of specific areas, as well as overseeing Sinopec Daylight's compliance with governmental and legal requirements as they relate to the Audit Committee or financial related matters. The Audit Committee annually appoints Sinopec Daylight's external auditor and actively monitors the relationship among the external auditors, Management and the Audit Committee. This process includes the monitoring of financial risk management, including hedging activities, debt covenant compliance, and insurance programs relating to property and to directors' and officers' liability.

There were four meetings of the Audit Committee in 2015.

Members	2015 Meeting Attendance
Deng Hanshen (Chair)	1/4
Zhang Lianhua (1)	4/4
Michael Laffin (2)	4/4
Howard Balloch (2)	4/4

(1) Mr. Zhang ceased to be a director and member of the Audit Committee effective January 15, 2016.
(2) Independent Director.

The Audit Committee Mandate and Terms of Reference and the Terms of Reference for the Audit Committee Chair are available on our website under "Responsibility - Corporate Governance" at www.sinopeccanada.com.

Corporate Governance Committee

Sinopec Daylight's Corporate Governance Committee assists the Board in reviewing, formulating and making recommendations in respect of the Board and Sinopec Daylight'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 Daylight's compliance with the undertakings pursuant to the *Investment Canada Act*.

There were three meetings of the Corporate Governance Committee in 2015.

Members	2015 Meeting Attendance
Michael Laffin (Chair) (1)	3/3
Deng Hanshen	1/3
Zhang Lianhua (2)	3/3
Howard Balloch (1)	3/3

(1) Independent Director.
(2) Mr. Zhang ceased to be a director and member of the Corporate Governance Committee effective January 15, 2016.

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.

Environment, Health & Safety and Reserves Committee

Sinopec Daylight'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 Daylight's activities and strategies; (ii) reviewing emergency response plans; and (iii) reviewing our performance with respect to applicable laws and the practices of Sinopec Daylight and Sinopec.

Additionally, the Committee is responsible for proper reporting and compliance with respect to Sinopec Daylight'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 three meetings of the Environment, Health & Safety and Reserves Committee in 2015.

Members	2015 Meeting Attendance
Zhang Lianhua (Chair) (1)	3/3
Deng Hanshen	1/3
Michael Laffin (2)	3/3
Howard Balloch (2)	3/3

(1) Mr. Zhang ceased to be a director and member of the Health & Safety and Reserves Committee effective January 15, 2016.
(2) 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.

Human Resources & Compensation Committee

Sinopec Daylight's Human Resources & Compensation Committee assists the Board in fulfilling its responsibilities with respect matters relating to the Company'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 Daylight, 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 were five meetings of the Human Resources & Compensation Committee in 2015.

Members	2015 Meeting Attendance
Howard Balloch (Chair) (1)	5/5
Deng Hanshen	0/5
Zhang Lianhua (2)	5/5
Michael Laffin (1)	5/5

(1) Independent Director.
(2) Mr. Zhang ceased to be a director and member of the Human Resources & CompensationCommittee effective January 15, 2016.

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.

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 Daylight and the Board, and highlights the legal and other resources available to the Board. In addition, new directors receive presentations with respect to Sinopec Daylight'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 Daylight's business, commentary on commodity outlooks and trends, and updates regarding legislative, governance and regulatory matters which affect Sinopec Daylight. Individual directors identify their continuing educational needs through a variety of means, including discussions with management and at Board and Committee meetings.

Sinopec Daylight 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 Daylight, 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 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. This is critical to ensuring the health and well-being of not only our employees, contractors and sub-contractors, but also of 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 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 rules of work 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 systems and operations.

Sinopec Daylight is committed to responding efficiently and effectively to any alert or emergency and has developed an emergency response plan 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.

To fulfil its commitment to be a top performer in this area, Sinopec Daylight undertook a thorough review and revision of its health, safety and environment manual in 2015, and also completed the successful recertification of its Certificate of Recognition with Enform (the safety association for Canada's Upstream Oil and Gas Industry). Sinopec Daylight also fulfilled its mandated emergency response requirements by carrying out 5 area tabletop exercises, 2 full development exercises, 3 incident command training level 100 sessions and 6 oil spill exercises in 2015.

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.

Sinopec Daylight is a leading contributor and is on the Board of Directors for the Pembina Sentinel Air Monitoring Society (PSAMS). PSAMS is a non-profit organization sponsored by area oil and gas operators whose membership also includes area residents and government agencies. The information gathered through the PSAMS network of monitors and area infrastructure in the Pembina area is made available to the public at www.pembinaairmonitoring.com. In addition, we are an active member of the Canadian Association of Petroleum Producers, whose mandate is to enhance the economic sustainability of the Canadian upstream petroleum industry in a safe and environmentally and socially responsible manner, through constructive engagement and communication with governments, the public and stakeholders in the communities in which we operate.

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.

We also manage our environmental responsibilities through the proactive abandonment and reclamation of our facilities, wells and leases. At the end of 2015, Sinopec Daylight had 355 former facility or well sites under active surface remediation. During 2015, we received 6 reclamation certificates.

SINOPEC DAYLIGHT ENERGY LTD.
Community Investment

Sinopec Daylight is committed to making a positive impact in the areas where we live and work. We believe that our operations should also 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. 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 and/or their family actively volunteers their personal time for approved charities or established not-for-profit community organizations, Sinopec Daylight will give $10.00 in a charitable giving account for that employee to gift to the registered charity of their choice.

ii) *The Two Times Program*

Sinopec Daylight will support employees and families by matching their donations dollar-for-dollar to approved charities or established not-for-profit organizations of their choice.

In 2015, Sinopec Daylight contributed approximately $500,000 to not-for-profit groups throughout Calgary and our field communities. Many of these contributions have focused on youth initiatives targeting education and health and wellness programs. The following is a sample of our partnerships and major donations:

The Calgary Zoo

The Calgary Zoo is a longstanding and significant member of Calgary's community fabric, offering a number of educational and informative programs for children and families. The Calgary Zoo also takes great pride in hosting cultural events such as the Illuminasia Lantern & Garden Festival. Sinopec Daylight was proud to be the sole presenting sponsor for the Illuminasia 2015 Lantern & Garden Festival. Sinopec Daylight donated $100,000 to the Calgary Zoo in 2015 and will continue as the sole presenting sponsor for Illumanasia in 2016.

Wood's Homes

Wood's Homes is a community owned and operated children's mental health center based in Calgary as well as other locations in Alberta, which allows children and their families the opportunity to reach their potential and improve their quality of life. In 2015, Sinopec Daylight contributed $50,000 to Wood's Homes and has contributed nearly $700,000 through various sponsorships and fundraising efforts since 2009.

The Alberta Children's Hospital Foundation

The Alberta Children's Hospital Foundation raises funds for excellence in children's health, research and

family-centered care. Sinopec Daylight contributed approximately $136,810 to the Alberta Children's Hospital Foundation in 2015, much of it was directed to the Diamond Shine Fund, which was established to honour the daughter of a Sinopec Daylight employee. Contributions made to the Diamond Shine fund will enable specialists to better understand cancer genomics - the origins, changes and responses in a child's DNA that result from this terrible disease. The ultimate goal of the Diamond Shine Fund is to help advance specialists' ability to diagnose children quicker and more accurately, tailor treatments to them individually, and improve their overall quality of life in the long term. Since 2012, Sinopec Daylight has raised a total of approximately $359,810 for the Alberta Children's Hospital Foundation.

EvenStart Foundation

The EvenStart Foundation believes that when children are fed, in good health, have access to education, and live in homes that are safe, then children learn that they are valued and loved and are free to realize their potential. By allowing children to have every possible advantage at an early age, difficult early life experiences can be mitigated, which in turn creates a stronger community and a brighter future for everyone. In 2015, Sinopec Daylight contributed $59,600 to the EvenStart Foundation through various corporate events.

SINOPEC CANADA ENERGY LTD.
Management Responsibility Statement

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. 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.

KPMG LLP, an independent firm of chartered professional accountants, has been engaged to examine the 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 nine 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 *"Brian Tuffs"*

Brian Tuffs
Chief Executive Officer

Signed *"Jinhong Li"*

Jinhong Li
Executive Vice President and Chief Financial Officer

Calgary, Alberta
March 17, 2016

SINOPEC CANADA ENERGY LTD.
Independent Auditors' Report

TO THE DIRECTORS OF SINOPEC CANADA ENERGY LTD.

We have audited the accompanying consolidated financial statements of Sinopec Canada Energy Ltd., which comprise the consolidated statements of financial position as at December 31, 2015 and December 31, 2014, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Sinopec Canada Energy Ltd. as at December 31, 2015 and December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Comparative information

Without modifying our opinion, we draw attention to Note 1 of the consolidated financial statements which indicates the comparative information presented as at and for the year ended December 31, 2014 has been restated.

Signed "*KPMG LLP*"

Chartered Professional Accountants
March 17, 2016
Calgary, Canada

SINOPEC CANADA ENERGY LTD.
Consolidated Statements of Financial Position
As at December 31, 2015 and 2014

(in millions of US dollars)

	2015	2014 (Restated Note 1)
Assets		
Current assets		
Cash and cash equivalents (note 7)	**37**	41
Accounts receivable (note 26)	**71**	100
Income taxes receivable	**39**	40
Inventories (note 8)	**30**	43
Prepaid expenses and deposits	**4**	5
	181	229
Investments (note 9)	**40**	40
Property, plant and equipment (note 10)	**8,005**	9,331
Exploration and evaluation assets (note 11)	**327**	412
Goodwill (note 12)	**322**	1,486
Total assets	**8,875**	11,498
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 13)	**240**	341
Employee future benefits (note 17)	**17**	22
Due to Company shareholder (note 15)	**2,085**	1,468
Current portion of debt (note 14)	**4,469**	—
Current portion of asset retirement obligations (note 16)	**24**	29
	6,835	1,860
Long-term debt (note 14)	**992**	5,949
Asset retirement obligations (note 16)	**430**	519
Employee future benefits (note 17)	**58**	74
Other long-term liabilities (note 18)	**—**	15
Deferred tax liability (note 19)	**1,335**	1,335
	9,650	9,752
Shareholder's Equity (Deficit)		
Share capital (note 20)	**2,165**	2,165
Accumulated other comprehensive loss	**(1,116)**	(569)
Deficit	**(2,310)**	(352)
Controlling interest	**(1,261)**	1,244
Non-controlling interest	**486**	502
Total shareholder's equity (deficit)	**(775)**	1,746
Total liabilities and shareholder's equity	**8,875**	11,498

Commitments and contingencies (note 27)

See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

Signed *"Zeng Fanli"*
Director

Signed "*Brian Tuffs*"
Director

SINOPEC CANADA ENERGY LTD.
Consolidated Statements of Loss and Comprehensive Loss

For the years ended December 31, 2015 and 2014

(in millions of US dollars)

	2015	2014 (Restated Note 1)
Revenues		
Oil and natural gas	**699**	1,421
Royalties	**(31)**	(132)
	668	1,289
Expenses		
Operating	**488**	601
Development	**14**	25
Exploration (notes 10 and 11)	**51**	21
General and administrative	**39**	49
Finance charges (note 22)	**130**	129
Foreign exchange gain	**(1)**	(5)
Loss on financial instruments (note 9)	**7**	3
Equity loss in associates (note 9)	**2**	2
Gain on divestiture of assets	**(15)**	(12)
Impairment of goodwill (note 12)	**1,096**	453
Depletion, depreciation, amortization and impairment (note 10)	**934**	849
	2,745	2,115
Loss before income taxes	**(2,077)**	(826)
Income taxes (note 19)		
Current tax benefit	**(55)**	(28)
Deferred tax benefit	**(50)**	(26)
	(105)	(54)
Loss	**(1,972)**	(772)
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to net earnings:		
Actuarial gain (loss) relating to pension and other post-retirement benefits	**4**	(4)
Items that may be subsequently reclassified to net earnings:		
Foreign currency translation adjustment	**(638)**	(348)
Other comprehensive loss	**(634)**	(352)
Comprehensive loss	**(2,606)**	(1,124)
Loss attributable to:		
Owners of the Company	**(1,958)**	(775)
Non-controlling interest	**(14)**	3
	(1,972)	(772)
Other comprehensive loss attributable to:		
Owners of the Company	**(547)**	(314)
Non-controlling interest	**(87)**	(38)
	(634)	(352)

See accompanying notes to the consolidated financial statements.

SINOPEC CANADA ENERGY LTD.
Consolidated Statements of Changes in Equity
For the years ended December 31, 2015 and 2014

(in millions of US dollars)

	Share Capital	Retained Earnings (Deficit) (Restated Note 1)	AOCI[1]	NCI[2]	Total Shareholder's Equity
Balance at January 1, 2014	2,165	423	(255)	—	2,333
Non-controlling interest capital contributions (note 6 and note 9)	—	—	—	537	537
Net earnings (loss)	—	(775)	—	3	(772)
Other comprehensive loss	—	—	(314)	(38)	(352)
Balance at December 31, 2014	2,165	(352)	(569)	502	1,746

	Share Capital	Retained Earnings (Deficit)	AOCI[1]	NCI[2]	Total Shareholder's Equity (Deficit)
Balance at January 1, 2015	2,165	(352)	(569)	502	1,746
Non-controlling interest capital contributions (note 6 and note 9)	—	—	—	83	83
Non-controlling interest deemed contribution for taxes on acquisition	—	—	—	2	2
Net loss	—	(1,958)	—	(14)	(1,972)
Other comprehensive loss	—	—	(547)	(87)	(634)
Balance at December 31, 2015	**2,165**	**(2,310)**	**(1,116)**	**486**	**(775)**

[1] Accumulated Other Comprehensive Income (Loss)

[2] 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, 2015 and 2014

(in millions of US dollars)

	2015	2014 (Restated Note 1)
Cash provided by (used in):		
Operating activities		
Loss	**(1,972)**	(772)
Add or deduct non-cash items:		
Depletion, depreciation, amortization and impairment (note 10)	**934**	849
Impairment of goodwill (note 12)	**1,096**	453
Asset retirement obligation accretion (notes 16 and 22)	**12**	14
Non-cash exploration expense	**51**	19
Amortization of bank financing fees (note 22)	**26**	20
Interest expense (note 22)	**90**	98
Gain on divestiture of assets	**(15)**	(12)
Unrealized loss on financial instruments	**7**	3
Unrealized loss on foreign exchange	**11**	1
Change in employee future benefits (note 17)	**(8)**	11
Equity loss in associates	**2**	2
Deferred tax benefit (note 19)	**(50)**	(26)
Asset retirement expenditures (note 16)	**(13)**	(27)
Change in non-cash operating working capital	**(18)**	(50)
Cash provided by operating activities	**153**	583
Financing activities		
Funds advanced from Company shareholder	**774**	1,166
Bank loans advanced (note 14)	**4,290**	—
Bank loans repaid (note 14)	**(4,790)**	—
Advances from (to) affiliate	**60**	(26)
Interest and financing fees paid	**(107)**	(104)
Amounts contributed from non-controlling interest	**85**	537
Cash provided by financing activities	**312**	1,573
Investing activities		
Property, plant and equipment additions (note 10)	**(351)**	(644)
Exploration and evaluation asset additions (note 11)	**(1)**	(45)
Proceeds on dispositions of property, plant and equipment	**29**	4
Acquisition of upstream properties (note 6)	**3**	(1,470)
Acquisition of Progress BC Shale Partnership (note 6)	**(21)**	—
Investment in Pacific NorthWest LNG export facility (note 6 and 9)	**(16)**	(33)
Change in non-cash investing working capital	**(108)**	46
Cash used in investing activities	**(465)**	(2,142)
Increase in cash and cash equivalents during the year	**—**	14
Effect of foreign exchange on cash balances	**(4)**	—
Cash and cash equivalents, beginning of year	**41**	27
Cash and cash equivalents, end of year	**37**	41

See accompanying notes to the consolidated financial statements.

1. REPORTING ENTITY AND DESCRIPTION OF THE BUSINESS

Sinopec Canada Energy Ltd. ("SCEL" or the "Company") was incorporated under the *Business Corporations Act (Alberta)* for the purpose of acquiring 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 seven owners. Decisions about Syncrude's significant relevant activities require unanimous consent of the owners. Each owner retains title to its proportionate interest in the property and assets, takes its proportionate share of production in kind, and funds its proportionate share of Syncrude's operating development and capital costs on a daily basis. The Company also owns 9.03% of the issued and outstanding shares of Syncrude Canada Ltd. ("Syncrude Canada"). Syncrude Canada operates Syncrude on behalf of the owners and is responsible for selecting, compensating, directing and controlling Syncrude's employees, and for administering all related employment benefits and obligations. Syncrude Canada has no beneficial interest in the project and holds as agent the property and assets of the owners.

On July 16, 2014, SCEL, through its subsidiaries, acquired a 15% interest in certain Petroliam Nasional Berhad natural gas assets ("PNW") in exchange for cash of $1.5 billion (CAD $1.6 billion) (note 6). These assets include natural gas producing properties and reserves in northeast British Columbia. In addition to this purchase, SCEL, through its subsidiaries, also invested in the proposed Pacific Northwest Liquefied Natural Gas ("LNG") export facility on Canada's West Coast (refer to note 9 "Investments") and agreed to offtake 1.8 million metric tonnes of LNG per annum from the LNG facility's production, representing 15% of the proposed LNG production ("LNG Offtake Assets"), for a minimum period of 20 years. These acquisitions were completed with China Huadian Corporation ("Huadian"), whereby SCEL owns two-thirds and Huadian owns one-third of the interest in the natural gas assets and LNG investment. In addition to the above noted LNG Offtake Assets, Sinopec has further committed to an additional 25% of the LNG Offtake Assets (an additional 3 million metric tonnes per annum) from this project.

SCEL's ultimate parent company is China Petrochemical Corporation ("CPC"), a State-Owned-Enterprise ("SOE") of the Government of the People's Republic of China. SCEL's immediate operating parent company is Sinopec International Petroleum Exploration and Production Corporation ("SIPC") and SCEL's immediate parent company is TipTop Luxembourg S.A.R.L ("TipTop"). Sinopec Century Bright Investment Limited ("Century Bright") performs certain banking and finance functions for CPC's consolidated group. SIPC, Century Bright and TipTop are directly or indirectly owned subsidiaries of CPC. CPC 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.

The principal place of business of the Company is 112 – 4th Avenue SW, Calgary, Alberta, Canada T2P 0H3.

The consolidated financial statements of SCEL as at and for the year ended December 31, 2015, 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%)[1]
- Sinopec Huadian Montney Limited Partnership ("SHMLP")(66.67%)[1]

[1] China Huadian Corporation owns the remaining 33.33% of these interests; representing the non-controlling interest.

Restatement of Comparative Periods

The comparative periods in the consolidated financial statements have been restated to include recognition of the impairment charges for goodwill and property, plant and equipment that were not recorded for the year ended December 31, 2014.

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

The effect of the restatement on the consolidated statement of financial position as at December 31, 2014 is as follows:

	As reported	Adjustment	Restated
Property, plant and equipment	9,655	(324)	9,331
Goodwill	1,939	(453)	1,486
Deferred tax liability	(1,385)	50	(1,335)
Retained earnings (deficit)	375	(727)	(352)

The effect of the restatement on the consolidated statements of loss and comprehensive loss for the year ended December 31, 2014 is as follows:

	As reported	Adjustment	Restated
Impairment of goodwill	—	(453)	(453)
Depletion, depreciation, amortization and impairment	(525)	(324)	(849)
Foreign exchange gain	(6)	1	(5)
Deferred tax (expense) benefit	(25)	51	26
Loss	(45)	(727)	(772)
Comprehensive loss	(397)	(727)	(1,124)

The following notes have been restated to reflect the adjustments arising as a result of the restatement described above:
- Note 10. Property, Plant and Equipment;
- Note 12. Goodwill;
- Note 19. Income Taxes; and
- Note 21. Segments.

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 ("IFRS").

These consolidated financial statements were authorized for issue by the Company's Board of Directors on March 17, 2016.

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 held for trading.

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. SIGNIFICANT 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.

Basis of Consolidation

These financial statements consolidate the financial results of SCEL and its subsidiaries. A subsidiary is an entity, including a partnership, controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases.

Many of the Company's oil and natural gas activities, including the activities of Syncrude 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 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 classified as financial assets held for trading. Investments held for trading 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 but not consolidated are classified as equity investments and are accounted for using the equity method, where the Company's share of earnings or losses are recognised in earnings or loss and its share of other comprehensive income or loss is recognised 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 recognised 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. Management deems exploration and evaluation assets to be costs associated with licenses to which proved and probable reserves have not been 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.

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.

Property, Plant and Equipment

Property, plant and equipment 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, 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.

Leases that transfer substantially all the benefits and risks of ownership to the Company are recorded as finance lease assets within property, plant and equipment. Costs for all other leases are recorded as operating expense as incurred.

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 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.

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

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 off-sites 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

Assets Held for Sale

Non-current assets, or disposal groups consisting of assets and liabilities, are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is met when the sale is highly probable and the asset is available for immediate sale in its present condition.

Non-current assets classified as held for sale are measured at the lower of the carrying amount and fair value less costs to sell with impairments recognized in net earnings in the period measured. Non-current assets and disposal groups held for sale are presented in current assets and liabilities within the consolidated statement of financial position. Assets held for sale are not depleted, depreciated or amortized.

Impairment

Non-financial assets

Property, plant and equipment and exploration and evaluation assets are tested 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. Goodwill is tested at least annually for impairment.

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 sell and value-in-use. In determining fair value less costs to sell, 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.

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 from the sale of oil and natural gas is recorded when the significant risks and rewards of ownership of the product are transferred to the buyer which is usually when legal title passes to the external party.

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

Finance Charges

Finance charges comprise interest expense on long-term debt, the amortization of bank financing fees, the interest cost component of the pension obligation, and the accretion of the discount on asset retirement obligations. 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.

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

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.

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 are measured at fair value or using the equity method.

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, long-term debt 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 Canada has short and long-term incentive plans that are cash settled and measured at fair value at the end of each reporting period where the carrying value of the obligation is compared to the estimated fair value of the obligation until the settlement. Any difference arising between these two amounts is charged or credited to net earnings at the end of the period being reported. These plans include Syncrude Canada's employee retention program.

A liability is recognized for the amount expected to be paid under the Company's long-term incentive plan if the Company has a legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be reliably measured. Compensation costs recognized under the long-term incentive plan are subject to an estimation of a forfeiture rate and performance multiplier.

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.

Compensation costs recognized under the long-term incentive plan are subject to an estimation of the forfeiture rate and the performance multiplier.

Asset impairment and reversals

The recoverable amount of CGUs and individual assets is determined based on the higher of fair value less costs to sell 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 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.

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

Oil and natural gas prices and exchange rates

The December 31, 2015 future prices used to determine cash flows from oil, natural gas and oil sands reserves are as follows:

Benchmark Reference Price Forecasts	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
WTI *($US/Bbl)*	45.00	53.60	62.40	69.00	73.10	77.30	81.60	86.20	87.90	89.60
Edmonton par *($Cdn/Bbl)*	56.60	66.40	72.80	80.90	83.20	88.20	93.30	98.70	100.70	102.60
AECO *($Cdn/MMBtu)*	2.70	3.20	3.55	3.85	3.95	4.20	4.45	4.70	4.80	4.90
Exchange rate *($US/$Cdn)*	0.73	0.75	0.80	0.80	0.83	0.83	0.83	0.83	0.83	0.83

The December 31, 2014 future prices used to determine cash flows from oil, natural gas and oil sands reserves are as follows:

Benchmark Reference Price Forecasts	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
WTI ($US/Bbl)	65.00	80.00	90.00	91.35	92.72	94.11	95.52	96.96	98.41	99.89
Edmonton par ($Cdn/Bbl)	66.85	83.86	94.78	96.25	97.75	100.35	101.90	103.49	105.09	106.72
AECO ($Cdn/MMBtu)	3.32	3.71	3.90	4.47	5.05	5.13	5.22	5.31	5.40	5.49
Exchange rate ($US/$Cdn)	0.85	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87	0.87

After 2025, 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 0.825 $US/$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 are 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.

Critical Accounting Judgments

Equity method accounting in investment

The Company has determined its 15% investment in the Pacific Northwest LNG export facility should be accounted for under the equity method. In applying its judgment, the Company determined that its ability to appoint a Director to the Board of Directors of the General Partner to the limited partnership that is developing the export facility gives it influence over financial and operating decisions. In addition, certain key decisions require the approval of at least one of the Directors representing the non-controlling interests in the General Partner. Furthermore, the Company and its ultimate parent have agreed to take material amounts of future LNG production from the plant. Accordingly, the Company has assessed that it has significant influence over its investment.

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.

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

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 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 and Interpretations Not Yet Adopted

In May 2014, the International Accounting Standards Board ("IASB") published IFRS 15, *Revenue From Contracts With Customers* ("IFRS 15") replacing IAS 18, *Revenue*. IFRS 15 establishes a single revenue recognition framework that applies to contracts with customers. The standard requires an entity to recognize revenue to reflect the transfer of goods and services for the amount it expects to receive, when control is transferred to the purchaser. Disclosure requirements have also been expanded. The new standard is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The standard may be applied retrospectively or using a modified retrospective approach. The Company is currently evaluating the impact of adopting IFRS 15 on the consolidated financial statements.

In January 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases*. For lessees applying IFRS 16, a single recognition and measurement model for leases would apply, with required recognition of assets and liabilities for most leases. The standard will come into effect for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if the entity is also applying IFRS 15, *Revenue from Contracts with Customers*. IFRS 16 will be applied by the Company on January 1, 2019 and the Company is currently evaluating the impact of the standard on its financial statements.

6. BUSINESS COMBINATIONS

2015

On February 17, 2015, the Company's subsidiary, SHCLL, acting as a general partner for and on behalf of SHMLP, entered into a Partnership Interest and Asset Purchase Agreement ("PIPA") with Progress Energy Canada. The total PIPA purchase price was $21 million which purchased a 15% undivided interest in certain oil and gas assets for $0.3 million and 15% of the units of the Progress BC Shale Partnership ("PBCSP") which is developing those assets for $21 million. On December 31, 2015, the PBCSP was dissolved and its assets acquired directly by SHMLP.

The dissolution of the PBCSP was accounted for by the acquisition method based on recognized amounts as follows:

Net Assets Acquired	
Property, plant and equipment	27
Total	27

Consideration	
Cash paid	21
Tax liability to non-controlling interest	2
Tax liability to SCEL	4
Total	27

2014

On July 16, 2014, the Company, through its subsidiaries, acquired a 15% interest in certain Petroliam Nasional Berhad natural gas assets in exchange for cash of $1.5 billion (CAD $1.6 billion). The acquisition requires an additional payment of CAD $135 million in certain circumstances as further described below. These assets include natural gas producing properties and reserves in northeast British Columbia. In addition to this purchase, the Company, through its subsidiaries, also invested in the proposed Pacific Northwest LNG export facility on Canada's West Coast (refer to note 9 "Investments") and agreed to offtake 1.8 million metric tonnes of LNG per annum from the LNG facility's production, representing 15% of the proposed LNG production, for a minimum period of 20 years.

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

These acquisitions were completed with Huadian. The Company and Huadian together created two separate entities, being SHCLL and SHMLP which holds a 15% interest in the natural gas assets and a 15% interest in the shares and limited partnership units that hold the Pacific Northwest LNG export facility project. SHCLL is the general partner to SHMLP. The Company owns two-thirds of the shares and limited partnership units of these entities and by virtue of having a greater proportion of the Board of Directors seats and common shares and maintaining the key management positions is considered to control the entities. Huadian owns the other one-third of the entities and is considered a non-controlling interest holder.

The transaction was accounted for by the acquisition method based on recognized amounts as follows:

Net Assets Acquired	
Property, plant and equipment	1,570
Asset retirement obligations	(6)
Total	1,564

Consideration	
Total cash paid	1,470
Contingent consideration	94
Total	1,564

The Company's recorded contingent consideration of $94 million is the estimated fair value using a 75% probability that the additional amount will become payable in cash for the natural gas reserves. This payment is required only if the decision to build the LNG export facility is sanctioned which is anticipated in 2016. The maximum undiscounted amount payable for the contingent consideration if the LNG export facility is sanctioned is CAD $135 million. The contingent consideration has been included in accounts payable and accrued liabilities. In 2015, upon the final statement of adjustments being settled, the Company received back $3 million.

7. CASH AND CASH EQUIVALENTS

	2015	2014
US dollar balances	**22**	2
CAD dollar balances	**15**	39
Total	**37**	41

All cash and cash equivalents are bank deposits.

8. 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.

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

9. INVESTMENTS

Investment in Associates

SHCLL, a subsidiary of the Company, and SHMLP, a limited partnership of the Company, invested cash of $16 million in 2015 (2014 - $33 million) in the proposed Pacific Northwest LNG export facility (refer to note 6 "Business Combination"). Sinopec Huadian owns 15% of the shares and limited partnership units of the entities that own the proposed Pacific Northwest LNG export facility. The Company's 15% investment in the Pacific Northwest LNG export facility is accounted for under the equity method as the 15% interest, although not in and of itself providing significant influence, does allow the Company to appoint a Director to the Board of Directors of the General Partner to the limited partnership that is developing the export facility. In addition to the normal influence a Director has over financial and operating decisions, certain key decisions require the approval of at least one of the Directors representing the non-controlling interests in the General Partner. Furthermore, the Company and its ultimate parent have agreed to take material amounts of future LNG gas production from the plant. Accordingly, the Company has assessed that it has significant influence over its investment.

There is no quoted market price for this investment and the carrying value of this investment under the equity method is $38 million. Sinopec Huadian Canada LNG Ltd. has a non-controlling interest of 33.33% which belongs to Huadian Natural Gas Canada Limited. The net loss in the investment was $2 million of which $0.8 million (2014 - $2 million loss and $0.5 million, respectively) was allocated to the non-controlling interest.

The financial statements as at and for the year ended December 31, 2015 for the associate investee developing the LNG plant consists of capitalized project costs in the amount of $240 million, current assets of $34 million and current liabilities of $15 million and a loss of $16 million (2014 - $203 million, $12 million, $10 million and loss of $16 million, respectively). There were no revenues. The Company's investment of $38 million (2014 - $31 million) represents a 15% interest in these amounts.

Investment at Fair Value

The Company holds an investment in 4,316,666 common shares of Gear Energy Ltd. ("Gear") (2014 - 4,316,666 common shares). At December 31, 2015, the investment in Gear was recorded at fair value of $2 million (December 31, 2014 - $9 million), being CAD $0.55 per common share resulting in an unrealized loss of $7 million (2014 - $3 million unrealized loss).

	2015	2014
Investment in Pacific NorthWest LNG export facility	**38**	31
Investment in Gear Energy Ltd.	**2**	9
	40	40

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

10. PROPERTY, PLANT AND EQUIPMENT

	Oil Sands		Development and Production	PNW	Corporate	Total
	Reserves and Resources	Plant and Equipment	Property, Plant and Equipment	Property, Plant and Equipment	Corporate Assets	
Cost						
Balance at December 31, 2013	3,069	2,192	3,907	—	44	9,212
Additions	—	189	352	131	3	675
Transfers from exploration and evaluation assets (note 11)	—	—	60	—	—	60
Business acquisition (note 6)	—	—	—	1,570	—	1,570
Divestitures and lease expiries	—	(13)	(36)	—	(2)	(51)
Changes in asset retirement obligations	34	—	81	23	—	138
Foreign currency translation	—	—	(345)	(123)	(2)	(470)
Balance at December 31, 2014	3,103	2,368	4,019	1,601	43	11,134
Additions	**—**	**67**	**60**	**231**	**5**	**363**
Transfers from exploration and evaluation assets (note 11)	**—**	**—**	**4**	**—**	**—**	**4**
Business acquisition (note 6)	**—**	**—**	**—**	**24**	**—**	**24**
Divestitures and lease expiries	**—**	**(14)**	**(61)**	**—**	**(2)**	**(77)**
Changes in asset retirement obligations	**(41)**	**—**	**9**	**1**	**—**	**(31)**
Foreign currency translation	**—**	**—**	**(645)**	**(279)**	**(3)**	**(927)**
Balance at December 31, 2015	**3,062**	**2,421**	**3,386**	**1,578**	**43**	**10,490**
Accumulated depletion, depreciation and amortization						
Balance at December 31, 2013	144	235	644	—	16	1,039
Depletion, depreciation and amortization	38	103	359	17	8	525
Impairment (restated - note 1)	—	—	324	—	—	324
Divestitures	—	(8)	(1)	—	(1)	(10)
Foreign currency translation	—	—	(73)	(1)	(1)	(75)
Balance at December 31, 2014 (restated - note 1)	182	330	1,253	16	22	1,803
Depletion, depreciation, and amortization	**34**	**126**	**261**	**51**	**7**	**479**
Impairment	**—**	**—**	**455**	**—**	**—**	**455**
Divestitures	**—**	**(6)**	**(11)**	**—**	**(1)**	**(18)**
Foreign currency translation	**—**	**—**	**(225)**	**(7)**	**(2)**	**(234)**
Balance at December 31, 2015	**216**	**450**	**1,733**	**60**	**26**	**2,485**

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

	Oil Sands		Development and Production	PNW	Corporate	Total
	Reserves and Resources	Plant and Equipment	Property, Plant and Equipment	Property, Plant and Equipment	Corporate Assets	
Net Book Value						
December 31, 2014 (restated - note 1)	2,921	2,038	2,766	1,585	21	9,331
December 31, 2015	**2,846**	**1,971**	**1,653**	**1,518**	**17**	**8,005**

Amounts Excluded from Calculation of Depreciation, Depletion and Amortization	**2015**	2014 (Restated Note 1)
Undeveloped land and acquired resource properties without depletable reserves assignments and salvage value	**2,991**	3,609

Impairment testing

At December 31, 2015 and 2014, primarily due to technical reserve revisions and declining oil and natural gas prices, the Company determined that there were indicators of impairment present across all of its CGUs which consist of Pembina, West Central, Peace River Arch, Pacific Northwest and Oilsands. As a result, management was required to undertake impairment testing.

In accordance with IFRS, a recoverable value was determined using value in use based on discounted pre-tax cash flows ranging from 5% to 10% of proved and probable reserves evaluated by independent engineers using the independent engineers forecast prices (note 4) and costs. In addition, the values of contingent resources incremental to the reserve report were obtained from internal analysis completed by management. Based on the internal analysis, management identified and evaluated potential contingent drilling locations that were not assigned any proved and probable reserves. The values of these locations were included in the recoverable amount. A pre-tax discount rate ranging from 5% to 10% was applied to determine and estimate the future cash flows. Undeveloped land was externally evaluated. The recoverable amounts for the Pembina and West Central CGUs were $589 million and $192 million, respectively (2014 - $1.1 billion for the Pembina CGU). This resulted in the net book value of each of the Pembina and West Central CGUs exceeding their recoverable value indicating an impairment of $288 million and $167 million, respectively (2014 - $324 million for the Pembina CGU). There were no impairments to property, plant and equipment in the other CGUs.

Lease expiries

Lease expiries of $34 million (2014 - $18 million) are included in exploration expense.

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

11. EXPLORATION AND EVALUATION ASSETS

Cost	
Balance at December 31, 2013	468
Additions	45
Lease expiries	(1)
Transfers to property, plant and equipment (note 10)	(60)
Foreign currency translation	(40)
Balance at December 31, 2014	412
Additions	2
Lease expiries	(17)
Transfers to property, plant and equipment (note 10)	(4)
Foreign currency translation	(66)
Balance at December 31, 2015	**327**

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.

Impairment testing

At December 31, 2015 and 2014, there indicators of impairment identified, however, there were no impairments of exploration and evaluation assets (2014 - $nil).

Lease expiries

Lease expiries of $17 million (2014 - $1 million) are included in exploration expense.

12. GOODWILL

	2015	2014 (Restated Note 1)
Balance, beginning of year	**1,486**	1,984
Impairment	**(1,096)**	(453)
Foreign currency translation	**(68)**	(45)
Balance, end of year	**322**	1,486

Goodwill arose on two separate transactions. Goodwill of $1.4 billion arose on the acquisition of SOP which holds a 9.03% interest in Syncrude. Goodwill was attributed to an assembled work force living in a Northern Alberta community, operational synergies expected to be derived from future performance and a deferred income tax liability because there was a lack of a tax base in the acquired net assets. This goodwill is attributed to the Oil Sands segment. At December 31, 2015, the balance of goodwill remaining following impairment is $293 million (2014 - $991 million).

Goodwill of $576 million also arose on the acquisition of SDEL. Goodwill was attributed to an assembled workforce and management team as well as entrance into the conventional Canadian oil and gas market on an operated basis. This goodwill is attributed to the Development and Production segment. At December 31, 2015, the balance of goodwill remaining following impairment is $29 million (2014 - $495 million).

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

Impairment testing

At least annually, an impairment test of goodwill is performed. For purposes of impairment testing, goodwill has been allocated to the segments to which it relates.

Oil Sands Segment

For the Oil Sands Segment, the impairment test was based on a value in use calculation. The values used in the impairment test were based on the net present value of cash flows over the life of the reserves and contingent resources based on independent engineers forecasted commodity prices (note 4). Volumes of proved, probable and possible reserves and contingent resources were evaluated by independent reserve engineers and consider past results. A pre-tax discounts rate of approximately 7.5% was applied. During 2015, the carrying value of goodwill exceeded the value in use and an impairment of $699 million (2014 - $453 million) was recorded.

Development and Production Segment

For the Development and Production segment, the impairment test was based on a value in use calculation. The values used in the impairment test were based on the net present value of cash flows over the life of the reserves and contingent resources based on independent engineers forecasted commodity prices (note 4) and the value of undeveloped land. Reserve volumes were evaluated by independent reserve engineers and consider past results. Contingent resource volumes were estimated internally based on anticipated future performance, past results and available independent evidence. Undeveloped land was externally evaluated. A pre-tax discount rate of 10% was used. At December 31, 2015, the carrying value of goodwill exceeded the value in use and an impairment of $397 million (2014 - $nil) was recorded.

The following table demonstrates the effect of the assumed discount rate and the effect of forecast benchmark commodity price estimates on the impairment charges for the CGUs that recorded an impairment for the year ended December 31, 2015. The sensitivity is based on a one per cent increase and one per cent decrease in the assumed discount rate and a five per cent increase and five per cent decrease in the forecast benchmark commodity price estimates.

	Increase in Discount Rate of 1%	Decrease in Discount Rate of 1%	Increase in Commodity Prices of 5%	Decrease in Commodity Prices of 5%
Pembina	28	(31)	(59)	57
West Central	8	(10)	(24)	23
Goodwill attributed to D&P segment	29	(161)	(240)	29
Goodwill attributed to Oil Sands segment	293	(699)	(544)	293
Impairment charge increase (decrease)	358	(901)	(867)	402

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

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2015	2014
Trade payables	**210**	303
Crown royalties	**23**	14
Interest payable	**6**	9
Due to Huadian Natural Gas Canada Ltd.	**1**	15
Total	**240**	341

The contingent consideration of $73 million (2014 - $94 million) in relation to the July 2014 business combination (note 6) is included in trade payables.

14. BANK DEBT

At December 31, 2015, the Company has four US dollar term loans outstanding as follows:

	Principal Amount	**Term Loan Due Date**	**2015**	2014
Current Debt				
Bank of China (Luxembourg) S.A.	620	May 2016	**620**	—
Bank of China (New York)	560	December 2016	**560**	—
Bank of China (London)	3,290	December 2016	**3,290**	—
Current Bank Debt	4,470		**4,470**	—
Bank of China (New York) Fee			**(1)**	—
Current Bank Debt	4,470		**4,469**	**—**
Long-term Debt				
ABC Syndicated Term Loan	1,000	February 2020	**1,000**	—
Bank of China (Luxembourg) S.A.	—	May 2016	**—**	620
Bank of China (New York)	—	December 2016	**—**	2,060
HSBC Syndicated Term Loan	—	May 2016	**—**	3,290
	1,000		**1,000**	5,970
Bank of China (New York) Fee			**—**	(9)
HSBC Syndicated Term Loan Fee			**—**	(12)
ABC Syndicated Term Loan Fee			**(8)**	—
Long-term debt	1,000		**992**	5,949

On February 6, 2015, the Company entered into a Syndicated Term Loan facility for $1 billion ("ABC Syndicated Term Loan"), arranged by the Agricultural Bank of China (New York), and bears interest at LIBOR plus a specified margin. The loan is guaranteed by CPC and requires that CPC maintain certain financial covenants as guarantor of the facility. The facility also requires that the Company comply with certain customary covenants, including compliance with applicable laws. At December 31, 2015, the Company and CPC are in compliance with those covenants.

On December 30, 2015, the Company entered into a Term Loan facility for $3.3 billion ("Bank of China (London)"), with the Bank of China (London), and bears interest at LIBOR plus a specified margin. The facility also requires that the Company comply with certain customary covenants, including compliance with applicable laws. At December 31, 2015, the Company and CPC are in compliance with those covenants. The funds were used to repay the HSBC Syndicated Term Loan, which was lead by HSBC (Hong Kong).

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

Bank of China (Luxembourg) S.A. bears interest at LIBOR plus a specified margin. The credit facility is unsecured. The facility requires that the Company comply with certain customary covenants, including compliance with applicable laws. At December 31, 2015, the Company is in compliance with those covenants.

Bank of China (New York) bears interest at LIBOR plus a specified margin. On April 12, 2015, the Company repaid $1.5 billion of the loan facility. The balance of the loan is guaranteed by CPC and requires that CPC maintain certain financial covenants as guarantor of the facility. The facility also requires that the Company comply with certain customary covenants, including compliance with applicable laws. At December 31, 2015, the Company and CPC are in compliance with those covenants.

The Bank of China (Luxembourg) S.A. did not charge an arrangement fee for its loan. The Company incurred a duration fee on the initial draw of the Bank of China (New York) term loan which was netted against proceeds on the issuance of this debt with annual duration fees payable on the principal outstanding on the anniversary date of each draw. These duration fees are offset against the debt and are recognized using the effective interest rate method in finance charges to reflect this incremental annual fee. Costs incurred to negotiate the ABC Syndicated Term Loan, including a discount to the loan principal, are amortized using the effective interest rate method.

15. DUE TO COMPANY SHAREHOLDER

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

16. 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 long-term assumptions, depending on the expected timing of the activity, and discounted using a risk-free rate of 2.18% (December 31, 2014 - 2.41%). The Company estimates the total undiscounted inflation adjusted cash flow required to settle its asset retirement obligations is approximately $0.9 billion (December 31, 2014 - $1.2 billion). An inflation factor of 2.0% has been applied to the estimated asset retirement obligations at December 31, 2015.

	2015	2014
Asset retirement obligations, beginning of year	**548**	442
Liabilities incurred on business and property acquisitions	**—**	6
Liabilities transferred on property dispositions	**(12)**	—
Liabilities incurred	**9**	57
Liabilities settled	**(13)**	(27)
Change in estimated liability	**(40)**	81
Accretion expense	**12**	14
Foreign currency translation	**(50)**	(25)
Asset retirement obligations, end of year	**454**	548
Less: current portion	**(24)**	(29)
Non-current portion	**430**	519

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

17. EMPLOYEE FUTURE BENEFITS

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

	2015	2014
Current liabilities:		
Accrued variable compensation	**6**	8
Long-term incentive	**8**	10
Post-employment obligations	**3**	4
	17	22
Long-term liabilities:		
Accrued variable compensation	**1**	1
Long-term incentive	**3**	5
Post-employment obligations	**54**	68
	58	74
Total	**75**	96

Accrued variable compensation plan

SCEL accrues its proportionate share of Syncrude's short-term and long-term incentive plans that are cash settled and measured at fair value. These plans include Syncrude's stock-based compensation programs, employee retention programs and performance based compensation programs.

Syncrude performance share units

Syncrude awards performance share units ("PSUs") to certain employees. Subject to certain exceptions relating to retirement, death or termination, Syncrude PSUs have a term of seven years and vest in equal amounts over a three-year period. Syncrude PSUs are settled in cash and have value if the weighted-average price of the shares of certain of Syncrude's shareholders at the exercise date exceeds the exercise price. The PSU program was discontinued in 2013 and there were no units awarded in 2013.

Syncrude restricted share units

Syncrude awards restricted share units ("RSUs") to certain employees. Subject to certain exceptions relating to retirement, death or termination, Syncrude RSUs are settled in cash after a three-year vesting period. The expense related to RSUs is recognized in net earnings over the vesting period. There are two categories of Syncrude RSUs. The cash settlement for the first type is based on the weighted-average price of certain Syncrude owners' shares and the total shareholder return of such owners' shares over the vesting period relative to a peer group. The cash settlement for the second type is based purely on the weighted-average price of certain Syncrude owners' shares, and is not contingent on shareholder return.

Syncrude employee retention program

Syncrude has an employee retention program and housing program for Fort McMurray based employees. Employees must meet certain criteria to be eligible. The current retention program started April 1, 2015 and concludes March 31, 2016. Eligible employees can earn 5% of regular salary to a maximum of CAD$5,000 per year as a retention payment. The housing support program is effective January 1, 2014 to December 31, 2018. Eligible employees who remain in the program will receive 100% of the benefit. At December 31, 2015, SCEL's share of the retention payment payable is $1 million (2014 - $5 million) and is included in employee future benefits.

Long-term incentive plan

Under the Company's long-term incentive plan, eligible employees receive Restricted and/or Performance Awards which are settled for cash consideration upon vesting. Grants have different vesting provisions with certain awards cliff vesting after three years and others principally vesting on the basis of one third on each anniversary date of the award. Performance Awards are subject to a performance multiplier which is dependent upon the Company's performance.

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

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 a pension committee formed from Syncrude's owners. 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 April 2014. SCEL's share of Syncrude's defined benefit plan accrued liability, based on its 9.03% ownership at December 31, 2015, 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.

	Pension		OPEB		Total	
Defined Benefit Plans	**2015**	2014	**2015**	2014	**2015**	2014
Defined Benefit Obligation						
Balance, beginning of year	**245**	233	**14**	14	**259**	247
Current service costs	**9**	9	**—**	—	**9**	9
Interest costs	**9**	10	**—**	1	**9**	11
Transfers	**1**	1	**—**	—	**1**	1
Benefits paid	**(8)**	(9)	**—**	(1)	**(8)**	(10)
Remeasurements:						
Actuarial (gains) losses from changes in financial assumptions	**(4)**	22	**—**	1	**(4)**	23
Foreign currency translation	**(41)**	(21)	**(2)**	(1)	**(43)**	(22)
Balance, end of year	**211**	245	**12**	14	**223**	**259**
Plan Assets						
Balance, beginning of year	**187**	176	**—**	—	**187**	176
Return on plan assets	**7**	8	**—**	—	**7**	8
Employer contributions	**8**	9	**—**	—	**8**	9
Transfers	**1**	1	**—**	—	**1**	1
Benefits paid	**(8)**	(8)	**—**	—	**(8)**	(8)
Remeasurements:						
Gains on plan assets	**2**	17	**—**	—	**2**	17
Foreign currency translation	**(31)**	(16)	**—**	—	**(31)**	(16)
Balance, end of year	**166**	187	**—**	—	**166**	187
Pension and Other Post-employment Liability (Benefit)	**45**	58	**12**	14	**57**	72

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

Plan Assets	2015	2014
Equity securities	99	111
Debt securities	67	76
	166	187

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

	Pension		OPEB	
Significant Actuarial Assumptions	2015	2014	2015	2014
Discount rate	4.0%	4.0%	4.0%	4.0%
Rate of compensation increases	2.2%	2.9%	2.2%	2.9%

For the OPEB, a 7.0% annual rate of increase in the cost of supplemental health care benefits was assumed in 2015 (2014 - 7.0%) and will remain constant in 2016 and 2017, decreasing by 0.5% each year thereafter to a 5% ultimate rate in 2021. An annual rate increase in the dental rate of 4.0% per year was used in 2015 (2014 - 4.0%).

Defined contribution plans

SCEL's share of expense related to the Syncrude's defined contribution plans in 2015 was $1 million (2014 - $1 million).

18. OTHER LONG-TERM LIABILITIES

Syncrude's Crown royalties are determined pursuant to the Syncrude Royalty Amending Agreement ("Syncrude RAA"). The Syncrude RAA includes a transition royalty of up to CAD$975 million (CAD$88 million net to the Company) for the period January 1, 2010 to December 31, 2015. The transition royalty becomes payable and is accrued as bitumen is produced. The transition royalty can be reduced if production does not meet certain volume targets. The Company has made payments aggregating CAD$54 million (2014 - CAD$35 million) and has accrued CAD$29 million (2014 - CAD$19 million) which has been included in accounts payable reflecting amounts to be paid in January 2016.

19. INCOME TAXES

Tax Expense (Benefit)	2015	2014 (Restated Note 1)
Current tax		
Current year	(55)	(29)
Adjustment in respect of prior years	—	1
	(55)	(28)
Deferred tax		
Origination and reversal of temporary differences	(331)	(108)
Change in unrecognized tax assets	151	65
Impact of foreign exchange	25	12
Impact of change in tax rates	89	2
Adjustment in respect of prior periods	16	3
	(50)	(26)
Total tax benefit	(105)	(54)

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

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	**2015**	2014 (Restated Note 1)
Loss before taxes	**(2,077)**	(826)
Statutory income tax rate	**26.00%**	25.03%
Expected tax benefit	**(540)**	(207)
Add (deduct):		
Non-taxable portion of capital gains	**(150)**	(65)
Impact of foreign exchange	**37**	9
Impact of change in tax rates	**90**	2
Change in unrecognized tax assets	**151**	65
Adjustments in respect of prior periods	**16**	4
Impairment of goodwill with no tax basis	**285**	113
Other	**6**	25
Tax benefit	**(105)**	(54)

In 2015, the blended statutory tax rate was 26.00% (2014 - 25.03%). The increase from 2014 was due to an increase in the Alberta provincial rate from 10% to 12% effective July 1, 2015.

Movement in and Components of Deferred Tax Liability For Year Ended December 31, 2015	**2014 (Restated Note 1)**	**Charge to Earnings**	**Charge to Other[1]**	**2015**
Deferred tax liabilities:				
Property, plant and equipment and exploration and evaluation assets (restated - note 1)	1,444	24	(58)	**1,410**
Long-term debt	91	1	80	**172**
Other	44	2	(7)	**39**
	1,579	27	15	**1,621**
Deferred tax assets:				
Asset retirement obligation	(135)	2	13	**(120)**
Employment future benefits	(20)	2	1	**(17)**
Deferred partnership income	(2)	(40)	11	**(31)**
Royalty obligation	(4)	4	—	**—**
Share and debt issue costs	(2)	(1)	—	**(3)**
Losses, non-capital and net capital	(81)	(44)	10	**(115)**
	(244)	(77)	35	**(286)**
Total	1,335	(50)	50	**1,335**

[1] Other Comprehensive Income and Other

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

Movement in and Components of Deferred Tax Liability For Year Ended December 31, 2014 (Restated)	2013	Charge to Earnings	Charge to Other[1]	2014 (Restated Note 1)
Deferred tax liabilities:				
Property, plant and equipment and exploration and evaluation assets	1,480	3	(39)	1,444
Long-term debt	44	1	46	91
Deferred partnership income	24	(24)	—	—
Other	22	23	(1)	44
	1,570	3	6	1,579
Deferred tax assets:				
Asset retirement obligation	(110)	(30)	5	(135)
Employment future benefits	(20)	1	(1)	(20)
Deferred partnership income	—	(8)	6	(2)
Royalty obligation	(5)	2	(1)	(4)
Share and debt issue costs	(2)	—	—	(2)
Losses, non-capital and net capital	(94)	6	7	(81)
	(231)	(29)	16	(244)
Total	1,339	(26)	22	1,335

[1] 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, 2015, the Company recognized a tax benefit of $115 million (2014 - $81 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.

Expiry of Non-capital Losses	
2032	**46**
2034	**59**
2035	**320**
Total	**425**

At December 31, 2015, the Company had an unrecognized deferred tax liability of $0.7 million for aggregate taxable temporary differences of $3 million associated with its investments in subsidiaries because the Company controls whether the profits will be distributed and the Company is satisfied that the liability will not be incurred in the foreseeable future.

The Company has not recognized a deferred tax asset in respect of net capital losses of $163 million (2014 - $2 million) and unrealized foreign exchange losses on account of capital of $87 million (2014 - $114 million) as it is not probable at this time that it will have sufficient future capital gains to utilize these net amounts.

Cash taxes refunded in 2015 totaled $44 million (2014 - $20 million).

20. SHAREHOLDER'S EQUITY

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

Common shares	**2015**		2014	
($millions, except number of shares)	**Number of Shares**	**Amount**	Number of Shares	Amount
Balance, beginning and end of year	**488,233,871**	**2,165**	488,233,871	2,165

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 LIBOR 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. The conversion will occur two years from the date of the issuance of a Preferred Share or on an earlier date selected by the holder of the Preferred Share. Subject to the provisions of the Business Corporations Act (Alberta), 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

No shareholder is entitled to transfer any share to any person who is not a shareholder of the Company unless the transfer is approved by the Board of Directors.

Other provisions

Other provisions included in the Articles of Incorporation that impact Shareholder’s Equity include:

- The number of direct or indirect owners of securities (excluding non-convertible debt securities) of the Company is limited to a maximum of 50, not including employees and former employees of the Company or any of its affiliates.
- Public subscriptions are prohibited.
- The Company has a lien on shares held by a shareholder to provide for any circumstance in which a shareholder has debt owed to the Company.

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

21. 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 PNW segment represents the Company's ownership interest in certain Petronas assets and the Pacific Northwest LNG export facility. 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, 2015 and 2014 is set out below.

	Oil Sands		D&P		PNW		Corporate		Total	
	2015	2014 (Restated Note 1)	**2015**	2014 (Restated Note 1)	**2015**	2014	**2015**	2014 (Restated Note 1)	**2015**	2014 (Restated Note 1)
Revenues										
Oil and natural gas	**397**	769	**244**	602	**58**	50	**—**	—	**699**	1,421
Less: royalties	**(12)**	(50)	**(17)**	(79)	**(2)**	(3)	**—**	—	**(31)**	(132)
	385	719	**227**	523	**56**	47	**—**	—	**668**	1,289
Expenses										
Operating	**278**	381	**168**	200	**42**	20	**—**	—	**488**	601
Development	**14**	25	**—**	—	**—**	—	**—**	—	**14**	25
Exploration	**—**	—	**51**	21	**—**	—	**—**	—	**51**	21
Equity loss in associate	**—**	—	**—**	—	**2**	2	**—**	—	**2**	2
Loss (gain) on divestiture of assets	**8**	6	**(22)**	(17)	**(1)**	(1)	**—**	—	**(15)**	(12)
Impairment of goodwill	**699**	453	**397**	—	**—**	—	**—**	—	**1,096**	453
Depletion, depreciation, amortization and impairment	**159**	141	**717**	684	**51**	17	**7**	7	**934**	849
Segment expenses	**1,158**	1,006	**1,311**	888	**94**	38	**7**	7	**2,570**	1,939
Segment earnings (loss) before tax	**(773)**	(287)	**(1,084)**	(365)	**(38)**	9	**(7)**	(7)	**(1,902)**	(650)
General and administrative							**39**	49	**39**	49
Finance charges							**130**	129	**130**	129
Foreign exchange gain							**(1)**	(5)	**(1)**	(5)
Loss on financial instruments							**7**	3	**7**	3
Loss before income tax							**(182)**	(183)	**(2,077)**	(826)
Income tax benefit							**(105)**	(54)	**(105)**	(54)
Loss									**(1,972)**	(772)

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

	Oil Sands		D&P		PNW		Corporate		Total	
	2015	2014 (Restated Note 1)	**2015**	2014 (Restated Note 1)	**2015**	2014	**2015**	2014 (Restated Note 1)	**2015**	2014 (Restated Note 1)
Property, plant and equipment	**4,817**	4,959	**1,653**	2,766	**1,518**	1,585	**17**	21	**8,005**	9,331
Exploration and evaluation assets	**—**	—	**327**	412	**—**	—	**—**	—	**327**	412
Goodwill	**293**	991	**29**	495	**—**	—	**—**	—	**322**	1,486
Assets	**5,124**	6,193	**2,167**	3,652	**1,567**	1,632	**17**	21	**8,875**	11,498
Capital expenditures	**67**	189	**61**	397	**255**	1,701	**5**	3	**388**	2,290

22. FINANCE CHARGES

	2015	2014
Bank debt interest	**89**	92
Amortization of bank financing fees	**26**	20
Interest expense on employee future benefits	**3**	3
Accretion of asset retirement obligations (note 16)	**12**	14
Total	**130**	129

23. RELATED PARTY TRANSACTIONS

Transactions between related parties, including amounts due to and from affiliates and due to Company Shareholder (note 15), 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.

Unipec America Inc., 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, 2015 were $397 million (2014 - $769 million). The amount due from Unipec America Inc. at December 31, 2015 is $27 million (December 31, 2014 - $38 million) and is included in accounts receivable.

The Company's shareholder loaned $0.8 billion (2014 - $1.2 billion) to the Company in the period to fund the Company's business combination (note 6) and operations. The Company reimburses its parent company for certain travel and accommodation expenses. Century Bright is a co-borrower to SCEL and acts as agent for the borrowers for the Syndicated Term Loan.

Key Management Compensation

The Company’s key management personnel have been identified as the nine directors as well as the executive management team of the Company. The executive management team is comprised of the Chief Executive Officer (also a director), Executive Vice President & Chief Operating Officer (also a director), Executive Vice President & Chief Financial Officer, Executive Vice President Oil Sands (also a director) and the Executive Director (also Vice Chairman of the Board). The former Executive Vice President & Chief Financial Officer of the Company is also included as a component of the key management personnel for compensation disclosure purposes in 2015. At December 31, 2015, the Company’s executive management team comprises two Canadian citizens, two Chinese citizens and one

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

Australian citizen. Four of the Company's directors are Canadian citizens, four are Chinese citizens and one is an Australian citizen.

	2015	2014
Salaries, Director Fees and Short-Term Benefits	**5**	7
Other Long-Term Benefits	**4**	5
Total	**9**	12

Other long-term benefits vest over three years and are subject to a performance multiplier which is dependent on the Company's performance (see also note 17).

24. INTER-RELATIONSHIP WITH STATE OWNED ENTERPRISES OF THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

IFRS requires that significant transactions between a government and the reporting entity be disclosed, as well as to explain the nature of the relationship.

The State Council of the PRC is one of three interlocking branches of power in the governing of China. It is the chief administrative authority of the PRC and has approximately 35 members comprised of the Premier, four Vice-Premiers, five Standing Committee Members and 25 Ministers. It oversees more than 80 ministries, institutions (such as the China Investment Corporation "CIC"), state administrations and bureaus, commissions and the special organization referred to as the State-Owned Assets Supervision & Administration Commission ("SASAC").

CPC is controlled by SASAC which reports to the State Council. The Bank of China is controlled by Central Huijin Investment which is part of CIC and CIC reports to the State Council.

Note 14 lists the term loans with the Bank of China (New York), the Bank of China (London) and the Agricultural Bank of China (New York) and the Bank of China (Luxembourg) S.A. The Bank of China (New York) term loan and, the Bank of China (London) and the Agricultural Bank of China (New York) term loan are wholly guaranteed by CPC.

25. SUPPLEMENTAL DISCLOSURE

The Company's consolidated statements of loss and comprehensive loss 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.

	2015	2014
General and administrative	**38**	48
Operating	**83**	103
Development	**4**	5
	125	156

26. 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, amounts due to Company Shareholder and long-term debt.

The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, amounts due to Company shareholder and other long-term liabilities 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 from publicly traded markets. These amounts are Level 1 fair value measurements which are fair value measurements based on unadjusted quoted market prices.

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

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. At December 31, 2015, the Company does not have any financial assets and liabilities measured using Level 2 fair value measurements.

Level 3 fair value measurements are based on unobservable information.

At December 31, 2015, the Company applies a Level 3 fair value measurement in estimating the recoverable amount for impairment testing of its equity-accounted investment (note 9). Recoverable amounts for the Company's planned LNG plant assets utilizes assumptions such as plant throughput, future commodity prices, operating costs, transportation capacity and supply and demand conditions. The final decision to proceed with the building and commissioning of the LNG Plant has not yet been made. Changes in assumptions used in determining the recoverable amount could affect the carrying value of the investment.

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, Net of Allowance		
As at December 31	**2015**	2014
Current (90 days or less)	**68**	99
Past due (more than 90 days)	**3**	1
Total	**71**	100

The Company has provided an allowance for doubtful accounts as at December 31, 2015 of $Nil (2014 - $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.

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

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

As at December 31, 2015, receivables of approximately $27 million (2014 - $38 million) were due from a related party, Unipec America Inc., 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 2015.

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, SIPC, and its ultimate parent, CPC. The Company monitors its cash inflows and outflows and required financing for capital expenditures. SIPC 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.

As outlined in note 14, the Bank of China (New York) loan and ABC Syndicated Term Loan are guaranteed by CPC.

Contractual Maturities of Financial Liabilities	< 1 Year	1 - 2 Years	3 - 5 Years
Accounts payable and accrued liabilities	240	—	—
Due to Company Shareholder (note 15)	2,085	—	—
Bank debt - principal (note 14)	4,470	—	1,000
Total	6,795	—	1,000

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.

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 LIBOR 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 rates in the year ended December 31, 2015 would have decreased or increased pre-tax net earnings by $5 million. The Company had no interest rate swaps or financial contracts in place as at or during the year ended December 31, 2015.

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

Carrying Amount of Interest-bearing Financial Instruments		
At December 31,	**2015**	2014
Bank of China (Luxembourg) S.A. (note 14)	**620**	620
Bank of China (New York) (note 14)	**560**	2,060
Bank of China (London) (note 14)	**3,290**	—
ABC Syndicated Term Loan (note 14)	**1,000**	—
HSBC Syndicated Term Loan (note 14)	**—**	3,290
Total	**5,470**	5,970

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 $1,438 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 Bank of China (New York) and 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.

27. COMMITMENTS AND CONTINGENCIES

Contractual Obligations and Commitments

The following is a summary of the Company's contractual obligations and commitments as at December 31, 2015:

Commitments	**2016**	**2017**	**2018**	**2019**	**2020**	**Thereafter**
Operating leases	18	12	7	4	2	3
Capital commitments	10	6	6	—	—	—
Natural gas purchases and transportation	38	32	24	12	7	30
Pension plan deficiency payments	3	3	1	1	1	2
Due to affiliates	—	—	—	—	—	—
Due to Company Shareholder	2,085	—	—	—	—	—
Bank debt (note 14)	4,470	—	—	—	1,000	—
Total	6,624	53	38	17	1,010	35

As disclosed in note 14, an annual duration fee is payable on the outstanding balance for each draw on the Bank of China (New York) Facility. The duration fee is due on the anniversary date of each draw.

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, 2015.

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.

Board of Directors

Feng Zhiqiang (Chairman)
President
Sinopec International Petroleum Exploration and Production Corporation
Beijing, China

Zeng Fanli (Vice Chairman) *(1) (2) (3) (4)*
Vice President
Sinopec International Petroleum Exploration and Production Corporation
Beijing, China

Brian Tuffs
Chief Executive Officer
Sinopec Daylight Energy Ltd.
Calgary, Alberta

Deng Hanshen *(1) (2) (3) (4)*
Deputy Director General
China Petrochemical Corporation
Beijing, China

Michael Laffin *(1) (2) (3) (4) (5)*
Partner
Blake, Cassels & Graydon LLP
Calgary, Alberta

Howard Balloch *(1) (2) (3) (4) (5)*
Corporate Director & Private Investor
Hong Kong, China

Derek McCoubrey
Executive Vice President
and Chief Operating Officer
Sinopec Daylight Energy Ltd.
Calgary, Alberta

Mou Hansheng
Executive Vice President
Sinopec Daylight Energy Ltd.
Calgary, Alberta

Li Jinhong
Executive Vice President
and Chief Financial Officer
Sinopec Daylight Energy Ltd.
Calgary, Alberta

Members of the following Committees:
(1) Audit
(2) Environment, Health & Safety and Reserves
(3) Corporate Governance
(4) Human Resources & Compensation Committee
(5) Independent Director

Executives and Senior Officers

Brian Tuffs
Chief Executive Officer

Derek McCoubrey
Executive Vice President and Chief Operating Officer

Mou Hansheng
Executive Vice President

Li Jinhong
Executive Vice President and Chief Financial Officer

Jim Broughton
Executive Vice President, Corporate Development

Auditors
KPMG LLP
Chartered Accountants
Calgary, Alberta

Evaluation Engineers
McDaniel and Associated Consultants Ltd.
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