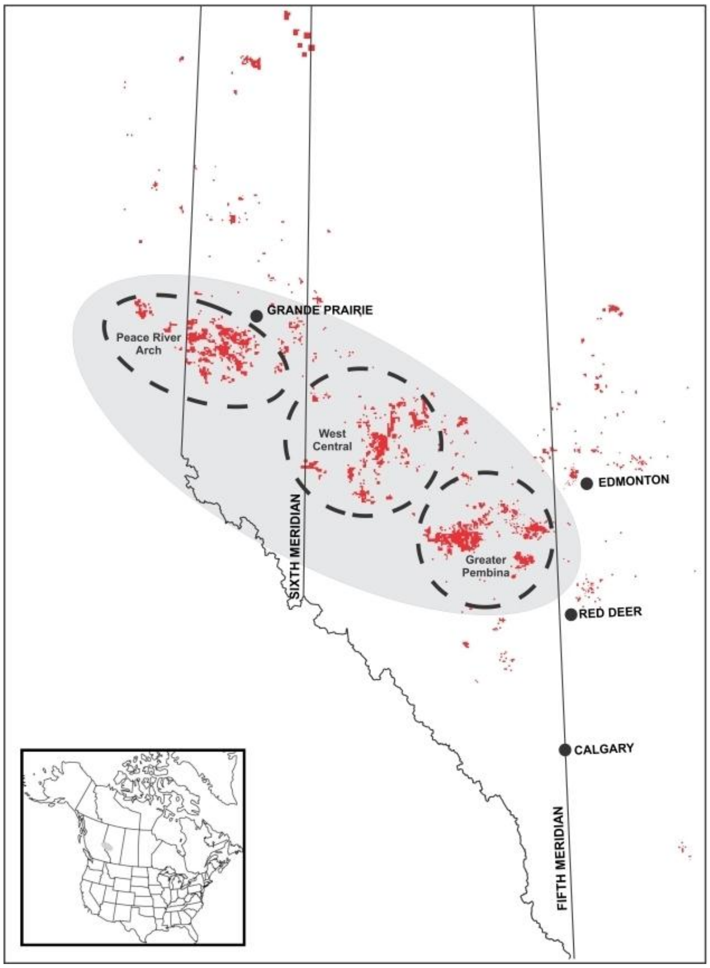
Sinopec Daylight Energy Ltd.

Annual Report 2013

Operating Areas



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Message to Stakeholders

We are pleased to report on another year of growth and change at Sinopec Daylight Energy Ltd. ("Sinopec Daylight") or (the "Company"). 2013 represented our second full year of operations following the December 2011 acquisition of Daylight Energy Ltd. by Sinopec International Petroleum Exploration and Production Corporation ("SIPC") and witnessed a number of exciting developments. Perhaps most prominent has been the integration of Sinopec's various Canadian business units under a common management team, operating under the trade name "Sinopec Canada". While Sinopec Daylight remains a standalone legal entity, the consolidation has enabled us to capitalize on synergies and opportunities for information sharing, all of which has better positioned Sinopec Daylight to realize on its strategy for sustainable and productive growth in western Canada.

Operationally, Sinopec Daylight had another strong year. Our Development and Production capital expenditures in 2013 totalled $610 million, and we increased our proved plus probable reserves to over 246 MMboe. Our exploration and development focus continues to be on our core oil and liquids-rich natural gas assets in the Pembina and Wapiti areas, respectively, and we were successful in increasing our core land base in 2013, in part, through a significant acquisition which closed in the first quarter of the year. An additional target of our 2013 capital spending was the preliminary delineation of Sinopec Daylight's Duvernay position, which helped confirm certain assumptions regarding the liquids-rich potential of this resource play. We also invested $301 million of capital in our Oil Sands segment which delivered an operating netback of over $469 million.

In addition to the strength of our assets, the expertise of our staff has allowed us to stay at the forefront of industry when it comes to the efficient and environmentally responsible deployment of resources, including through continuous innovations in drilling and completions design and execution. At December 31, 2013, Sinopec Daylight's workforce included 329 full-time employees, with Mr. Feng Zhiqiang as our Chief Executive Officer. We remain dedicated to giving back to the public and supporting initiatives in the communities where we operate, with community and charitable spending exceeding $400,000 in 2013. Notably, we responded to the June floods in Alberta with a campaign that contributed approximately $150,000 to relief efforts and enabled employees to take time off work at full pay to assist victims. As a reflection of our strong corporate culture, our employees responded to the company-sponsored flood initiatives by spending over 200 volunteer hours on the ground and by donating over $50,000 from their own pockets.

Overall, Sinopec Daylight has responded well to the challenging environment faced by the energy industry in Canada over the past two years. As natural gas shows signs of potential price recovery and the eyes of the international oil and gas community increasingly turn to long-term development opportunities in western Canada, Sinopec Daylight is poised to play a leading role in the Canadian oil and gas industry going forward. We thank our employees for their ongoing proficiency and dedication, who we will again lean on to build on the successes of 2013. We have every reason to believe the best is still to come and have lofty expectations of what Sinopec Daylight will be able to accomplish in 2014.

Sinopec Daylight's Board of Directors and Management team members 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 Mr. Laffin is "independent" for the purposes of Sinopec Daylight's Corporate Governance practices and applicable regulatory standards. In determining that Mr. Laffin is independent and 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 affirmatively determined that Mr. Laffin:

- is not and has 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;
- has 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;

- is not a current partner or employee of KPMG LLP, our external auditors, nor within the past three years has 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);
- is not and has 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 has served on that other company's compensation committee; and
- is not and has 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.

2013 Board Meetings

There were four meetings of the Board in 2013, three of which were held in Canada and one of which was held in China.

Members	2013 Meeting Attendance
Feng Zhiqiang (Chairman) (1)	2/4
Hou Hongbin (2)	2/4
Deng Hanshen	3/4
Wu Chengliang (3)	1/4
Zhang Lianhua	4/4
Liu Wenfeng (4)	1/4
Yin Pengfei	4/4
Luo Hong (5)	2/4
Michael Laffin (6)	4/4
Rick Orman (6) (7)	2/4
Anthony Lambert (8)	3/4
Steve Nielsen (9)	1/4
Cameron Proctor (10)	4/4

(1) Mr. Feng was appointed to the Board effective June 3, 2013 and therefore was not a director at the time of the Board meetings on January 18, 2013 and April 16, 2013.

(2) Mr. Hou ceased to be a director effective June 3, 2013 and therefore was not a director at the time of the Board meetings on July 17, 2013 and December 13, 2013.

(3) Mr. Wu ceased to be a director effective March 21, 2013 and therefore was not a director at the time of the Board meetings on April 16, 2013, July 17, 2013 and December 13, 2013.

(4) Ms. Liu was appointed to the Board effective April 16, 2013 and ceased by a director effective July 16, 2013, and therefore was not a director at the time of the Board meetings on January 18, 2013, July 17, 2013 and December 13, 2013.

(5) Mr. Luo was appointed to the Board effective July 16, 2013 and therefore was not a director at the time of the Board meetings on January 18, 2013 and April 16, 2013.

(6) Independent Director.

(7) Mr. Orman ceased to be a director effective July 16, 2013 and therefore was not a director at the time of the Board meetings on July 17, 2013 and December 13, 2013.

(8) Mr. Lambert ceased to be a director effective September 6, 2013 and therefore was not a director at the time of the Board meeting on December 13, 2013.

(9) Mr. Nielsen was appointed to the Board effective October 30, 2013 and therefore was not a director at the time of the Board meetings on January 18, 2013, April 16, 2013 and July 17, 2013.

(10) Mr. Proctor ceased to be a director effective March 14, 2014.

Committees of the Board

The Board fulfills its mandate, in part, through three standing subcommittees, each with a clearly defined charter. These are the Audit Committee, the Corporate Governance Committee and the Environment, Health & Safety and Reserves 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 2013.

Members	2013 Meeting Attendance
Deng Hanshen (Chair) (1)	1/4
Wu Chengliang (2)	2/4
Zhang Lianhua	4/4
Liu Wenfeng (3)	1/4
Yin Pengfei (4)	3/4
Michael Laffin (5)	4/4
Rick Orman (5) (6)	3/4

(1) Mr. Deng was appointed to the Audit Committee effective July 17, 2013 and therefore was not an Audit Committee member for the meetings on January 18, 2013, January 29, 2013 and April 16, 2013.

(2) Mr. Wu ceased to be a director effective March 21, 2013 and therefore was not an Audit Committee member for the meetings on April 16, 2013 and July 17, 2013.

(3) Ms. Liu was appointed to the Audit Committee effective April 16, 2013 and ceased by a director effective July 16, 2013, and therefore was not an Audit Committee member for the meetings on January 18, 2013, January 29, 2013 and July 17, 2013.

(4) Mr. Yin ceased to be a member of the Audit Committee effective July 17, 2013 and therefore was not an Audit Committee member for the meeting on July 17, 2013.

(5) Independent Director.

(6) Mr. Orman ceased to be a director effective July 16, 2013 and therefore was not an Audit Committee member for the meeting on July 17, 2013.

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 2013.

Members	2013 Meeting Attendance
Michael Laffin (Chair) (1)	3/3
Wu Chengliang (2)	1/3
Deng Hanshen	3/3
Zhang Lianhua	3/3
Rick Orman (1) (3)	2/3

(1) Independent Director.
(2) Mr. Wu ceased to be a director effective March 21, 2013 and therefore was not a Corporate Governance Committee member for the meetings on April 16, 2013 and July 17, 2013.
(3) Mr. Orman ceased to be a director effective July 16, 2013 and therefore was not a Corporate Governance Committee member for the meeting on July 17, 2013.

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 2013.

Members	2012 Meeting Attendance
Zhang Lianhua (Chair)	3/3
Deng Hanshen	3/3
Yin Pengfei (1)	2/3
Michael Laffin (2)	3/3
Rick Orman (2)(3)	2/3

(1) Mr. Yin ceased to be a member of the Environment, Health & Safety and Reserves Committee effective July 17, 2013 and therefore was not a Environment, Health & Safety and Reserves Committee member for the meeting on July 17, 2013.

(2) Independent Director.

(3) Mr. Orman ceased to be a director effective July 16, 2013 and therefore was not an Environment, Health & Safety and Reserves Committee member for the meeting on July 17, 2013.

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.

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 quarterly 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.

We communicate near miss, hazard identification and recordable incident summaries with corrective action recommendations to representatives across the organization to help determine potentially unsafe situations and prevent accidents. Our model of establishing long-term relationships with contractors and vendors helps 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 on our operating facilities and lease sites to ensure the integrity of our systems and operations.

We also perform regular emergency response training exercises, tailored to the demands of our specific operating areas, to prepare our personnel should an unlikely emergency situation arise. Sinopec Daylight is 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.

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. One such example has been our innovative use of “Super Pads” in the drilling, completion, and tie-in of up to 27 wells from a single location. The corresponding coordination of related supplies and services has reduced our overall land usage footprint by over 87%.

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 2013, Sinopec Daylight had 339 former facility or well sites under active surface remediation. During 2013, we received 17 reclamation certificates.

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 2013, Sinopec Daylight contributed over $400,000 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, including The Make-a-Wish Foundation, The Children's Cottage and The United Way. The following is a sample of our partnerships and major donations:

Wood's Homes

Wood's Homes is a community owned and operated children's mental health centre based in Calgary and operating throughout Alberta which allows children and their family the opportunity to reach their potential and improve their quality of life. In 2013, Sinopec Daylight contributed approximately $100,000 to Wood's Homes and has contributed nearly $550,000 through various sponsorships and fundraising efforts since 2009.

The Canadian Red Cross Society / Alberta Flood Relief

Canadian Red Cross teams responded to victims of the June 2013 floods in Alberta to ensure basic needs were met and provided assistance for those forced to rebuild. Additionally, Sinopec Daylight identified two families who were particularly affected by the floods and provided direct assistance through the replacement of housing and household necessities lost in the devastation. Sinopec Daylight, together with its employees, donated $150,000 to these relief efforts in 2013.

The Alberta Children's Hospital Foundation

The Alberta Children's Hospital Foundation raises funds for excellence in child health, research and family-centered care. Sinopec Daylight has contributed approximately $185,000 to the Alberta Children's Hospital Foundation in conjunction with multiple events since 2012.

Calgary Chinese Community Service Association (CCCSA)

The CCCSA supports Chinese-speaking immigrants to successfully integrate socially, culturally, and economically within Calgary, through education, facilitation and advocacy. In 2013, Sinopec Daylight contributed approximately $27,000 to the CCCSA.

Jamie's Preschool

Jamie's Preschool provides a rich program of play, learning and support for children facing cancer, blood disorders and other critical illness. Jamie's Pre-School is an independent charity and is one of North America's only early childhood education programs that serve immune-compromised children. Since 2012, Sinopec Daylight has contributed approximately $54,000.

The following is the Management Report (the "Report") for Sinopec Daylight for the year ended December 31, 2013. The Company was formed as 1720353 Alberta Ltd. on January 1, 2013 by the amalgamation of Sinopec Daylight Energy Ltd. and 1603429 Alberta Ltd under the *Business Corporations Act* (Alberta) (the "ABCA"), and changed its name to "Sinopec Daylight Energy Ltd." on January 1, 2013. Prior thereto, the Company was formed pursuant to a plan of arrangement (the "Arrangement") completed in accordance with the provisions of the ABCA, effective December 23, 2011, whereby 1635905 Alberta Ltd. and Daylight Energy Ltd. ("Daylight") amalgamated to form Sinopec Daylight Energy Ltd. Sinopec Daylight carries on the business formerly conducted by Daylight.

Mission

Sinopec Daylight is actively engaged in the business of oil and gas exploration, exploitation, development and production in Western Canada. Sinopec Daylight is committed to the development of its assets in a manner which reflects commitment to our social, safety and environmental responsibilities in the communities we operate in.

Long-Term Goals

- Develop resource plays in the Western Canadian Sedimentary Basin.
- Enhance capital and operational efficiency through effective asset management.
- Manage risks associated with the oil and gas industry.

A copy of the 2013 Annual Summary Reserve Report for Sinopec Daylight is available on our website under "Financial – Reports" at www.sinopeccanada.com.

This Report should be read in conjunction with the accompanying audited consolidated financial statements and notes for the year ended December 31, 2013. The consolidated financial statements and other financial data presented have been prepared in accordance with *International Financial Reporting Standards* ("GAAP" or "IFRS"). All references are to Canadian dollars unless otherwise indicated.

NON-GAAP MEASURES

The Company utilizes the following terms for measurement that do not have standardized prescribed meanings under GAAP and these non-GAAP measurements may not be comparable with the calculation of similar measurements of other entities.

"Operating Netback" is a term utilized by Sinopec Daylight to evaluate the operating performance of oil and natural gas assets. The term operating netback is defined as oil and natural gas revenues less royalties, operating and transportation expenses.

"Funds from Operations" is a term utilized by Sinopec Daylight to evaluate operating performance and assess leverage. All references to funds from operations throughout this Report are based on cash provided by operating activities before the change in non-cash operating working capital and asset retirement expenditures less interest expense and long-term employee benefits. Funds from operations does not represent net income (loss) for the year nor should it be viewed as an alternative to net income (loss) or other measures of financial performance calculated in accordance with GAAP. Funds from operations is considered by management to be a more meaningful key performance indicator of Sinopec Daylight's ability to generate cash to finance operations. A reconciliation of cash provided by operating activities to funds from operations is set forth in the following table:

Funds from Operations	Year ended December 31,	
(000s)	**2013**	2012
Cash provided by operating activities	**$ 635,678**	$ 226,579
Change in non-cash operating working capital	**19,274**	25,522
Asset retirement expenditures	**33,071**	19,635
Interest expense	**638**	(54,463)
Employee benefits	**19,297**	(7,342)
Funds from operations	**$ 707,958**	$ 209,931

"boe" is a term utilized by Sinopec Daylight in relation to reserves or production to combine the volumetric measures of natural gas, oil and natural gas liquids ("NGLs") to a common "barrel of oil equivalent" term of measurement. Natural gas volumes have been converted at the ratio of 6,000 cubic feet of natural gas to one boe and this conversion ratio is based upon an energy equivalent conversion method primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Oil and NGLs have been converted at the ratio of one barrel of these liquids to one boe. Use of the terms boe and amounts per boe without reference to the underlying commodity may be misleading.

RESULTS OF OPERATIONS

OVERVIEW

Sinopec Daylight is an indirect wholly-owned subsidiary of CPC, a state owned enterprise of the Government of the People's Republic of China. Sinopec Daylight's indirect operating parent company is SIPC, a wholly-owned subsidiary of CPC comprising CPC's international petroleum operations. The Company's direct parent is Sinopec Canada Energy Ltd. ("SCEL").

Sinopec Daylight is domiciled and incorporated in the Province of Alberta and is involved in the exploration, exploitation, development and production of oil and natural gas in Alberta, British Columbia and Saskatchewan.

Corporate Reorganization

On January 1, 2013, the Company undertook a corporate reorganization in which:

i) SCEL acquired 100% of the equity interest in Sinopec Daylight from its parent company in exchange for common shares of SCEL and assumed the outstanding bank debt of the Company in exchange for common shares in the Company;

ii) SCEL sold its equity interest in the Company to 1603429 Alberta Ltd., another 100% wholly-owned subsidiary of SCEL, in exchange for common shares of 1603429 Alberta Ltd.; and,

iii) Sinopec Daylight and 1603429 Alberta Ltd. amalgamated to form Sinopec Daylight Energy Ltd.

As a result of the reorganization, the Company now owns a 98% interest in Sinopec Oil Sands Partnership ("SOP"). SOP holds a 9.03% working interest in the Syncrude Joint Venture ("Syncrude").

This corporate reorganization meets the definition of a "business combination of entities under common control" since all the entities involved in the arrangement are under the common control of SCEL or its direct parent company. Accordingly, the assets and liabilities of these entities have been accounted for at their historical carrying amounts. The results of operations represent the consolidated financial position, consolidated net earnings and consolidated cash flows on a prospective basis from the date of the corporate reorganization on January 1, 2013.

SEGMENTS

As a result of its reorganization in which the Company acquired a 98% ownership in SOP, the Company now has two operating segments both of which operate in Canada. The Company's Development and Production ("D&P") segment represents conventional oil and gas assets and reflects the continuation of Sinopec Daylight's previous operations. 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. The Corporate segment includes company-wide costs for general and administrative and financing activities.

D&P Segment

Sinopec Daylight's D&P Segment produces oil and natural gas from a high quality suite of resource play assets in Western Canada. Our team has developed a multi-year inventory of repeatable, low risk exploitation resource play projects with substantial potential reserve additions on assets we currently own and control in the premier Pembina light oil fairway and Deep Basin areas of Alberta and British Columbia.

In 2013, Sinopec Daylight executed on its long-term plan of developing high quality assets in its core areas drilling 64 gross (44.3 net) wells during the year investing $610.0 million on projects that include its Cardium light oil resource play and liquids rich natural gas resource plays in Pembina and Warburg, light oil plays in Peace River Arch, as well as multiple natural gas and oil plays in the West Central Area of Alberta. In addition to developing inventory, Sinopec Daylight acquired new Crown lands in 2013 totaling $25.7 million and completed two property acquisitions in the Wapiti and West Central areas of Alberta totalling $180.1 million.

Oil Sands Segment

SOP holds a 9.03% interest in Syncrude, a major producer of high quality, low sulphur, light, synthetic crude oil ("SCO"). Syncrude is involved in the mining of bitumen from its oil sands leases located in the Athabasca oil sands deposit in Northern Alberta and the upgrading of the bitumen to SCO. Syncrude is a joint operation jointly 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 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.

COMMODITY PRICES UNDERLYING FINANCIAL RESULTS

Key performance drivers for the Company's financial results include commodity prices and price differentials as well as the U.S./Canadian dollar exchange rate. The following table shows selected market benchmark prices and the U.S./Canadian dollar average exchange rates to assist in understanding the Company's results.

Market Prices	**Year ended December 31,**	
	2013	2012
AECO Index *($Cdn/Mcf)*		
Daily Index	**$ 3.17**	$ 2.39
Monthly Index	**3.16**	2.40
AECO average Index	**$ 3.17**	$ 2.40
WTI ($US/Bbl)	**$ 97.93**	$ 94.21
Edmonton par *($Cdn/Bbl)*	**$ 93.34**	$ 86.29
Exchange rate *($US/$Cdn)*	**0.9710**	1.0008

Oil prices

Sinopec Daylight's oil prices are significantly influenced by global supply and demand conditions as well as transportation capacity constraints.

Sinopec Daylight's realized light oil price in its D&P Segment has a high correlation to the US benchmark West Texas Intermediate at Cushing, Oklahoma ("WTI") price converted at the US to Canadian dollar exchange rate. Canadian light oil prices, including the Edmonton par price, correlate to trading differentials that adjust WTI for the US to Canadian dollar exchange rate as well as transportation costs, quality adjustments, transportation capacity constraints and supply and demand fundamentals.

Sinopec Daylight's realized oil price in its Oil Sands Segment also has a high correlation to WTI. Production is marketed in US dollars so it is not exposed to the US to Canadian dollar exchange rate on sales. WTI and the SCO differential to WTI reflect supply and demand fundamentals and are impacted by North American crude oil production, refinery modifications and pipeline capacity.

Natural gas prices

Sinopec Daylight's natural gas prices are influenced by both North American and global supply and demand balances, seasonal changes, storage levels, the US to Canadian dollar exchange rate and transportation capacity constraints. Sinopec Daylight's realized natural gas price has a high correlation to the Alberta benchmark price ("AECO") which provides a pricing reference point for natural gas. Sinopec Daylight markets its natural gas through a combination of the daily AECO index price and monthly AECO index price contracts. As a result, Sinopec Daylight's realized natural gas price is compared to AECO index prices.

Natural gas liquids prices

NGLs include pentane, butane, propane and ethane. Prices for NGLs have their own market dynamic with a relatively strong correlation to light oil prices for pentane, while butane, propane and ethane trade at varying discounts due to market conditions including supply and demand.

CONSOLIDATED FINANCIAL HIGHLIGHTS

(000s, unless otherwise stated)	Year ended December 31, 2013 D&P	Year ended December 31, 2013 Oil Sands	Year ended December 31, 2013 Total	Year ended December 31, 2012 D&P	Year ended December 31, 2012 Oil Sands	Year ended December 31, 2012 Total
Oil and natural gas revenues	$ 642,525	$ 882,489	$ 1,525,014	$ 609,714	$ -	$ 609,714
Royalties	(87,063)	(45,535)	(132,598)	(93,674)	-	(93,674)
Operating expenses	(229,900)	(363,332)	(593,232)	(185,473)	-	(185,473)
Transportation expenses	(9,148)	(4,377)	(13,525)	(9,607)	-	(9,607)
Operating netback[1]	$ 316,414	$ 469,245	$ 785,659	$ 320,960	$ -	$ 320,960
Development expenses	-	(37,020)	(37,020)	-	-	-
Exploration expenses	(14,375)	-	(14,375)	(15,922)	-	(15,922)
Gain (loss) divestiture of Assets	10,754	(5,485)	5,269	3,591	-	3,591
Depletion, depreciation and amortization	(356,822)	(119,575)	(476,397)	(324,046)	-	(324,046)
Operating segment earnings (loss)	$ (44,029)	$ 307,165	$ 263,136	$ (15,417)	$ -	$ (15,417)
Corporate segment:						
Depreciation and amortization			(7,327)	(4,552)	-	(4,552)
General and administrative			(52,055)	(51,717)	-	(51,717)
Finance charges			3,816	(71,157)	-	(71,157)
Foreign exchange gain			321,253	31,615	-	31,615
Gain (loss) on financial instruments			4,446	(2,562)	-	(2,562)
Income tax recovery (expense)			(93,260)	32,975	-	32,975
Net income (loss)			$ 440,009	$ (80,815)	$ -	$ (80,815)
Cash provided by operating activities	$ 254,063	$ 381,615	$ 635,678	$ 226,579	$ -	$ 226,579
Cash capital expenditures:						
Operating segments	$ 609,941	$ 301,473	$ 911,414	$ 879,435	$ -	$ 879,435
Corporate			$ 4,112			$ 8,257
Bank debt			$ -			$ 2,040,355
Working capital (deficiency)			$ 85,789			$ (134,787)
Total assets			$17,058,216			$ 4,328,384

(1) "See Non-GAAP Measures"

CONSOLIDATED OPERATIONAL HIGHLIGHTS

	Year ended December 31, 2013			Year ended December 31, 2012		
	D&P	**Oil Sands**	**Total**	D&P	Oil Sands	Total
Average daily production						
Natural gas *(Mcf/d)*	**145,420**	**-**	**145,420**	148,751	-	148,751
Oil *(Bbls/d)*	**10,783**	**24,112**	**34,895**	12,522	-	12,522
NGLs *(Bbls/d)*	**5,672**	**-**	**5,672**	4,736	-	4,736
Oil & NGLs *(Bbls/d)*	**16,455**	**24,112**	**40,657**	17,258	-	17,258
Combined *(boe/d)*	**40,691**	**24,112**	**64,803**	42,050	-	42,050
Average prices received						
Natural gas *($/Mcf)*	$ **3.25**	$ **-**	$ **3.25**	$ 2.50	$ -	$ 2.50
Oil *($/Bbl)*	**88.88**	**100.27**	**96.75**	83.37	-	83.37
NGLs *($/Bbl)*	**58.00**	**-**	**58.00**	52.79	-	52.79
Oil & NGLs *($/Bbl)*	**78.24**	**100.27**	**91.33**	74.98	-	74.98
Combined *($/boe)*	$ **43.26**	$ **100.27**	$ **64.47**	$ 39.62	$ -	$ 39.62
$ per boe						
Oil and natural gas revenues	$ **43.26**	$ **100.27**	$ **64.47**	$ 39.62	$ -	$ 39.62
Royalties	**(5.86)**	**(5.17)**	**(5.61)**	(6.09)	-	(6.09)
Operating expenses	**(15.48)**	**(41.28)**	**(25.08)**	(12.05)	-	(12.05)
Transportation expenses	**(0.62)**	**(0.50)**	**(0.57)**	(0.62)	-	(0.62)
Operating netback(1)	$ **21.30**	$ **53.32**	$ **33.21**	$ 20.86	$ -	$ 20.86

(1) "See Non-GAAP Measures"

CONSOLIDATED FUNDS FROM OPERATIONS

	Year ended December 31,	
(000s, unless otherwise stated)	**2013**	2012
Operating netback(1)	$ **785,659**	$ 320,960
General and administrative	**(52,055)**	(51,717)
Development expenses	**(37,020)**	-
Cash exploration expenses	**(1,150)**	(3,768)
Cash finance charges	**638**	(54,463)
Realized foreign exchange gain (loss)	**12,323**	(1,311)
Cash taxes	**(437)**	230
Funds from operations(1)	$ **707,958**	$ 209,931
$ per boe		
Operating netback(1)	$ **33.21**	$ 20.86
General and administrative	**(2.20)**	(3.36)
Development expenses	**(1.57)**	-
Cash exploration expenses	**(0.05)**	(0.24)
Cash finance charges	**0.03**	(3.54)
Realized foreign exchange loss	**0.52**	(0.08)
Cash taxes	**(0.02)**	0.01
Funds from operations(1)	$ **29.92**	$ 13.65

(1) "See Non-GAAP Measures"

D&P SEGMENT

D&P Operating Netback

$ per boe	Year ended December 31, 2013	2012
Oil and natural gas revenues	$ **43.26**	$ 39.62
Royalties	**(5.86)**	(6.09)
Operating expenses	**(15.48)**	(12.05)
Transportation expenses	**(0.62)**	(0.62)
Total	$ **21.30**	$ 20.86

The increase in operating netback resulting from an increase in oil and natural gas revenues in 2013 was partially offset by an increase in operating expenses.

D&P Production volumes by commodity

	Year ended December 31, 2013	2012
Natural gas *(Mcf/d)*	**145,420**	148,751
Light oil *(Bbls/d)*	**10,783**	12,522
NGLs *(Bbls/d)*	**5,672**	4,736
Combined oil & NGLs *(Bbls/d)*	**16,455**	17,258
Combined all products *(boe/d)*	**40,691**	42,050

During 2013 Sinopec Daylight focused development efforts on increasing our resource play production levels which delivers superior economics and netbacks when compared to our conventional well production which continues to decline.

D&P Realized Prices

	Year ended December 31, 2013	2012
Natural gas *($/Mcf)*	$ **3.25**	$ 2.50
Light oil *($/Bbl)*	**88.88**	83.37
NGLs *($/Bbl)*	**58.00**	52.79
Combined oil & NGLs *($/Bbl)*	$ **78.24**	$ 74.98
Combined all products *($/boe)*	$ **43.26**	$ 39.62

Sinopec Daylight markets its natural gas through contracts based on daily and monthly AECO index pricing. Sinopec Daylight sold approximately 45% of its production at the monthly AECO index price in 2013. Sinopec Daylight’s natural gas price during 2013 was $3.25 per Mcf, a 3% premium to the average of the daily and monthly AECO index prices during the year. Sinopec Daylight's realized price represents a 30% increase from the natural gas price of $2.50 per Mcf, a 4% premium to the average of the daily and monthly AECO index prices, for 2012 which is consistent with the increase in the average of the daily and monthly AECO index prices between these two years.

Sinopec Daylight’s 2013 light oil realized $88.88 per Bbl, 95% of Edmonton par, as compared to $83.37 per bbl for the year ended December 31, 2012, 97% of Edmonton par. The higher realized price was consistent with higher WTI pricing and reduced differentials to Edmonton par in 2013 as compared to the year ended December 31, 2012.

Changes in the US to Canadian dollar exchange rate affect Canadian dollar Edmonton par and Sinopec Daylight’s realized light oil price relative to US dollar WTI, with a higher exchange rate generally reducing Edmonton par and Sinopec Daylight’s realized light oil price relative to WTI and a lower exchange rate generally increasing Edmonton par and Sinopec Daylight’s realized light oil price relative to WTI. The US to

Canadian dollar exchange rate for 2013 was 0.9710 which generally put upward pressure on Edmonton par and Sinopec Daylight's realized light oil price during the year as compared to the exchange rate for the year ended December 31, 2012 of 1.0008.

Sinopec Daylight's 2013 NGLs realized $58.00 per Bbl, 62% of Edmonton par, represented a 10% increase from the NGLs realized price of $52.79 per Bbl, 61% of Edmonton par, for the year ended December 31, 2012.

Sinopec Daylight's combined oil and NGLs price for 2013 was $78.24 per Bbl, 4% higher than $74.98 per Bbl for the year ended December 31, 2012.

D&P Revenue

(000s)	Year ended December 31, **2013**	2012
Natural gas	$ **172,649**	$ 136,092
Light oil	**349,809**	382,108
NGLs	**120,067**	91,514
Total	$ **642,525**	$ 609,714

Natural gas revenue for 2013 was 27% higher than 2012 due to significantly improved AECO prices. Light oil revenues declined 8% in 2013 from 2012 due to reduced volumes offset by higher pricing. NGLs revenues were 31% higher in 2013 in comparison to 2012 due to higher pricing and volumes. D&P Segment revenues were 5% higher than 2012 due to higher natural gas prices and higher prices and volumes for NGLs.

D&P Royalties

By Type *(000s, unless otherwise stated)*	Year ended December 31, **2013**	2012
Crown royalties	$ **69,390**	$ 70,854
Freehold royalties	**2,952**	4,497
Overriding royalties	**14,721**	18,323
Total	$ **87,063**	$ 93,674
$ per boe	$ **5.86**	$ 6.09
% of revenue	**13.6**	15.4

By Commodity *(000s, unless otherwise stated)*	Year ended December 31, **2013**	2012
Natural gas	$ **(2,657)**	$ (21,041)
Oil and NGLs	**89,720**	114,715
Total	$ **87,063**	$ 93,674
Natural gas *($/mcf)*	$ **(0.05)**	$ (0.39)
Oil and NGLs *($/bbl)*	$ **14.94**	$ 18.16
Total *($/boe)*	$ **5.86**	$ 6.09
Natural gas (*% of revenue*)	**(1.5)**	(15.5)
Oil and NGLs (*% of revenue*)	**19.1**	24.2
Total (*% of revenue*)	**13.6**	15.4

Royalty payments are made to the owners of the mineral rights on leases, which include provincial governments (Crown) and freehold landowners, as well as to other third parties by way of contractual overriding royalties.

In Alberta, royalties on natural gas and NGLs are charged by the government based on an established monthly Reference Price. The Reference Price is meant to reflect the average price for natural gas and NGLs in Alberta. Gas Cost Allowance, custom processing credits and other incentive programs reduce the effective royalty rate.

Approximately 99% of Sinopec Daylight's reserves and production for the D&P segment are in Alberta, with the balance located in British Columbia. Approximately 80% of current production is subject to Crown royalties, which are affected directly by government royalty programs, and the remaining 20% of Sinopec Daylight's 2013 royalties are related to freehold and override charges which are not directly affected by these programs.

Overriding royalties are generally paid to third parties where Sinopec Daylight has entered into agreements to earn an interest in their mineral rights by investing capital in their property.

Oil royalty rates are generally a function of production rates on a per well basis and prices. They are also subject to certain reductions and incentives. Oil Crown royalties in Alberta are generally satisfied by delivering the required volume of oil to the Alberta provincial government.

Overall royalty rates decreased to 13.6% of revenue for 2013 as compared to 15.4% of revenue for the year ended December 31, 2012 due to lower royalties on new production and Gas Cost Allowance credits. For 2013, Sinopec Daylight received Gas Cost Allowance credits in excess of royalties due on natural gas. Light oil and NGLs' royalty rates decreased to 19.1% of revenue during 2013 as compared to 24.2% of revenue for the year ended December 31, 2012 due to decreases in oil volumes and reduced Crown royalties on new production.

D&P Operating Expenses

	Year ended December 31,	
	2013	2012
(000s)	$ **229,900**	$ 185,473
$ per boe	$ **15.48**	$ 12.05

D&P Segment operating expenses include activities in the field required to operate wells and facilities, lift to surface, gather, process, treat and store production. Sinopec Daylight's operating costs for 2013 increased from 2012 primarily as a result of increases in third-party processing charges.

D&P Transportation Expenses

	Year ended December 31,	
	2013	2012
(000s)	$ **9,148**	$ 9,607
$ per boe	$ **0.62**	$ 0.62

D&P Segment transportation expenses are defined by the point of legal custody transfer of the commodity and are influenced by the nature of the production, location, availability of transportation and the sales point. The cost of delivering production to the custody transfer point is shown separately as transportation expense.

Sinopec Daylight generally sells this Segment's light oil and NGLs production at the lease with the purchaser taking legal custody of the oil and paying a price for the oil at that delivery point. A portion of Sinopec Daylight's oil production is delivered to a terminal by truck and bear trucking charges which are a transportation expense. Natural gas is usually transported to an established delivery point such as AECO in Alberta and then transferred to the purchaser. On a per boe basis, transportation expense was consistent year over year.

D&P Exploration Expenses

(000s, unless otherwise stated)	Year ended December 31, 2013	2012
Total exploration expense	$ 14,375	$ 15,922
Less: Non-cash lease expiries	(13,225)	(12,154)
Cash exploration expense	$ 1,150	$ 3,768
$ per boe	$ 0.08	$ 0.22

D&P Segment exploration expenses includes seismic, research studies and non-cash lease expiries.

D&P Depletion, Depreciation and Amortization

	Year ended December 31, 2013	2012
(000s)	$ 356,822	$ 324,422
$ per boe	$ 24.22	$ 21.33

Sinopec Daylight depletes its successful exploratory wells and developments costs using proved developed reserves in the application of the unit-of-production method. Acquired resource properties with proved reserves are depleted over total proved reserves, using the unit-of-production method. 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. Depletion, depreciation and amortization increased over 2012 due to the movement of acquired resource properties into the depletable base.

D&P Capital Expenditures, Acquisitions and Divestitures

Property, Plant and Equipment Additions *(000s)*	Year ended December 31, 2013	2012
Land and acquisitions	$ 215,910	$ 119,803
Geological and geophysical	20,929	8,316
Drill, complete and recomplete	196,249	502,871
Equipping and facilities	105,923	186,244
Total	$ 539,011	$ 817,234

Exploration and Evaluation Assets Additions *(000s)*	Year ended December 31, 2013	2012
Land and acquisitions	$ 6,346	$ 12,359
Geological and geophysical	5,166	1,680
Drill, complete and recomplete	52,065	41,466
Equipping and facilities	18,864	2,854
Total	$ 82,441	$ 58,359

Total Capital Expenditures		Year ended December 31,		
(000s)		**2013**		2012
Land and acquisitions	$	**222,256**	$	132,162
Geological and geophysical		**26,095**		9,996
Drill, complete and recomplete		**248,314**		544,337
Equipping and facilities		**124,787**		189,098
Total additions	$	**621,452**	$	875,593
Property dispositions – cash	$	**(1,378)**	$	(4,860)
Total D&P capital expenditures	$	**620,074**	$	870,733
Add: Capitalized general and administrative costs	$	**8,785**	$	8,702
Less: Non-cash additions	$	**(18,918)**		-
Total D&P cash capital expenditures	$	**609,941**	$	879,435

The capital expenditure program continues to provide new production and reserves. Sinopec Daylight's 2013 capital program was focused in the following areas:

- Pembina properties of Brazeau and Warburg;
- Peace River Arch properties of Karr; and
- Value Optimization in West Central properties of Kaybob and Pine Creek.

In 2013, a total of 64 gross (44.3 net) wells were drilled with no dry holes. This program provided production and reserve additions within the following core areas:

- Pembina properties - 30 gross (27.0 net) oil wells, 8 gross (8.0 net) liquids rich natural gas wells drilled;
- Peace River Arch - 7 gross (4.2 net) oil wells drilled; and
- Value Optimization - 13 gross (3.8 net) natural gas wells, and 6 gross (1.3 net) oil wells drilled.

OIL SANDS SEGMENT

Oil Sands Operating Netback

		Year ended December 31,		
$ per boe		**2013**		2012
Oil and natural gas revenues	$	**100.27**	$	-
Royalties		**(5.17)**		-
Operating expenses		**(41.28)**		-
Transportation expenses		**(0.50)**		-
Total	$	**53.32**	$	-

Oil Sands Production

	Year ended December 31,	
	2013	2012
Oil *(Bbls/d)*	**24,112**	-

Syncrude production was lower than budgeted for 2013 due to delays in completing the Coker 8-1, LC Finer and secondary upgrading unit turnarounds, as well as unplanned outages in extraction units.

Oil Sands Revenues and Realized Prices

		Year ended December 31,		
(000s, unless otherwise stated)		**2013**		2012
Segment oil revenue	$	**882,489**	$	-
Oil realized price*($/Bbl)*	$	**100.27**	$	-

Unipec America Inc., an affiliate of the Company, was contracted to sell the Company's share of Syncrude production. Sinopec Daylight realized a price of $100.27 per Bbl for its SCO.

Oil Sands Royalties

Oil Sands Royalties by Type		Year ended December 31,		
(000s, unless otherwise stated)		**2013**		2012
Crown royalties	$	**45,535**	$	-
$ per boe	$	**5.17**	$	-
% of revenue		**5.2%**		-%

Crown royalties represent Sinopec Daylight's proportionate share of Syncrude's Crown royalties paid to the Province of Alberta. From 2009 through 2015, Syncrude's Crown royalties are determined pursuant to the Syncrude Royalty Amending Agreement ("Syncrude RAA"). Under the Syncrude RAA, the Syncrude owners pay the greater of 25 percent of net revenues, or one percent of gross revenues, plus a transition royalty of up to $975 million ($88 million net to the Company) for the period January 1, 2010 to December 31, 2015. The transition royalty of $975 million is reduced proportionally if bitumen production is less than 345,000 barrels per day over the period. Transition royalty payments are based on a pre-defined schedule that is different than the basis for determining the accrued amounts each year, which are based on bitumen produced. The Company has accrued an aggregate of $59 million ($15 million in 2013) as compared to payments in aggregate of $23 million pursuant to the transition royalty plan. Of the difference of $36 million, $13 million has been included in accounts payable, reflecting payments to be made in January 2014 with the balance of $23 million included on other long-term liabilities reflecting amounts to be included with the January 2015 or January 2016 payment. Payments per the pre-defined schedule are $14 million, $20 million and $32 million for January 2014, January 2015, and January 2016, respectively.

The Syncrude RAA requires that bitumen be valued by a formula that references the value of bitumen based on a Canadian heavy oil reference price adjusted to reflect quality and location differences between Syncrude's bitumen and the Canadian reference price bitumen. In addition, the agreement provides that a minimum bitumen value, or "floor price", may be imposed in circumstances where Canadian heavy oil prices are temporarily suppressed relative to North American heavy oil prices.

Oil Sands Operating Expenses

		Year ended December 31,		
		2013		2012
(000s)	$	**363,335**	$	-
$ per boe	$	**41.28**	$	-

Oil Sands Segment operating expenses include activities to mine the bitumen and process it into SCO. This includes the costs for production and maintenance, natural gas and diesel purchases, pension and incentive compensation and fees for management serves provided by Imperial Oil Resources and insurance premiums.

Oil Sands Transportation Expenses

	Year ended December 31, 2013	2012
(000s)	$ **4,377**	$ -
$ per boe	$ **0.50**	$ -

All of Syncrude's production is transported through Alberta's Oil Sands Pipeline ("AOSPL") system which delivers SCO from the Syncrude plant site to Edmonton, Alberta. The AOSPL system feeds into various other crude oil pipelines that are used to deliver SCO to refineries.

Oil Sands Development Expenses

	Year ended December 31, 2013	2012
(000s)	$ **37,020**	$ -
$ per boe	$ **4.21**	$ -

Expenditures relating to capital programs, such as pre-feasibility engineering, technical and support services, research, evaluation drilling and regulatory and stakeholder consultation expenditures are expensed as development expenses and totalled $37.0 million in 2013. Development expenses can vary from year to year depending on the number of projects underway and the development stage of the projects.

Oil Sands Depletion, Depreciation and Amortization

	Year ended December 31, 2013	2012
(000s)	$ **119,575**	$ -
$ per boe	$ **13.59**	$ -

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.

Oil Sands Capital Expenditures, Acquisitions and Divestitures

Oil Sands capital expenditures for 2013 totaled $302.6 million. Major projects included the Mildred Lake mine train replacement, the Aurora North mine train relocation, the Aurora North tailings management, centrifuge tailings management and emissions reduction work. Costs related to regular maintenance and interest are also included in property, plant and equipment.

CORPORATE SEGMENT

Corporate Depreciation Expenses and Capital Expenditures

Corporate assets include capital assets that are used by both operating segments such as office equipment and computer hardware and software. Corporate depreciation was $7.3 million in 2013 (2012 - $4.6 million). Corporate capital expenditures were $4.1 million in 2013 (2012 – $8.3 million).

Corporate General and Administrative Expenses ("G&A")

(000s)	Year ended December 31, **2013**	2012
Gross G&A	$ **83,131**	$ 82,134
Operating recoveries	**(14,965)**	(20,597)
Capitalized costs	**(16,111)**	(9,820)
Total G&A	$ **52,055**	$ 51,717

Total G&A expenses remained consistent year over year even with the significantly expanded scope of operations for Sinopec Daylight.

Corporate Finance Charges

(000s)	Year ended December 31, **2013**	2012
Finance Income		
Interest income on receivable from Company Shareholder	$ **(39,963)**	$ -
Other interest income	**(1,166)**	(609)
	$ **(41,129)**	$ (609)
Finance expense		
Interest on due to Company Shareholder	$ **10,189**	$ -
Other interest expense	**528**	55,072
Amortization of bank financing fees	**9,607**	11,733
Interest on employee future benefits	**4,002**	-
Accretion of asset retirement obligation	**12,987**	4,961
	37,313	71,766
Total	$ **(3,816)**	$ 71,157

As part of the reorganization, SCEL, the Company's parent, assumed the Company's bank debt in exchange for common shares of the Company. The Company has a $4.8 billion receivable from SCEL which is interest bearing. The Company's shareholder continues to fund certain capital expenditures of the Company and has advanced $441.4 million as at December 31, 2013 which bears interest at 3%.

Corporate Foreign Exchange Gain

As a result of the corporate reorganization on January 1, 2013, Sinopec Daylight has a U.S. dollar denominated loan receivable of Canadian $4.8 billion from its immediate parent company. The Company recorded a $308.9 million unrealized foreign exchange gain on that loan receivable. The company realized other foreign exchange gains of $12.3 million.

Gain on Financial Instruments

The Company recorded a $4.4 million dollar unrealized gain on investments held for trading.

Corporate Deferred Taxes

Sinopec Daylight recorded a deferred tax expense of $92.8 million for 2013 as compared to a deferred tax recovery of $32.7 million for the year ended December 31, 2012. Sinopec Daylight is a taxable entity under the Income Tax Act (Canada) (the "Tax Act").

Taxable income as a corporation will vary depending on total income and expenses which will vary with commodity prices, costs, claims for both accumulated tax pools and tax pools associated with current year expenditures. Current taxes payable will be subject to normal corporate tax rates.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Net Income (Loss), Funds from Operations and Cash Provided by Operating Activities

As a result of the previously discussed factors, Sinopec Daylight recognized net income of $440.0 million (2012 - net loss of $80.8 million), funds from operations of $708.0 million (2012 - $209.9 million) and cash provided by operating activities of $635.7 million (2012 - $226.6 million). The significant improvements year over year in net income, funds from operations and cash provided by operating activities are a result of the addition of the Oil Sands Segment in 2013.

Liquidity and Capital Resources

Sinopec Daylight is an indirect subsidiary of CPC through which CPC has invested in Canada’s oil and gas industry. CPC strategically oversees its allocation of equity and debt capital based on group needs and opportunities. CPC, through Sinopec Daylight’s parent SCEL, 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 longer term but may not fully finance these expenditures within a quarterly or annual period.

The Company has a working capital of $85.8 million (2012 – working capital deficiency of $134.8 million) and no bank debt (2012 - $2.0 billion). As at December 31, 2013, the Company’s shareholder has advanced $441.3 million to fund certain capital expenditures. The loan bears interest at 3%.

As a result of the reorganization, the Company has a $4.8 billion receivable from SCEL on which it receives interest based on LIBOR rates. SCEL assumed all the Company’s $2.0 billion bank debt.

SCEL, the Company’s parent, and an affiliated company hold a combined 2% non-controlling interest in SOP.

Investments

	December 31, 2013		December 31, 2012	
Investments *(000s, except number of shares)*	**Number of Shares**	**Fair Value**	Number of Shares	Fair Value
Gear Energy Ltd.	**4,316,666**	**$ 13,943**	4,316,666	$ 9,497

Sinopec Daylight holds an investment in Gear Energy Ltd. ("Gear"). At December 31, 2013, the investment in Gear was recorded at fair value, being $3.23 per common share resulting in an unrealized gain of $4.4 million (2012 - $1.3 million unrealized loss).

Environment

Sinopec Daylight mitigates its impact on the environment by maintaining a proactive site abandonment and reclamation program. Sinopec Daylight also considers its health and safety program to be an essential part of its effective environmental stewardship.

Asset Retirement Obligation

The Company's asset retirement obligation results 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 or 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 3.15% (December 31, 2012 - 2.5%). The Company estimates the total undiscounted inflation adjusted cash flow required to settle its asset retirement obligation is approximately $1.2 billion (December 31, 2012 - $471.1 million). The increase in the obligation year over year is a result of the addition of the Oil Sands Segment. Inflation factors of 2% to 3% have been applied to the estimated asset retirement obligation at December 31, 2013.

Asset Retirement Obligation	Year ended December 31,	
(000s)	**2013**	2012
Balance at beginning of year	**$ 213,437**	$ 193,760
Liabilities incurred on reorganization	**247,902**	-
Liabilities assumed on property acquisitions	**10,451**	342
Liabilities transferred on property dispositions	**(131)**	(432)
Change in estimate	**(26,086)**	50
Liabilities incurred	**29,048**	34,391
Liabilities settled	**(33,071)**	(19,635)
Accretion expense	**12,987**	4,961
Foreign currency translation	**15,382**	-
Balance at end of year	**$ 469,919**	$ 213,437
Less: current portion	**$ 26,509**	$ 12,000
Non-current portion	**$ 443,410**	$ 201,437

Asset retirement obligations are considered a critical accounting estimate. There are significant uncertainties related to settling asset retirement obligations and the impact on the financial statements could be material. The eventual timing of and costs to settle these obligations could differ from current estimates. The main factors that can cause expected cash flows to change are changes to laws and regulations, construction of new facilities, changes in reserve estimates and reserve lives and changes in technology.

Defined Benefit Pension and Other Post-employment Obligations

The Company accrues its proportionate share of obligations as a joint venture owner in respect of Syncrude Canada's defined benefit pension plan, two 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.

Syncrude Canada's defined benefit plan is under the jurisdiction of the *Employment Pension Plans Act* (Alberta). The plan is managed through a plan administrator who is overseen by a pension committee formed from Syncrude's owners. The Company's share of Syncrude's defined benefit plan accrued liability, based on its 9.03% ownership at December 31, 2013, was $75.5 million which is comprised of its share of the defined benefit obligation net of its share of the defined benefit plan assets.

Health, Safety and Environment

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. In this regard, Sinopec Daylight performs multiple emergency response exercises to enhance its emergency preparedness. Sinopec Daylight continually works to improve its health and safety performance through increased awareness in the field by frequently communicating safety expectations and responsibilities and by promoting industry recognized best practices.

CONTROL ENVIRONMENT

Disclosure Controls and Procedures

Sinopec Daylight's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, disclosure controls and procedures that ensure that information required to be disclosed by Sinopec Daylight is accumulated and communicated to Sinopec Daylight's management to allow timely decisions regarding required disclosure. Sinopec Daylight's Chief Executive Officer and Chief Financial

Officer have concluded, based on their evaluation as of December 31, 2013, that Sinopec Daylight's disclosure controls and procedures during the year ended December 31, 2013 are effective to provide reasonable assurance that material information related to Sinopec Daylight, including its consolidated subsidiaries, is made known to them by others within those entities.

Internal Control Over Financial Reporting

Sinopec Daylight's Chief Executive Officer and Chief Financial Officer have designed or caused to be designed under their supervision, internal controls over financial reporting related to the Company, including its consolidated subsidiaries, to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. As at December 31, 2013, Sinopec Daylight's Chief Executive Officer and Chief Financial Officer have evaluated, or caused to be evaluated under their supervision, the design of the Company's internal controls over financial reporting and have concluded that these controls are designed appropriately.

No changes in the Company's internal controls over financial reporting were identified during 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting. It should be noted that while Sinopec Daylight's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures and internal controls over financial reporting provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal controls over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Critical Accounting Estimates

Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a regular basis. The emergence of new information and changed circumstances may result in actual results or changes to estimates that differ materially from current estimates.

FORWARD-LOOKING STATEMENTS

Certain statements contained within this Report constitute forward-looking statements. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "budget", "plan", "continue", "estimate", "expect", "forecast", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. We believe the expectations reflected in these forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this Report should not be unduly relied upon. These statements speak only as of the date of this Report.

The actual results could differ materially from those anticipated in forward-looking statements as a result of certain risk factors, including those set forth below:

- volatility in market prices for oil, NGLs and natural gas;
- counterparty credit risk;
- changes or fluctuations in oil, NGLs and natural gas production levels;
- infrastructure or transportation constraints for oil, NGLs or natural gas;
- liabilities inherent in and as a result of oil and natural gas operations;
- adverse regulatory rulings, orders and decisions;

- attracting, retaining and motivating skilled personnel;
- uncertainties associated with estimating oil and natural gas reserves;
- fluctuations in foreign exchange or interest rates;
- actions by governmental or regulatory authorities including changes in royalty structures and programs and income tax laws or changes in tax laws and incentive programs relating to the oil and natural gas industry generally;
- limitations on insurance;
- changes in accounting policies and standards;
- changes in environmental or other legislation applicable to our operations including environmental laws and regulations associated with drilling and completion technologies, and our ability to comply with current and future environmental and other laws; and
- geological, technical, drilling and processing problems and other difficulties in producing oil, NGLs and natural gas reserves.

Statements relating to "reserves" or "resources" are by their nature deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that the resources and reserves described can be profitably produced in the future.

Management Responsibility Statement

The consolidated financial statements of Sinopec Daylight 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 Daylight 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 Daylight 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 Daylight Energy Ltd. has an eight member Board of Directors of which one Director is independent. The Board of Directors carries out this responsibility principally through its Audit Committee. The Audit Committee includes the independent director 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 *"Zhiqiang Feng"*

Zhiqiang Feng
Chairman and CEO

Signed *"Steve Nielsen"*

Steve Nielsen
Executive Vice President and CFO

Calgary, Alberta
February 6, 2014

Independent Auditor's Report

TO THE DIRECTORS OF SINOPEC DAYLIGHT ENERGY LTD.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Sinopec Daylight Energy Ltd., which comprise the consolidated statements of financial position as at December 31, 2013 and December 31, 2012, the consolidated statements of earnings (loss) and comprehensive income (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.

Auditor's 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 Daylight Energy Ltd. as at December 31, 2013 and December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Signed *"KPMG LLP"*

Chartered Accountants
February 6, 2014
Calgary, Canada

Sinopec Daylight Energy Ltd.
Consolidated Statements of Financial Position
As at December 31, 2013 and 2012
(in thousands of Canadian dollars)

	2013	2012
Assets		
Current assets		
Cash and cash equivalents (note 7)	$ **11,720**	$ 3,337
Accounts receivable (note 25)	**145,248**	73,063
Inventories (note 8)	**40,913**	-
Prepaid expenses and deposits	**5,694**	5,512
Due from affiliates (note 22)	**1,145**	-
Due from Company Shareholder (note 9)	**742,488**	-
	947,208	81,912
Investments (note 10)	**13,943**	9,497
Other long-term receivable	**38**	-
Property, plant and equipment (note 11)	**8,687,438**	3,173,502
Exploration and evaluation assets (note 12)	**497,578**	490,388
Loan receivable from Company Shareholder (note 13)	**4,802,179**	-
Goodwill (note 14)	**2,109,832**	573,085
	$ **17,058,216**	$ 4,328,384
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ **335,870**	$ 187,473
Employee future benefits (note 16)	**47,266**	17,226
Due to affiliates (note 25)	**208**	-
Current portion of asset retirement obligation (note 18)	**26,509**	12,000
Due to Company Shareholder (note 15)	**451,566**	-
	861,419	216,699
Bank debt (note 15)	**-**	2,040,355
Employee future benefits (note 16)	**66,000**	10,116
Other long-term liabilities (note 17)	**22,741**	-
Asset retirement obligation (note 18)	**443,410**	201,437
Deferred tax liability (note 19)	**1,418,175**	229,296
	2,811,745	2,697,903
Shareholder's Equity		
Share capital (note 20)	**13,302,126**	1,695,189
Accumulated other comprehensive income	**339,567**	-
Retained earnings (deficit)	**483,621**	(64,708)
Controlling interests	**14,125,314**	1,630,481
Non-controlling interests	**121,157**	-
	14,246,471	1,630,481
	$ **17,058,216**	$ 4,328,384

Commitments and contingencies (note 26)
See accompanying notes to the consolidated financial statements.

On behalf of the Board of Directors:

Signed "Zhiqiang Feng"
Director

Signed "Hanshen Deng"
Director

Sinopec Daylight Energy Ltd.
Consolidated Statements of Earnings (Loss) and Comprehensive Income (Loss)
Years ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	2013	2012
Revenues		
Oil and natural gas	$ **1,525,014**	$ 609,714
Royalties	**(132,598)**	(93,674)
Oil and natural gas, net	**1,392,416**	516,040
Gain (loss) on financial instruments (note 10)	**4,446**	(2,562)
	1,396,862	513,478
Expenses		
Operating	**593,232**	185,473
Development	**37,020**	-
Transportation	**13,525**	9,607
Exploration	**14,375**	15,922
General and administrative	**52,055**	51,717
Finance charges (note 21)	**(3,816)**	71,157
Gain on dispositions of property, plant and equipment	**(5,269)**	(3,591)
Foreign exchange gain (note 25)	**(321,253)**	(31,615)
Depletion, depreciation and amortization (note 11)	**483,724**	328,598
	863,593	627,268
Earnings (loss) before taxes	**533,269**	(113,790)
Income taxes (note 19)		
Current taxes (recovery)	**437**	(230)
Deferred taxes (recovery)	**92,823**	(32,745)
	93,260	(32,975)
Net earnings (loss)	**440,009**	(80,815)
Other comprehensive income (loss), net of tax		
Items that will not be reclassified to net earnings:		
Actuarial gain relating to pension and other post-retirement benefits	**15,114**	-
Items that may be subsequently reclassified to net earnings:		
Foreign currency translation adjustment	**377,824**	-
Other comprehensive income (loss), net of tax	**392,938**	-
Comprehensive income (loss)	$ **832,947**	$ (80,815)
Net earnings (loss) allocated to:		
Owners of the Company	$ **434,074**	$ (80,815)
Non-controlling interest	**5,935**	-
	$ **440,009**	$ (80,815)
Other Comprehensive income (loss) allocated to:		
Owners of the Company	$ **385,079**	$ (80,815)
Non-controlling interest	**7,859**	-
	$ **392,938**	$ (80,815)

See accompanying notes to the consolidated financial statements.

Sinopec Daylight Energy Ltd.
Consolidated Statements of Changes in Equity
Years ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	2013	2012
Share capital		
Balance, beginning of year	$ **1,695,189**	$ 1,027,756
Corporate reorganization (note 1)	**9,556,975**	-
Share issuance	**2,049,962**	667,433
Balance, end of year	**13,302,126**	1,695,189
Retained earnings (deficit)		
Balance, beginning of year	**(64,708)**	16,107
Corporate reorganization (note 1)	**114,255**	-
Net earnings (loss) attributable to controlling interests	**434,074**	(80,815)
Balance, end of year	**483,621**	(64,708)
Accumulated other comprehensive income		
Balance, beginning of year	**-**	-
Corporate reorganization (note 1)	**(45,512)**	-
Other comprehensive income	**385,079**	-
Balance, end of year	**339,567**	-
Equity attributable to Owners of the Company	$ **14,125,314**	$ 1,630,481
Equity attributable to non-controlling interests		
Balance, beginning of year	$ **-**	$ -
Corporate reorganization (note 1)	**107,363**	-
Net earnings attributable to non-controlling interests	**5,935**	-
Other comprehensive income attributable to non-controlling interests	**7,859**	-
Balance, end of year	$ **121,157**	$ -
Total equity	$ **14,246,471**	$ 1,630,481

See accompanying notes to the consolidated financial statements.

Sinopec Daylight Energy Ltd.
Consolidated Statements of Cash Flows
Years ended December 31, 2013 and 2012
(in thousands of Canadian dollars)

	2013	2012
Cash provided by (used in):		
Net earnings (loss)	$ **440,009**	$ (80,815)
Items not affecting cash:		
Depletion, depreciation and amortization (note 11)	**483,724**	328,598
Deferred taxes (recovery) (note 19)	**92,823**	(32,745)
Non-cash exploration expense	**13,225**	12,154
Accretion of asset retirement obligation (note 18)	**12,987**	4,961
Amortization of bank financing fees	**9,607**	11,733
Unrealized gain on foreign exchange	**(308,930)**	(32,926)
(Gain) loss on financial instruments	**(4,446)**	2,562
Gain on dispositions of property, plant and equipment	**(5,269)**	(3,591)
Employee future benefits	**(15,295)**	7,342
Asset retirement expenditures	**(33,071)**	(19,635)
Interest income, net (note 21)	**(30,412)**	54,463
Change in non-cash operating working capital	**(19,274)**	(25,522)
Cash provided by operating activities	**635,678**	226,579
Financing		
Syndicated Canadian Facilities	**-**	(471,363)
Bank debt (note 15)	**-**	557,387
Interest paid	**(3,416)**	(55,447)
Debt transaction costs	**-**	(12,263)
Funds advanced from (repaid to) the Company's shareholder	**290,312**	(9,662)
Funds repaid to affiliates	**(292)**	-
Issue of common shares	**-**	667,433
Repayment of Series C Convertible Debentures	**-**	(78,455)
Cash acquired on reorganization (note 1)	**19,312**	-
Change in restricted cash	**-**	82,662
Change in non-cash financing working capital	**(13)**	-
Cash provided by financing activities	**305,903**	680,292
Investing		
Property, plant and equipment additions (note 11)	**(835,601)**	(834,193)
Exploration and evaluation assets additions (note 12)	**(82,441)**	(58,359)
Proceed on dispositions of property, plant and equipment	**2,516**	4,860
Proceeds on disposition of investments	**-**	10,608
Change in non-cash investing working capital	**(18,570)**	(26,450)
Cash used in investing activities	**(934,096)**	(903,534)
Change in cash and cash equivalents during the year	**7,485**	3,337
Effect of foreign exchange on cash and cash equivalents	**898**	-
Cash and cash equivalents, beginning of year	**3,337**	-
Cash and cash equivalents, end of year	$ **11,720**	$ 3,337

See accompanying notes to the consolidated financial statements.

1. REPORTING ENTITY

Sinopec Daylight Energy Ltd. ("Sinopec Daylight" or the "Company") is an indirect wholly-owned subsidiary of China Petrochemical Corporation ("CPC"), a state owned enterprise of the Government of the People's Republic of China. Sinopec Daylight's indirect operating parent company is Sinopec International Petroleum Exploration and Production Corporation ("SIPC"), a wholly-owned subsidiary of CPC comprising CPC's international petroleum operations. The Company's direct parent is Sinopec Canada Energy Ltd. ("SCEL"). These parent companies provide financial support to Sinopec Daylight by providing financial guarantees and capital funding.

Sinopec Daylight is domiciled and incorporated in the Province of Alberta and is involved in the exploration, exploitation, development and production of oil and natural gas in Alberta, British Columbia and Saskatchewan.

Corporate Reorganization

On January 1, 2013, the Company undertook a corporate reorganization in which:

iv) SCEL acquired 100% of the equity interest in Sinopec Daylight from its parent company in exchange for common shares of SCEL and assumed the outstanding bank debt of the Company in exchange for common shares in the Company;

v) SCEL sold its equity interest in the Company to 1603429 Alberta Ltd., another 100% wholly owned subsidiary of SCEL, in exchange for common shares of 1603429 Alberta Ltd.; and,

vi) Sinopec Daylight and 1603429 Alberta Ltd. amalgamated to form Sinopec Daylight Energy Ltd.

As a result of the reorganization, the Company now owns a 98% interest in Sinopec Oil Sands Partnership ("SOP"). SOP holds a 9.03% working interest in the Syncrude Joint Venture ("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. Syncrude is a joint operation jointly 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 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.

This corporate reorganization meets the definition of a "business combination of entities under common control" since all the entities involved in the arrangement are under the common control of SCEL or its direct parent company. Accordingly, the assets and liabilities of these entities have been accounted for at their historical carrying amounts. The consolidated financial statements represent the consolidated financial position, consolidated net earnings and consolidated cash flows on a prospective basis from the date of the corporate reorganization on January 1, 2013. The following table presents the net assets acquired in the re-organization and the effect on equity.

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

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Net assets acquired in corporate reorganization on January 1, 2013

Assets	
Current assets	
Cash and cash equivalents	$ 19,312
Accounts receivable	78,544
Inventories	32,285
Due from affiliates	573
Due from Company Shareholder	551,360
	682,074
Property, plant and equipment	4,751,845
Loan receivable from Company Shareholder	4,453,286
Other long-term receivable	72
Goodwill	1,437,485
Total assets	$ 11,324,762
Liabilities	
Current liabilities	
Accounts payable and accrued liabilities	$ 194,220
Employee future benefits	18,668
Current portion of asset retirement obligation	17,908
	230,796
Employee future benefits	90,226
Other long-term liabilities	21,665
Asset retirement obligation	229,994
Deferred tax liability	1,019,000
Total Liabilities	1,591,681
Net assets acquired in reorganization	$ 9,733,081
Reorganization Equity	
Share capital	9,556,975
Accumulated other comprehensive loss	(45,512)
Retained earnings	114,255
Owners of the Company	9,625,718
Non-controlling interests	107,363
	$ 9,733,081

The consolidated financial statements of Sinopec Daylight as at and for the year ended December 31, 2013, comprise the results of the Company and its wholly-owned subsidiary and partnership interests as follows:

- Sinopec Oil Sands Partnership
- Daylight Energy Trust

2. BASIS OF PRESENTATION

Statement of Compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated financial statements were authorized for issue by the Board of Directors on February 6, 2014.

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 Canadian dollars which is the functional currency of the Company and its subsidiaries other than SOP which has a United States dollar functional currency. All financial information presented has been rounded to the nearest thousand dollars. In cases where United States dollars are referred to, the amounts are identified by "USD".

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 partnership.

Basis of Consolidation

These financial statements consolidate the financial results of Sinopec Daylight 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, involve jointly controlled assets. These consolidated financial statements reflect only the Company's proportionate interest in such 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.

To the extent that there are interests owned by other parties, these interest are included as non-controlling interests. Non-controlling interests are measured at their proportionate share of the subsidiary's identifiable net assets at the acquisition date. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

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 Canadian dollars. The assets and liabilities of entities with a functional currency other than Canadian dollars are translated into Canadian dollars at exchange rates at the reporting date. Revenues and expenses of entities with a functional currency other than the Canadian dollar are translated into Canadian 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.

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.

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 licences 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, potentially 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 the asset is in the location and condition necessary for its intended use, and is suspended when construction of an asset is ceased for extended periods.

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 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. Exploration and evaluation assets are not depleted.

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.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

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 & 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 a level no higher than an operating segment 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 assets' 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 obligation, using a risk-free interest rate specific to the asset. The value of the obligation is added to the carrying amount of the associated asset and amortized over the useful life of the asset. The provision is accreted over time through finance charges with actual expenditures charged against the accumulated obligation to the extent the provision is established. Changes in the future cash flow estimates resulting from revisions to the estimated timing or amount of undiscounted cash flows is recognized as a change in the asset retirement obligation of the related asset.

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 income on the loan receivable from Company shareholder, interest expense on due to Company Shareholder, the amortization of bank financing fees, the interest cost component of the pension obligation, and the accretion of the discount on asset retirement obligation. 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, due from affiliates and due from Company Shareholder and at fair value are investments.

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, other long-term liabilities, and due to the Company's shareholder and due to 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

The Company 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 the Company'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

The Company 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 JUDGMENTS

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:

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Critical Accounting Estimates

Asset Retirement Obligations

In determining the estimated value of the asset retirement obligation, 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 and prospective resources, undeveloped land values, and discount rates. Changes in economic conditions could significantly change these estimates. Changes to these estimates will affect the recoverable amounts of CGUs and individual assets and may then require a material adjustment to their related carrying value.

Oil and natural gas prices and exchange rates

The future prices used to determine cash flows from oil and natural gas reserves are as follows:

Benchmark Reference Price Forecasts	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
WTI *($US/Bbl)*	94.65	88.37	84.25	95.52	96.96	98.41	99.89	101.38	102.91	104.45
Edmonton par *($Cdn/Bbl)*	92.64	89.31	89.63	101.62	103.14	104.69	106.26	107.86	109.47	111.12
AECO *($Cdn/MMBtu)*	4.00	3.99	4.00	4.93	5.01	5.09	5.18	5.26	5.35	5.43
Exchange rate *($US/$Cdn)*	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94	0.94

After 2024, the price forecast for WTI, Edmonton par and AECO escalates at 1.5% per year to the end of the reserve life and the exchange rate remains constant at 0.94.

The future prices used to determine cash flows from oil sands reserves are as follows:

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Benchmark Reference Price Forecasts

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
WTI *($US/Bbl)*	95.00	95.00	95.00	95.00	95.30	96.60	98.50	100.50	102.50	104.60
Edmonton par *($Cdn/Bbl)*	95.00	96.50	97.50	98.00	98.30	99.60	101.60	103.60	105.70	107.90
AECO *($Cdn/MMBtu)*	4.00	4.25	4.55	4.75	5.00	5.25	5.35	5.45	5.55	5.65
Exchange rate *($US/$Cdn)*	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95	0.95

After 2024, the price forecast for WTI, Edmonton par and AECO escalates at 2.0% per year to the end of the reserve life and the exchange rate remains constant at 0.95.

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 and independent evidence.

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

The Company 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 and prospective 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

Crown Royalties

When calculating deemed bitumen revenues on which Crown royalties are based, the Company 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.

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

Employee Future Benefits

Effective January 1, 2013, the International Accounting Standards Board ("IASB") issued amendments to IAS 19 Employee Benefits which addressed the recognition and measurement of defined benefit pension expense and termination benefits and disclosures for all employee benefits. The key amendments are as follows:

- Actuarial gains and losses, which are now referred to as remeasurements, are now recognized immediately in other comprehensive income. In the current year, a $15 million recovery, net of tax, was included in other comprehensive income;

• The expected rate of return on plan assets is no longer calculated. Instead, plan assets are now accreted at the same rate used to accrete the discounted accrued benefit obligation. The interest cost component of the pension expense, which previously represented accretion of the discounted accrued benefit obligation, now represents accretion of the net accrued benefit liability (the accrued benefit obligation net of the fair value of plan assets); and

• The interest cost component of the pension obligation, which was previously presented within operating expenses, is now presented within finance charges. In the current year, $4 million was charged to finance charges in net earnings.

Consolidation

In May 2011, the IASB issued IFRS 10, *Consolidated Financial Statements*; IFRS 11, *Joint Arrangements*, to replace International Accounting Standard (“IAS”) 31, *Interests in Joint Ventures*; IFRS 12, *Disclosure of Interests in Other Entities*; and amendments to IAS 27, *Separate Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures*. The Company has applied these new standards effective January 1, 2013 in accordance with the transitional provisions. IFRS 10, which establishes principles for the presentation and preparation of consolidated financial statements, has not impacted the Company’s financial statements or disclosures. IFRS 11 eliminates the accounting policy choice between proportionate consolidation and equity method accounting for joint ventures available under IAS 31 and, instead, mandates one of these two methodologies based on the economic substance of the joint arrangement. The Company has determined that its investments in Syncrude and Syncrude Canada are considered joint operations under the new standard and continues to recognize its proportionate share of the assets, liabilities, revenues, expenses, and commitments of both. IFRS 12 requires entities to disclose information about the nature of their interests in joint ventures, which has resulted in additional disclosures in note 1.

Fair Value Measurement

In May 2011, the IASB issued IFRS 13, Fair Value Measurements, which establishes a single source of guidance for fair value measurements and related disclosures. The Company has applied this new standard effective January 1, 2013 in accordance with the transitional provisions, resulting in new fair value disclosures in note 25, Financial Instruments and Risk Management.

Financial Instruments: Disclosures

In December 2011, the IASB issued amendments to IFRS 7, Financial Instruments: Disclosures, requiring entities to disclose information about the effect, or potential effect, of netting arrangements on an entity’s financial position. The Company has applied these amendments effective January 1, 2013 in accordance with their transitional provisions, resulting in additional disclosures in note 25, Financial Instruments and Risk Management.

Production Stripping Costs

In 2011, the IASB issued International Financial Reporting Interpretations Committee Interpretation 20 *Stripping Costs in the Production Phase of a Surface Mine* which clarifies the accounting for costs associated with waste removal in surface mining during the production phase of a mine. In accordance with the transition provisions, the Company has applied this standard effective January 1, 2013. There has been no effect on these financial statements.

6. SEGMENTED INFORMATION

As a result of the reorganization of various companies (note 1) within the group on January 1, 2013, the Company now has two operating segments both of which operate in Canada. As a result of its reorganization the Company acquired a 98% ownership in the Sinopec Oil Sands Partnership. 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 represents conventional oil and gas assets. The Corporate segment includes company-wide costs for general and administrative and financing activities. Segment information as at and for the period ended December 31, 2013 is set out below.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

	Oil Sands	Development and Production	Corporate	Total
Revenues				
Oil and natural gas revenues	$ 882,489	$ 642,525	$ -	$ 1,525,014
Less: royalties	(45,535)	(87,063)		(132,598)
	836,954	555,462	-	1,392,416
Expenses				
Operating	363,332	229,900	-	593,232
Development	37,020	-	-	37,020
Transportation	4,377	9,148	-	13,525
Exploration	-	14,375	-	14,375
Gain on divestiture of assets	5,485	(10,754)		(5,269)
Depletion, depreciation and amortization	119,575	356,822	7,327	483,724
Segment earnings (loss) before tax	$ 307,165	$ (44,029)	$ (7,327)	$ 255,809
General and administrative			52,055	52,055
Finance charges			(3,816)	(3,816)
Foreign exchange gain			(321,253)	(321,253)
Gain on financial instruments			(4,446)	(4,446)
Earnings (loss) before income tax			270,133	533,269
Income tax expense			93,260	93,260
Net Earnings				$ 440,009

	Oil Sands	Development and Production	Corporate	Total
Property, plant and equipment	$ 5,193,854	$ 3,468,782	$ 24,802	$ 8,687,438
Exploration and evaluation assets	-	497,578	-	497,578
Goodwill	1,536,747	573,085	-	2,109,832
Assets	$ 6,730,601	$ 4,539,445	$ 24,802	$ 11,294,848
Capital expenditures	$ 302,612	$ 620,074	$ 4,112	$ 926,798

7. CASH AND CASH EQUIVALENTS

		2013		2012
CAD Dollar Balances	$	**8,139**	$	2,609
US Dollar Balances		**3,581**		728
Total	$	**11,720**	$	3,337

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 period.

9. DUE FROM COMPANY SHAREHOLDER

The Company's shareholder, SCEL, is the managing partner of SOP and SCEL manages cash flow for the partnership. As a result, SCEL owes SOP for cash it has advanced. The receivable is non-interest bearing.

10. INVESTMENTS

	December 31, 2013		December 31, 2012	
(000s, except number of shares)	**Number of Shares**	**Fair Value**	Number of Shares	Fair Value
Gear Energy Ltd.	**4,316,666**	**$ 13,943**	4,316,666	$ 9,497

Sinopec Daylight holds an investment in Gear Energy Ltd. ("Gear"). At December 31, 2013, the investment in Gear was recorded at fair value, being $3.23 per common share resulting in an unrealized gain of $4.4 million (2012 - $1.3 million unrealized loss).

(all amounts in thousands of Canadian dollars, unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

	Oil Sands		Development and Production	Corporate	Total
	Reserves and Resources	Plant and Equipment	Property, Plant and Equipment	Corporate Assets	
Cost					
At December 31, 2012	$ -	$ -	$ 3,489,741	$ 18,257	$ 3,507,998
Corporate reorganization (note 1)	3,104,429	1,904,054	-	18,445	5,026,928
Additions	-	302,612	359,980	4,112	666,704
Transfers from exploration and evaluation assets (note 12)	-	-	75,173	-	75,173
Property acquisitions	-	-	180,130	-	180,130
Capitalized employee future benefits	-	-	6,308	-	6,308
Divestitures and lease expiries	-	(17,308)	(20,779)	(927)	(39,014)
Changes in asset retirement obligation	(52,186)	-	64,875	-	12,689
Foreign currency translation	212,668	140,784	-	1,314	354,766
At December 31, 2013	$ **3,264,911**	$**2,330,142**	$ **4,155,428**	$ **41,201**	$ **9,791,682**
Accumulated depletion, depreciation and amortization					
At December 31, 2012	$ -	$ -	$ 329,886	$ 4,610	$ 334,496
Corporate reorganization (note 1)	105,453	165,045	-	4,585	275,083
Depletion, depreciation, and amortization	39,024	80,551	356,822	7,327	483,724
Divestitures	-	(11,092)	(62)	(520)	(11,674)
Foreign currency translation	8,555	13,663	-	397	22,615
At December 31, 2013	$ **153,032**	$ **248,167**	$ **686,646**	$ **16,399**	$ **1,104,244**
Net book value at December 31, 2013	$ **3,111,879**	$**2,081,975**	$**3,468,782**	$ **24,802**	$ **8,687,438**

(all amounts in thousands of Canadian dollars, unless otherwise stated)

	Production and Development	Corporate	Total
	Property, Plant and Equipment	Corporate Assets	
Cost			
At December 31, 2011	$ 2,642,766	$ 10,000	$ 2,652,766
Additions	736,130	8,257	744,387
Property acquisitions	81,104	-	81,104
Capitalized employee future benefits	8,702	-	8,702
Dispositions and lease expiries	(13,486)	-	(13,486)
Change to asset retirement obligation	34,525	-	34,525
At December 31, 2012	$ 3,489,741	$ 18,257	$ 3,507,998
Accumulated depreciation, depletion and amortization			
At December 31, 2011	$ 5,471	$ 58	$ 5,529
Depletion, depreciation and amortization	324,422	4,552	328,974
Dispositions	(7)	-	(7)
At December 31, 2012	$ 329,886	$ 4,610	$ 334,496
Net book value at December 31, 2012	$ 3,159,855	$ 13,647	$ 3,173,502

Amounts Excluded from Calculation of Depreciation, Depletion and Amortization	**2013**	2012
Undeveloped land and acquired resource properties without depletable reserves assignments and salvage value	$ **2,438,123**	$ 1,275,473

Impairment testing

There were no impairments or impairment reversals of property, plant and equipment in 2013. Lease expiries of $12.5 million (2012 - $12.6 million) are included in exploration expense.

12. EXPLORATION AND EVALUATION ASSETS

Cost	
Balance at December 31, 2012	$ **490,388**
Additions	**79,964**
Transfers to property, plant and equipment (note 11)	**(75,173)**
Lease expiries	**(671)**
Capitalized employee future benefits	**2,477**
Change to asset retirement obligation	**593**
Balance at December 31, 2013	$ **497,578**

Cost	
Balance at December 31, 2011	$ 431,771
Additions	57,559
Property acquisitions	800
Change to asset retirement obligation	258
Balance at December 31, 2012	$ 490,388

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 to which a new reservoir or formation is being sought to which there is significant exploration risk.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Impairment testing

There were no impairments or impairment reversals of exploration and evaluation assets in 2013. Lease expiries of $0.7 million (2012 - $nil) are included in exploration expense.

13. LOAN RECEIVABLE FROM COMPANY SHAREHOLDER

		2013		2012
Balance at beginning of year	$	**-**	$	-
Corporate reorganization (note 1)		**4,453,286**		-
Interest income		**39,963**		-
Unrealized gain on foreign exchange		**308,930**		-
Balance at end of year	$	**4,802,179**	$	-

As a result of the corporate reorganization (note 1), the Company has a loan receivable from its shareholder in the amount of USD$4.4 billion which accrues interest at LIBOR plus a specified margin. The loan is unsecured and has no fixed date of repayment.

14. GOODWILL

		2013		2012
Balance at beginning of year	$	**573,085**	$	573,085
Corporate reorganization (note 1)		**1,437,485**		-
Foreign currency translation		**99,262**		-
Balance at end of year	$	**2,109,832**	$	573,085

Goodwill arose on two separate transactions. The reorganization transaction (note 1) includes goodwill of $1.4 billion in SOP. Goodwill 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. There has been no change to goodwill from the date of the acquisition. SOP is a USD functional currency company and accordingly its goodwill is translated at year-end exchange rates.

Goodwill of $0.6 billion relates to the acquisition of Sinopec Daylight Energy Ltd. 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. There has been no change to goodwill from the date of acquisition.

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.

For the Oil Sands segment, the test was based on a fair value less cost to sell calculation. The fair values used in the impairment test were based on the net present value of cash flows over the life of the reserves and resources based on forecasted commodity prices (note 4). Volumes of proved, probable and possible reserves and contingent and prospective resources were evaluated by independent reserve engineers and consider past results. A pre-tax discount rate of 7.5% was applied. At December 31, 2013, it was determined that the fair value exceeded the carrying value of goodwill and therefore no impairment was recorded. The Company has identified that individual changes in three key assumptions could cause the estimated recoverable amount to be equal to the carrying amount: a 0.2 percent increase in the assumed discount rate, a 1 percent reduction in forecasted commodity prices, or a 3 percent reduction in forecasted volumes.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

For the Development and Production segment, the impairment test was based on a fair value less cost to sell calculation. The fair 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 forecasted commodity prices (note 4) and the fair value of undeveloped land. Reserves volumes were evaluated by independent reserve engineers and consider past results. Contingent resource volumes were estimated internally based on risked number of locations, anticipated future performance, past results and available independent evidence. Undeveloped land was externally evaluated. Consideration was also given to acquisition metrics of recent transactions on similar assets. A pre-tax discount rate of 10% was used. At December 31, 2013, it was determined that the fair value exceeded the carrying value of goodwill and therefore no impairment was recorded. The Company has identified that individual changes in three key assumptions could cause the estimated recoverable amount to be equal to the carrying amount: a 1 percent increase in the assumed discount rate, a 5 percent reduction in forecasted commodity prices, or a 5 percent reduction in forecasted volumes.

15. DEBT

Due to Company Shareholder	**2013**	2012
Balance, beginning of year	$ **-**	$ -
Advances	**441,377**	-
Accrued interest expense	**10,189**	-
Balance, end of year	$ **451,566**	$ -

The Company received operating advances from its shareholder which are unsecured and bear interest at 3% per annum and are repayable on demand.

Bank debt	**2013**	2012
Balance, beginning of year	$ **2,040,355**	$ 1,516,424
Assumed by parent company (note 20)	**(2,049,962)**	-
Advances	**-**	557,387
Unrealized foreign exchange	**-**	(32,926)
Prepaid bank financing fees	**-**	(12,263)
Amortization of prepaid bank financing fees	**9,607**	11,733
Balance, end of year	$ **-**	$ 2,040,355

As part of the corporate restructuring on January 1, 2013 (note 1), SCEL assumed the Company’s Bank of China bank debt.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

16. EMPLOYEE FUTURE BENEFITS

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

	2013	2012
Current liabilities:		
Accrued variable compensation	**$ 9,387**	$ -
Long-term incentive	**17,721**	17,226
Post-employment obligations	**20,158**	-
	47,266	17,226
Long-term liabilities:		
Accrued variable compensation	**1,737**	-
Long-term incentive	**8,876**	10,116
Post-employment obligations	**55,387**	-
	66,000	10,116
Total	$ **113,266**	$ 27,342

Accrued Variable Compensation Plan

The Company 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 and employee retention program.

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. The expense related to PSUs is recognized in net earnings over the vesting 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.

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 introduced an employee retention program for permanent Fort McMurray based employees. The current program started April 1, 2012 and concludes March 31, 2015. Employees must meet certain criteria to be eligible. Eligible employees can earn three annual payments of 20% of regular salary to a maximum of $20,000 per 12 month period as a retention payment payable. At December 31, 2013, the Company's share of the retention payment payable is $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.

Post-employment obligations

The Company 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, two 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 June 2013. The Company's share of Syncrude's defined benefit plan accrued liability, based on its 9.03% ownership at December 31, 2013, 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.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Defined Benefit Plans	**Pension 2013**	**OPEB 2013**	**Total 2013**
Defined Benefit Obligation			
Balance, beginning of year[1]	$ 244,508	$ 14,784	$ 259,292
Current service costs	10,800	300	11,100
Interest costs	9,852	582	10,434
Transfers	1,480	-	1,480
Benefits paid	(9,910)	(544)	(10,454)
Remeasurements:			
Actuarial (gains) losses from experience adjustments	-	(173)	(173)
Actuarial (gains) losses from changes in demographic assumptions	12,231	931	13,162
Actuarial (gains) losses from changes in financial assumptions	(20,900)	(1,011)	(21,911)
Balance, end of year	$ 248,061	$ 14,869	$ 262,930
Plan Assets			
Balance, beginning of year[1]	$ 151,770	$ -	$ 151,770
Return on plan assets	6,432	-	6,432
Employer contributions	25,981	-	25,981
Transfers	1,480	-	1,480
Benefits paid	(9,496)	-	(9,496)
Remeasurements:			
Gains on plan assets	11,218	-	11,218
Balance, end of year	$ 187,385	$ -	$ 187,385
Pension and Other Post-employment Liability (Benefit)	$ 60,676	$ 14,869	$ 75,545

(1) Acquired as a result of corporate reorganization (note 1)

Plan Assets	**2013**
Equity securities	$ 112,806
Debt securities	74,579
	$ 187,385

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

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Significant Actuarial Assumptions	Pension 2013	OPEB 2013
Discount rate	4.5%	4.5%
Rate of compensation increases	3.2%	3.2%

For the OPEB, a 7% annual rate of increase in the cost of supplemental health care benefits was assumed in 2013 and 2014 decreasing by 0.5% each year thereafter to a 5% ultimate rate in 2018. An annual rate increase in the dental rate of 4.0% per year was used in 2013.

Defined contribution plans

The Company's share of expense related to the Syncrude's defined contribution plans was $0.8 million in 2013 (2012 - $0.8 million).

17. 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 $975 million ($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. Transition royalty payments are based on a pre-defined schedule that is different than the basis for determining the accrued amounts each year, which again are based on bitumen produced. The Company has accrued an aggregate of $59 million ($15 million in 2013) as compared to payments in aggregate of $23 million pursuant to the transition royalty plan. Of the difference of $36 million, $13 million has been included in accounts payable, reflecting payments to be made in January 2014 with the balance of $23 million included on other long-term liabilities reflecting amounts to be included with the January 2015 or January 2016 payment. Payments per the pre-defined schedule are $14 million, $20 million and $32 million for January 2014, January 2015, and January 2016, respectively.

18. ASSET RETIREMENT OBLIGATION

	2013	2012
Balance at beginning of year	$ 213,437	$ 193,760
Liabilities incurred on reorganization (note 1)	247,902	-
Liabilities incurred on property acquisitions	10,451	342
Liabilities transferred on property dispositions	(131)	(432)
Liabilities incurred	29,048	34,391
Liabilities settled	(33,071)	(19,635)
Change in estimate	(26,086)	50
Accretion expense	12,987	4,961
Foreign currency translation	15,382	-
Balance at end of year	$ 469,919	$ 213,437
Less: current portion	$ 26,509	$ 12,000
Non-current portion	$ 443,410	$ 201,437

The Company's Shareholder has posted a performance standby letter of credit with the Province of Alberta in the amount of $19 million to secure its pro-rata share of the reclamation and closure obligations of the Syncrude owners.

The Company's asset retirement obligation results 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 or 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 3.15% (December 31, 2012 - 2.5%). The Company estimates the total undiscounted inflation adjusted cash flow required to settle its asset retirement obligation is approximately $1.2 billion (December 31, 2012 - $471.1 million). Inflation factors of 2% to 3% have been applied to the estimated asset retirement obligation at December 31, 2013.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

19. INCOME TAXES

Tax Expense (Benefit)	**2013**	2012
Current tax		
Adjustment in respect of prior years	$ **437**	$ (230)
Deferred tax		
Origination and reversal of temporary differences	$ **96,828**	$ (32,115)
Impact of foreign exchange	**7,216**	-
Adjustment in respect of prior years	**(9,833)**	(521)
Changes in tax rates	**-**	(109)
Other	**(1,388)**	-
	$ **92,823**	$ (32,745)
Total tax expense (benefit)	$ **93,260**	$ (32,975)

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 (reduction) 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	**2013**	2012
Earnings (loss) before taxes	$ **533,269**	$ (113,790)
Statutory income tax rate	**25%**	25%
Expected tax expense (benefit)	**133,317**	(28,447)
Add (deduct):		
Non-taxable portion of capital gains	**(38,340)**	(3,802)
Deferred tax rate adjustments	**-**	(109)
Impact of foreign exchange	**15,051**	-
Adjustments in respect of prior periods	**(9,396)**	(751)
Other	**(7,373)**	134
Tax expense (benefit)	$ **93,260**	$ (32,975)

In 2013, the blended statutory tax rate was 25.0% (2012 – 25.0%).

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Movement in and Components of Deferred Tax Liability
For the Year Ended December 31, 2013

	2012	Charge to Earnings	Charge to OCI[1]	Reorganization (note 1)	2013
Deferred tax liabilities:					
Property, plant and equipment and exploration and evaluation assets	$ 411,671	$ 46,142	$ 71,635	$ 1,043,179	$ 1,572,627
Long-term debt	6,126	33,276	-	9,989	49,391
Unrealized gain on investments	-	513	-	-	513
Deferred partnership income	-	(42,972)	6,289	63,805	27,122
Other	19,641	(3,114)	-	-	16,527
	437,438	33,845	77,924	1,116,973	1,666,180
Deferred tax assets:					
Asset retirement obligation	(53,359)	(3,337)	1,192	(61,976)	(117,480)
Employment future benefits	(3,445)	12,340	(1,627)	(28,808)	(21,540)
Royalty obligation	-	1,953	(433)	(7,189)	(5,669)
Unrealized gain on investments	(43)	43	-	-	-
Share and debt issue costs	(2,444)	(797)	-	-	(3,241)
Losses, non-capital and net capital	(148,851)	48,776	-	-	(100,075)
	(208,142)	58,978	(868)	(97,973)	(248,005)
Total	$ 229,296	$ 92,823	$ 77,056	$ 1,019,000	$ 1,418,175

[1] Other Comprehensive Income

Movement in and Components of Deferred Tax Liability
For the Year Ended December 31, 2012

	December 31, 2011	Charge to Earnings	December 31, 2012
Deferred tax liabilities:			
Property, plant and equipment and exploration and evaluation assets	$ 460,258	$ (48,587)	$ 411,671
Long-term debt	2,280	3,846	6,126
Other	3,839	15,802	19,641
	466,377	(28,939)	437,438
Deferred tax assets:			
Asset retirement obligation	(48,460)	(4,899)	(53,359)
Employee future benefits	-	(3,445)	(3,445)
Unrealized gain on investments	-	(43)	(43)
Share and debt issue costs	(1,363)	(1,081)	(2,444)
Losses, non-capital and net capital	(154,513)	5,662	(148,851)
	(204,336)	(3,806)	(208,142)
Total	$ 262,041	$ (32,745)	$ 229,296

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, 2013, Sinopec Daylight recognized a tax benefit of $100.1 million (2012 - $148.9 million) of non-capital losses available to carry forward that would be available to offset against future taxable profit and future taxable capital gains, respectively.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Expiry of Non-capital Losses		
2026	$	**183,178**
2027		**-**
2028		**-**
2029		**55**
2030		**1,073**
2031		**215,987**
Total	$	**400,293**

At December 31, 2013, Sinopec Daylight had an unrecognized deferred tax liability of $0.7 million for aggregate taxable temporary differences of $3.0 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.

Cash taxes paid in 2013 totaled $49 million (2012 - $nil).

20. SHAREHOLDER'S EQUITY

Common stock

The Company is authorized to issue an unlimited number of no-par value common shares.

	Number of Shares		Amount
Balance at December 31, 2011	1,027,756,100	$	1,027,756
Issued during 2012	667,432,900		667,433
Balance at December 31, 2012	1,695,189,000		1,695,189
Issued to Company's shareholder for assumption of Company's bank debt (note 15)	2,049,961,895		2,049,962
Cancelled on corporate reorganization (note 1)	(3,745,150,895)		-
Issued on corporate reorganization (note 1)	5,823,511		9,556,975
Balance at December 31, 2013	**5,823,511**	$	**13,302,126**

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 thousands of Canadian dollars, unless otherwise stated)

21. FINANCE CHARGES

	2013	2012
Finance income		
Interest income on receivable from Company Shareholder (note 13)	$ **(39,963)**	$ -
Other interest income	**(1,166)**	(609)
	(41,129)	(609)
Finance expense		
Interest on due to Company Shareholder (note 15)	**10,189**	-
Other interest expense	**528**	55,072
Amortization of bank financing fees (note 15)	**9,607**	11,733
Interest on employee future benefits	**4,002**	-
Accretion of asset retirement obligation	**12,987**	4,961
	37,313	71,766
Total	$ **(3,816)**	$ 71,157

22. RELATED PARTY TRANSACTIONS

Transactions between related parties, including amounts due to and from affiliates, 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 the Company, was contracted to sell all of the Company's share of Syncrude Sweet Premium production from Syncrude. Total sales in the year ended December 31, 2013 were $882 million. The amount due from Unipec America Inc. at December 31, 2013 is $76 million and is included in accounts receivable.

The Company's shareholder loaned $441 million to the Company, before interest, in the period to fund operations. The Company reimbursed its parent company for certain travel and accommodation expenses.

Key Management Compensation

Sinopec Daylight's key management personnel have been identified as the eight directors as well as the executive management team of the Company. The executive management team is comprised of the Chief Executive Officer (also Chairman of the Board), Chief Financial Officer (also a director), Chief Legal Officer (also a director), Chief Operating Officer, Executive Vice President Growth Strategy and Business Planning (also a director), and the Executive Vice President Exploration and New Ventures. The former CEO and President of the Company is also included as a component of the key management personnel for compensation disclosure purposes in 2013. The Executive Vice President Oil Sands' compensation is paid by the Company's parent. At December 31, 2013, Sinopec Daylight's executive management team comprises four Canadian citizens and two Chinese citizens. Three of the Company's directors are citizens of Canada and five are citizens of China.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

	2013	2012
Salaries, Director Fees and Short-Term Benefits	$ **10,466**	$ 3,944
Other Long-Term Benefits	**3,309**	10,400
Total	$ **13,775**	$ 14,344

Other long-term benefits have different vesting provisions with certain awards cliff vesting after three years and others vesting principally on the basis of one-third on each anniversary date of the award. Performance awards are subject to a performance multiplier which is dependent on the Company's performance (note 16).

23. 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.

24. SUPPLEMENTAL DISCLOSURE

Sinopec Daylight's consolidated statements of earnings and comprehensive income are prepared primarily by nature of expense with the exception of employee compensation costs which are included in both operating and general and administrative expenses. Compensation costs including employee future benefits totaling $59.0 million are included in general and administrative expenses (before the impact of overhead recoveries), $127.2 million in operating expenses and $4.6 million in development expenses for the year ended December 31, 2013 (2012 - $26.7 million, $10.4 million and $nil, respectively).

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable and accrued liabilities, due to and from affiliates, and due to and from Company shareholder.

The fair values of cash and cash equivalents, accounts receivable, due to and from affiliates, accounts payable and accrued liabilities, and due to the Company's shareholder approximate their carrying values due to the nature of the items or the short time to maturity and their demand nature. The loan receivable from Company Shareholder receives interest at floating market rates and, accordingly, its fair value approximates its carrying amount. Investments, comprising the shares held in Gear, are carried at their fair value using transaction prices obtained from publically traded markets. These amounts are Level 1 fair value measurements which are fair value measurements based on unadjusted quoted market prices.

Level 2 fair value measurements are based on valuation models and techniques where the significant inputs are derived from quoted indices. At December 31, 2013, 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, 2013, the Company does not have any financial assets and liabilities measured using Level 3 fair value measurements.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

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.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. Sinopec Daylight'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 Sinopec Daylight's receivables from joint venture partners and oil and natural gas marketers.

Aging of Outstanding Accounts Receivable Balances, Net of Allowance

	2013	2012
Current (90 days or less)	$ **142,268**	$ 68,929
Past due (more than 90 days)	**2,980**	4,134
Total	$ **145,248**	$ 73,063

Sinopec Daylight has provided an allowance for doubtful accounts as at December 31, 2013 of $2.3 million (2012 - $3.0 million).

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

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

The carrying amount of cash and cash equivalents, accounts receivable, amounts due from affiliates, amounts due from the Company Shareholder including the loan receivable, investments, and other long-term receivable represents the Company's maximum credit exposure.

As at December 31, 2013, revenues of approximately $76 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 2013.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. Sinopec Daylight'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 Sinopec Daylight's reputation.

Sinopec Daylight has the support of its operating parent, SIPC, and its ultimate parent, CPC. Sinopec Daylight monitors its cash inflows and outflows and required financing for capital expenditures. SIPC provides funding as required. Sinopec Daylight 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.

Contractual Maturities of Financial Liabilities

	< 1 Year	1 - 2 Years	3 - 5 Years
Accounts payable and accrued liabilities	$ 335,870	$ -	$ -
Due to affiliates	208	-	-
Due to Company's Shareholder	451,566	-	-
Other long-term liabilities	-	22,741	-
Total	$ 787,644	$ 22,741	$ -

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 earnings 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's has no floating interest rate loans. Debt due to the Company's Shareholder is fixed at 3% per annum. The loan receivable from the Company's Shareholder is exposed to interest rate risk to the extent that changes in LIBOR rates will impact it as the loan is subject to floating interest rates. Assuming all other variables remain constant, an increase or decrease of 1% in LIBOR rates in the year ended December 31, 2013 would have decreased or increased net earnings by $49 million. The Company had no interest rate swaps or financial contracts in place as at or during the year ended December 31, 2013.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

Carrying Amount of Interest-bearing Financial Instruments

	2013	2012
Debt due to Company's Shareholder (note 15)	$ **451,566**	$ -
Loan receivable from Company's Shareholder	**4,802,179**	-
Bank debt (note 15)	**-**	2,049,961
Total	$ **5,253,745**	$ 2,049,961

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 from its development and production segment 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.

Debt due from the Company's Shareholder is denominated in US dollars. A 1 cent change in the exchange rate between the United States and Canadian dollar would result in a change of approximately $48 million to the unrealized foreign exchange gain or loss.

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 $57 million.

Capital Management

Sinopec Daylight is an indirect subsidiary of CPC through which CPC has invested in Canada's oil and gas industry. CPC strategically oversees its allocation of equity and debt capital based on group needs and opportunities. CPC, through Sinopec Daylight's parent SCEL, 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 longer term but may not fully finance these expenditures within a quarterly or annual period. Funds from operations is based on cash provided by operating activities before the change in non-cash operating working capital and asset retirement expenditures less interest expense on bank debt.

(all amounts in thousands of Canadian dollars, unless otherwise stated)

26. COMMITMENTS AND CONTINGENCIES

Contractual obligations and commitments

The following is a summary of Sinopec Daylight's contractual obligations and commitments as at December 31, 2013:

	2014	2015	2016	2017	2018	Thereafter
Operating leases	$ 41,480	$ 17,185	$ 12,482	$ 8,613	$ 8,646	$ 11,102
Capital commitments	75,035	43,461	34,348	23,236	-	-
Natural gas purchase and transportation	22,466	2,682	1,483	858	127	17
Due to affiliates	208	-	-	-	-	-
Due to Company Shareholder	451,566	-	-	-	-	-
Pension deficiency payments	8,050	2,245	2,245	2,237	2,234	13,976
	$ 598,805	**$ 65,573**	**$ 50,558**	**$ 34,944**	**$ 11,007**	**$ 25,095**

In addition to the commitments, the following contingencies exist at December 31, 2013.

Legal Claims Contingency

Sinopec Daylight 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 Sinopec Daylight'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.

Corporate Information

Board of Directors

Feng Zhiqiang
Chairman and Chief Executive Officer
Sinopec Daylight Energy Ltd.
Calgary, Alberta

Zhang Lianhua *(1) (2) (3)*
Vice Chairman
Sinopec Daylight Energy Ltd.
Calgary, Alberta

Luo Hong
Executive Vice President,
Growth Strategy and Business Planning
Sinopec Daylight Energy Ltd.
Calgary, Alberta

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

Yin Pengfei
Executive Vice President, Oil Sands
Sinopec Daylight Energy Ltd.
Calgary, Alberta

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

Steve Nielsen
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) Independent Director

Executives and Senior Officers

Feng Zhiqiang
Chairman and Chief Executive Officer

Steve Nielsen
Executive Vice President and Chief Financial Officer

Derek McCoubrey
Executive Vice President and Chief Operating Officer

Yin Pengfei
Executive Vice President, Oil Sands

Luo Hong
Executive Vice President, Growth Strategy and Business Planning

Brian Tuffs
Executive Vice President, Exploration and New Ventures

Pamela Kazeil
Vice President, Finance

Auditors

KPMG LLP
Chartered Accountants
Calgary, Alberta

Evaluation Engineers

Sproule Associates Limited
Calgary, Alberta

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