

# Extractive Sector Transparency Measures Act - Annual Report

|  |                           |  |     |            |                |
|--|---------------------------|--|-----|------------|----------------|
| Reporting Entity Name  | BlackPearl Resources Inc. |  |     |            |                |
| Reporting Year   | From                      | 01/01/2018   | To: | 31/12/2018 | Date submitted |
| Reporting Entity ESTMA Identification Number   | E904304                   | <input checked="" type="radio"/> Original Submission<br><input type="radio"/> Amended Report |     |            |                |
| Other Subsidiaries Included<br>(optional field)  | N/A                       |  |     |            |                |
| Not Consolidated   |                           |  |     |            |                |
| Not Substituted  |                           |  |     |            |                |
| <b>Attestation Through Independent Audit</b>   |                           |  |     |            |                |
| <i>In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest that I engaged an independent auditor to undertake an audit of the ESTMA report for the entity(ies) and reporting year listed above. Such an audit was conducted in accordance with the Technical Reporting Specifications issued by Natural Resources Canada for independent attestation of ESTMA reports.</i> |                           |  |     |            |                |
| <i>The auditor expressed an unmodified opinion, dated 2019-05-15, on the ESTMA Report for the entity(ies) and period listed above. The independent auditor's report can be found at At End of Report.</i>  |                           |  |     |            |                |
| Full Name of Director or Officer of Reporting Entity   | Chris Hogue               |  |     | Date       | 15/05/2019     |
| Position Title   | President                 |  |     |            |                |

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|--|---------------------------|----------------|--|------------------------|-----|
| Reporting Year                               | From: 01/01/2018          | To: 31/12/2018 |  |                        |     |
| Reporting Entity Name                        | BlackPearl Resources Inc. |                |  | Currency of the Report | CAD |
| Reporting Entity ESTMA Identification Number | E904304                   |                |  |                        |     |
| Subsidiary Reporting Entities (if necessary) |                           |                |  |                        |     |

### Payments by Payee

| Country | Payee Name <sup>1</sup>                          | Departments, Agency, etc... within Payee that Received Payments <sup>2</sup> | Taxes   | Royalties  | Fees      | Production Entitlements | Bonuses   | Dividends | Infrastructure Improvement Payments | Total Amount paid to Payee | Notes <sup>34</sup>   |
|---------|--|--|---------|------------|-----------|-------------------------|-----------|-----------|-------------------------------------|----------------------------|---|
| Canada  | Government of Canada                             |  | -       | 8,300,000  | 1,100,000 | -                       | -         | -         | -                                   | 9,400,000                  | Indian Oil and Gas Canada   |
| Canada  | Government of Alberta                            |  | -       | 1,900,000  | 1,800,000 | -                       | 1,690,000 | -         | -                                   | 5,390,000                  | Royalties includes in-kind contributions. The value of the in-kind contributions were determined using the realized sales price.<br>Alberta Department of Energy<br>Alberta Energy Regulator<br>Alberta Minister of Finance |
| Canada  | Government of Saskatchewan                       |  | 120,000 | 930,000    | 270,000   | -                       | 610,000   | -         | -                                   | 1,930,000                  | Saskatchewan Ministry of the Economy<br>Saskatchewan Ministry of Agriculture  |
| Canada  | Onion Lake Cree Nation                           |  | -       | 11,110,000 | 100,000   | -                       | -         | -         | -                                   | 11,210,000                 |   |
| Canada  | Lac La Biche County                              |  | 370,000 | -          | -         | -                       | -         | -         | -                                   | 370,000                    |   |
| Canada  | County of Vermilion River                        |  | 200,000 | -          | -         | -                       | -         | -         | -                                   | 200,000                    |   |
| Canada  | Big Lakes County                                 |  | 280,000 | -          | -         | -                       | -         | -         | -                                   | 280,000                    |   |
| Canada  | Municipal District of Lesser Slave River No. 124 |  | 570,000 | -          | -         | -                       | -         | -         | -                                   | 570,000                    |   |
| Canada  | Fishing Lake Metis Settlement                    |  | -       | -          | 230,000   | -                       | -         | -         | -                                   | 230,000                    |   |

|                          |  |
|--------------------------|--|
| <b>Additional Notes:</b> | <p>(1) All payments are reported in Canadian dollars.</p> <p>(2) Where there were taken-in-kind crude oil royalties, the value of the take-in-kind contributions were determined using the realized sales price.</p> |
|--------------------------|--|

<sup>1</sup> Enter the proper name of the Payee receiving the money (i.e. the municipality of x, the province of y, national government of z).

<sup>2</sup> Optional field.

<sup>3</sup> When payments are made in-kind, the notes field must highlight which payment includes in-kind contributions and the method for calculating the value of the payment.

<sup>4</sup> Any payments made in currencies other than the report currency must be identified. The Reporting Entity may use the Additional notes row or the Notes column to identify any payments that are converted, along with the exchange rate and primary method used for currency conversions.

## Extractive Sector Transparency Measures Act - Annual Report

|  |                           |                |                            |
|--|---------------------------|----------------|----------------------------|
| Reporting Year                               | From: 01/01/2018          | To: 31/12/2018 |                            |
| Reporting Entity Name                        | BlackPearl Resources Inc. |                | Currency of the Report CAD |
| Reporting Entity ESTMA Identification Number | E904304                   |                |                            |
| Subsidiary Reporting Entities (if necessary) |                           |                |                            |

### Payments by Project

| Country | Project Name <sup>1</sup> | Taxes   | Royalties  | Fees      | Production Entitlements | Bonuses   | Dividends | Infrastructure Improvement Payments | Total Amount paid by Project | Notes <sup>23</sup>  |
|---------|---------------------------|---------|------------|-----------|-------------------------|-----------|-----------|-------------------------------------|------------------------------|--|
| Canada  | Onion Lake                | 320,000 | 20,810,000 | 1,860,000 | -                       | 420,000   | -         | -                                   | 23,410,000                   |  |
| Canada  | Mooney                    | 850,000 | 1,100,000  | 270,000   | -                       | 340,000   | -         | -                                   | 2,560,000                    | Royalties includes in-kind contributions. The value of the in-kind contributions were determined using the realized sales price. |
| Canada  | Blackrod                  | 370,000 | 270,000    | 1,160,000 | -                       | 10,000    | -         | -                                   | 1,810,000                    |  |
| Canada  | Long Coulee               | -       | 60,000     | 150,000   | -                       | 1,530,000 | -         | -                                   | 1,740,000                    |  |
| Canada  | Salt Lake                 | -       | -          | 60,000    | -                       | -         | -         | -                                   | 60,000                       |  |

**Additional Notes<sup>3</sup>:**

- (1) All payments are reported in Canadian dollars.  
 (2) Where there were taken-in-kind crude oil royalties, the value of the take-in-kind contributions were determined using the realized sales price.



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## **ESTMA INTRODUCTION**

BlackPearl Resources Inc. (collectively the “Company”) has prepared the following audited report (“the Report”) of payments made to government entities for the year ended December 31, 2018 as required by the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s.376 (“ESTMA” or “the Act”).

## **BASIS OF PREPARATION**

The report is presented in Canadian Dollars, the Company’s reporting currency, and has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications

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

### **Significant policies**

#### **Cash and in-kind payments**

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

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

#### **Payee**

For the purposes of the Act, a payee is:

- a. Any government in Canada or in a foreign state;
- b. A body that is established by two or more governments; or
- c. Any trust, board, commission, corporation or body or other authority that is established to exercise or perform, or that exercises or performs, a power, duty or function of a government for a government referred to in paragraph (a) above or a body referred to in paragraph (b) above.

Payees include governments at any level, including national, regional, provincial, local, or municipal levels. Payees may include non-governmental entities if the benefit bestowed would have otherwise been provided by the government. Payees also include any government-owned or government-controlled entities that exercise or perform a power, duty or function of government.

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



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### **Reportable Payments**

A reportable payment for ESTMA purposes is one that:

- a. Is made to the same payee;
- b. Is made in relation to the commercial development of oil, gas or minerals; and
- c. Totals, as a single or multiple payments, or more in the year in one of the following prescribed seven payment categories.

#### *Taxes*

This category includes taxes paid by the Company on its income, profits or production in relation to the commercial development of oil and gas resources. Taxes reported include property taxes, business taxes and certain provincial resource surcharges. Consumption taxes, personal income taxes and taxes withheld by others on behalf of the Company are excluded as per the Act.

#### *Royalties*

Royalties are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue. Both cash royalties and royalties paid in-kind are reported in this category.

#### *Fees*

This category may include rental fees, entry fees, administration fees, annual fees, interest penalty charges and regulatory charges as well as fees or other consideration for licenses, permits or concessions. The fee category is broad and includes payments to various payees that in substance is a fee. Consultation payments to Aboriginal governments are reported under this category. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded.

#### *Production entitlements*

A payee's share of oil, gas or mineral production under a production sharing agreement or similar contractual or legislated arrangement is reported under this category. For the year ended December 31, 2018, there were no reportable production entitlement payments to a payee.

#### *Bonuses*

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

#### *Dividends*

Dividends are dividend payments, other than dividends paid to a payee as an ordinary shareholder of the Company on shares that were acquired by the payee on the same terms as were available at the time of acquisition to other shareholders, that are not in lieu of any other reportable payment. For the year ended December 31, 2018, there were no reportable dividend payments to a payee.

#### *Infrastructure improvement payments*

This payment category consists of payments for the construction of infrastructure that do not relate primarily to the operational purposes of the Company. For the year ended December 31, 2018, there were no reportable infrastructure improvement payments to a payee.



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## **Significant Estimates and Judgements**

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

### **Payments by Project Level**

Payments have been reported at the project level as required by the Act. A “project” means the operational activities are governed by a single contract, license, lease, concession or similar legal agreement that forms the basis for a payment liability with a payee. If multiple such agreements are substantially interconnected, they would be considered a single project.

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

The Company has determined that the operational activities governed by surface or mineral lease contracts related to key operational areas are substantially interconnected and has reported payments related to each such area as a single project. The Company has considered geographical location and common infrastructure as two key indicators for making this determination.

### **Commercial Development**

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

- a) The exploration or extraction of oil, gas or minerals;
- b) The acquisition or holding of a permit, licence, lease or any other authorization to carry out any of the activities referred to in paragraph (a); or
- c) Any other prescribed activities in relation to oil, gas or minerals.

Payments made by the Company to payees relating to the commercial development of oil, gas or minerals (“commercial development”) are disclosed in this Report. The Company’s initial processing activities which are integrated with its extraction operations are included in commercial development. The Report excludes payments that are not related to the Company’s commercial development activities.

### **Refunds, rebates and credits**

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

### **Payments made in situations of joint control**

The Company reports all cash payments that it pays directly to a payee, and includes all amounts paid as an operator as part of a joint arrangement (i.e. a working interest). This is the case even where the Company as the operator has been proportionally and directly reimbursed by its non-operating partners. When the Company is a non-operator and payments are made by the operator on behalf of the Company, those payments are not reported.



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## **Acquisition and Divestiture Activities**

### *Acquisitions*

Payments to a payee made by the Company relating to the acquisition (for the commercial development of oil, gas or minerals), after the effective date and before the close date of a corporate or asset acquisition have been excluded from this Report. All Payments to a payee made by the Company subsequent to the closing date of a corporate or asset acquisition have been included in this Report.

### *Divestitures*

Payments to a payee made by the Company relating to the divestiture (for the commercial development of oil, gas or minerals), after the effective date and before the close date of a corporate or asset divestiture have been included in this Report.

## **Corporate Social Responsibility (“CSR”) Payments**

The ESTMA Report includes CSR payments that contractually obligate the Company to make to a payee, or to another party under the direction of a payee, as a result of the Company’s commercial development. Additionally, the Company has reported voluntary CSR payments which have been made to a payee, or to another party under the direction of a payee, and relates directly to the Company’s commercial development. For the year ended December 31, 2018, there were no reportable CSR payments to a payee.



## *Independent auditor's report*

To the Management of BlackPearl Resources Inc.

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### *Our opinion*

In our opinion, the accompanying Extractive Sector Transparency Measures Act (ESTMA) – Annual Report of BlackPearl Resources Inc. (the Entity) for the year ended December 31, 2018 is prepared, in all material respects, in accordance with the basis of accounting described in the notes.

### **What we have audited**

The Entity's consolidated financial information comprises the ESTMA – Annual Report of BlackPearl Resources Inc. for the year ended December 31, 2018 and the notes to the consolidated financial information, which include a summary of significant accounting policies and other explanatory information (the ESTMA Report).

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the ESTMA Report* section of our report.

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

### **Independence**

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

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### *Emphasis of matter – basis of accounting*

We draw attention to the notes to the ESTMA Report, which describe the basis of accounting. The ESTMA Report is prepared to assist the Entity in complying with the reporting requirements of the ESTMA. As a result, the ESTMA Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## *Responsibilities of management and those charged with governance for the ESTMA Report*

Management is responsible for the preparation of the ESTMA Report in accordance with the reporting requirements of ESTMA, and for such internal control as management determines is necessary to enable the preparation of an ESTMA Report that is free from material misstatement, whether due to fraud or error.

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

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## *Auditor's responsibilities for the audit of the ESTMA Report*

Our objectives are to obtain reasonable assurance about whether the ESTMA Report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this ESTMA Report.

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

- Identify and assess the risks of material misstatement of the ESTMA Report whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain sufficient appropriate audit evidence regarding the ESTMA Report of business activities within the Entity to express an opinion on the ESTMA Report. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants

Calgary, Alberta  
May 15, 2019