

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	Black Swan Energy Ltd.					
Reporting Year	From	1/1/2017	To:	12/31/2017	Date submitted	6/10/2019
Reporting Entity ESTMA Identification Number	E838558	<input type="radio"/> Original Submission <input checked="" type="radio"/> Amended Report		Report Version		2
Other Subsidiaries Included (optional field)						
Not Consolidated						
Not Substituted						
Attestation Through Independent Audit						
<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 2019-06-10, on the ESTMA Report for the entity(ies) and period listed above. The independent auditor's report can be found at https://www.blackswanenergy.com/responsibility/.</i>						
Full Name of Director or Officer of Reporting Entity	Michael Wilhelm			Date	6/10/2019	
Position Title	VP Finance & CFO					

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Reporting Entity ESTMA Identification Number	E838558				
Subsidiary Reporting Entities (if necessary)					

Payments by Payee

Country	Payee Name	Departments, Agency, etc... within Payee that Received Payments	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes
Canada	BC Provincial Government	The Company made payments to the following departments within the BC Government: Ministry of Finance, Ministry of Forests, Ministry of Energy, Mines and Petroleum Resources, BC Oil and Gas Commission, Ministry of Environment, Worksafe BC, ICBC.	430,000	4,440,000	2,710,000					7,580,000	
Canada	Blueberry River First Nation				380,000					380,000	

Additional Notes:

This 2017 ESTMA report has been amended to include \$1.93 MM of fee payments to BC Provincial Government

All payments are reported in Canadian dollars (the reporting currency of the reporting entity)

All amounts have been rounded to the nearest \$10,000 CDN per guidance from NRCan

Project classification is based on the reporting entity's Cash Generating Units (CGUs) to be consistent with the CGUs as presented in the entity's financial reporting.

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Subsidiary Reporting Entities (if necessary)			

Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	Montney	430,000	4,440,000	3,090,000					7,960,000	See detailed notes in the Payments by Payee section.

Additional Notes:	<p>This 2017 ESTMA report has been amended to include \$1.93 MM of fee payments to BC Provincial Government</p> <p>All payments are reported in Canadian dollars (the reporting currency of the reporting entity)</p> <p>All amounts have been rounded to the nearest \$10,000 CDN per guidance from NRCan</p> <p>Project classification is based on the reporting entity's Cash Generating Units (CGUs) to be consistent with the CGUs as presented in the entity's financial reporting.</p>
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1. Basis of Preparation

The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively, the “Schedules”) prepared by Black Swan Energy Ltd. (the “Corporation”) for the year ended December 31, 2017 has been prepared in accordance with the financial reporting provisions in Section 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively the “financial reporting framework”).

The Schedules are prepared to provide information to the Directors of Black Swan Energy Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the Schedules may not be suitable for another purpose.

2. Significant Accounting Policies

(a) Cash basis

The Schedules have been prepared using the cash basis of accounting, as required by the financial reporting framework, and therefore exclude any accruals related to payments due to governments as defined in the financial reporting framework.

The Schedules include all cash payments made, excluding cash inflows from a government. Where the Corporation makes a payment to a government that is net of credits from that government, the net payment amount has been presented.

(b) Projects

The Corporation has aligned its projects with its cash generating units as determined for financial statement reporting purposes.

(c) Operator

The Corporation has reported all payments made by it, on its own behalf and in its role as operator, directly to the government on a ‘gross’ basis. Amounts paid by third party operators, who are subject to the financial reporting framework, have not been included in the Schedules.

(d) Excluded payments

Certain payments related to the operation of the Corporation’s head office, payments made to governments for commercial services or payments made to governments which are not related to the commercial extraction of oil and natural gas resources have been excluded from the Schedules, as described in the financial reporting framework.



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INDEPENDENT AUDITORS' REPORT

To the Directors of Black Swan Energy Ltd. and the Minister of Natural Resources Canada

We have audited the accompanying amended Schedule of Payments by Payee totaling \$7,960,000 and the amended Schedule of Payments by Project totaling \$7,960,000 of Black Swan Energy Ltd. for the year ended December 31, 2017 and notes, comprising a summary of significant accounting policies (together, the "Schedules"). The Schedules have been prepared by management in accordance with the financial reporting provisions in Sections 2, 3, 4 and 9 of the Extractive Sector Transparency Measures Act, Section 2.3 of the Extractive Sector Transparency Measures Act – Technical Reporting Specifications and Sections 3.1 to 3.6 of the Extractive Sector Transparency Measures Act – Guidance (collectively, the "financial reporting framework").

Management's Responsibility for the Schedules

Management is responsible for the preparation of the Schedules in accordance with the financial reporting framework referred to above, and for such internal control as management determines is necessary to enable the preparation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these Schedules based on our audit. We conducted our audit 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 Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the Schedules 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. 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 Schedules.

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



Opinion

In our opinion, the amended Schedule of Payments by Payee amounting to \$7,960,000 and the amended Schedule of Payments by Project amounting to \$7,960,000 of Black Swan Energy Ltd. for the year ended December 31, 2017 are prepared, in all material respects, in accordance with the financial reporting framework referred to above.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the Schedules, which describes the basis of accounting. The Schedules are prepared to provide information to the Directors of Black Swan Energy Ltd. and the Minister of Natural Resources Canada to assist in meeting the requirements of the Extractive Sector Transparency Measures Act. As a result, the Schedules may not be suitable for another purpose.

Restriction on Use

Our report is intended solely for the Directors of Black Swan Energy Ltd. and the Minister of Natural Resources Canada and should not be used by parties other than the Directors of Black Swan Energy Ltd. and the Minister of Natural Resources Canada.

Other matter

The accompanying amended Schedule of Payments by Payee totaling \$7,960,000 and the amended Schedule of Payments by Project totaling \$7,960,000 of Black Swan Energy Ltd. have been restated to include the payments as described in the additional notes to the Schedules.

KPMG LLP

Chartered Professional Accountants

June 10, 2019
Calgary, Canada