

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	BlackPearl Resources Inc.					
Reporting Year	From	1/1/2017	To:	12/31/2017	Date submitted	5/30/2018
Reporting Entity ESTMA Identification Number	E904304		<input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report			
Other Subsidiaries Included (optional field)	N/A					
Not Consolidated	N/A					
Not Substituted						
Attestation Through Independent Audit						
<p><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></p> <p><i>The auditor expressed an unmodified opinion, dated 2018-05-30, on the ESTMA Report for the entity(ies) and period listed above.</i></p> <p><i>The independent auditor's report can be found at At End of Report.</i></p>						
Full Name of Director or Officer of Reporting Entity	Don Cook			Date	5/30/2018	
Position Title	Chief Financial Officer					

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Reporting Entity Name	BlackPearl Resources Inc.		Currency of the Report: CAD
Reporting Entity ESTMA Identification Number	E904304		
Subsidiary Reporting Entities (if necessary)	N/A		

Payments by Payee

Country	Payee Name ¹	Departments, Agency, etc... within Payee that Received Payments ²	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid to Payee	Notes ³⁴
Canada	Government of Canada	Indian Oil and Gas Canada	\$ -	\$ 6,210,000	\$ 620,000	\$ -	\$ -	\$ -	\$ -	\$ 6,830,000	
Canada	Government of Alberta	Alberta Department of Energy Alberta Energy Regulator Alberta Minister of Finance	\$ -	\$ 1,740,000	\$ 1,500,000	\$ -	\$ 1,970,000	\$ -	\$ -	\$ 5,210,000	
Canada	Government of Saskatchewan	Saskatchewan Ministry of the Economy Saskatchewan Ministry of Agriculture	\$ -	\$ 1,090,000	\$ 260,000	\$ -	\$ -	\$ -	\$ -	\$ 1,350,000	
Canada	Onion Lake Cree Nation		\$ -	\$ 6,910,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,910,000	
Canada	Lac La Biche County		\$ 360,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 360,000	
Canada	County of Vermilion River		\$ 190,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 190,000	
Canada	Big Lakes County		\$ 330,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 330,000	
Canada	Municipal District of Lesser Slave River No. 124		\$ 540,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 540,000	
Canada	Fishing Lake Metis Settlement		\$ -	\$ -	\$ 190,000	\$ -	\$ -	\$ -	\$ -	\$ 190,000	

Additional Notes:

- (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 payments were determined using the realized sales price.

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Subsidiary Reporting Entities (if necessary)	N/A		

Payments by Project

Country	Project Name ¹	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes ²³
Canada	Onion Lake	\$ 190,000	\$ 14,820,000	\$ 1,250,000	\$ -	\$ 1,860,000	\$ -	\$ -	\$ 18,120,000	
Canada	Mooney	\$ 870,000	\$ 970,000	\$ 190,000	\$ -	\$ 50,000	\$ -	\$ -	\$ 2,080,000	
Canada	Blackrod	\$ 360,000	\$ 140,000	\$ 1,000,000	\$ -	\$ 10,000	\$ -	\$ -	\$ 1,510,000	
Canada	Long Coulee	\$ -	\$ 20,000	\$ 80,000	\$ -	\$ 50,000	\$ -	\$ -	\$ 150,000	
Canada	Salt Lake	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	

Additional Notes³:

(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 payments 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, 2017 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 Act deferred the requirement to report on payments made to Aboriginal governments in Canada until June 1, 2017. All reportable payments to these payees made on or after that date are included in the Corporation’s ESTMA report. The same analysis and considerations are used in determining when and how to report payments to Aboriginal governments as are used with any other government payee in Canada.

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

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, 2017, 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, 2017, 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, 2017, there were no reportable infrastructure improvement payments to a payee.

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.



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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.

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, 2017, there were no reportable CSR payments to a payee.



May 30, 2018

Independent Auditor's Report

To the Audit Committee of BlackPearl Resources Inc.

We have audited the accompanying Extractive Sector Transparency Measures Act – Annual Report of BlackPearl Resources Inc. which comprise the schedules of payments by payee and payments by project for the year ended December 31, 2017, and the related notes, which comprise a summary of significant accounting policies and other explanatory information (the “ESTMA Report”). The ESTMA Report has been prepared by management using the basis of accounting described in the notes, which is in accordance with the Extractive Sector Transparency Measures Act S.C. 2014, c.39, s 376 (the “Act”).

Management's responsibility for the ESTMA Report

Management is responsible for the preparation of the ESTMA Report in accordance with the basis of accounting described in the notes, and for such internal controls 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.

Auditor's responsibility

Our responsibility is to express an opinion on the ESTMA Report 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 ESTMA Report is free from material misstatement.

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

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

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



Opinion

In our opinion, the Extractive Sector Transparency Measures Act – Annual Report of BlackPearl Resources Inc. for the year ended December 31, 2017 is prepared, in all material respects, in accordance with the basis of accounting described in the notes.

Basis of accounting

Without modifying our opinion, we draw attention to the notes to the ESTMA Report, which describe the basis of accounting. The ESTMA Report is prepared to assist BlackPearl Resources Inc. in complying with the-reporting requirements of the Act. As a result, the ESTMA Report may not be suitable for another purpose.

(signed) “PricewaterhouseCoopers LLP”

Chartered Professional Accountants