

Extractive Sector Transparency Measures Act - Annual Report



Reporting Entity Name Granite Oil Corp.

Reporting Year **From** 2020-01-01 **To:** 2020-12-31 **Date submitted** 2021-05-05

Reporting Entity ESTMA Identification Number E350836

- Original Submission
- Amended Report

Other Subsidiaries Included
(optional field)

Not Consolidated

Not Substituted

Attestation by Reporting Entity

In accordance with the requirements of the ESTMA, and in particular section 9 thereof, I attest I have reviewed the information contained in the ESTMA report for the entity(ies) listed above. Based on my knowledge, and having exercised reasonable diligence, the information in the ESTMA report is true, accurate and complete in all material respects for the purposes of the Act, for the reporting year listed above.

Full Name of Director or Officer of Reporting Entity

Chris Hogue

Position Title

President

Date

2021-05-04

Extractive Sector Transparency Measures Act - Annual Report

Reporting Year	From: 2020-01-01	To: 2020-12-31			Currency of the Report CAD
Reporting Entity Name	Granite Oil Corp.				
Reporting Entity ESTMA Identification Number	E350836				
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 -Alberta	County of Warner No.5		980,000							980,000	
Canada -Alberta	Government of Alberta	Alberta Department of Energy Alberta Energy Regulator Alberta Minister of Finance Alberta Petroleum Marketing Commission		160,000	170,000					330,000	Royalties includes in-kind contributions. The value of the in-kind contributions were determined using the realized sales price.

Additional Notes:

- (1) All payments are reported in Canadian dollars and have been rounded to the nearest \$10,000.
- (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.

Extractive Sector Transparency Measures Act - Annual Report

Reporting Year	From: 2020-01-01	To: 2020-12-31				Currency of the Report	CAD
Reporting Entity Name	Granite Oil Corp.						
Reporting Entity ESTMA Identification Number	E350836						
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 - Alberta	Alberta Bakken	980,000	160,000	170,000					1,310,000	Royalties includes in-kind contributions. The value of the in-kind contributions were determined using the realized sales price.

Additional Notes:

- (1) All payments are reported in Canadian dollars and have been rounded to the nearest \$10,000.
- (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.



ESTMA INTRODUCTION

Granite Oil Corp. (the “Company”) has prepared the following report (“the Report”) of payments made to government entities for the year ended December 31, 2020 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.



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. 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, 2020, 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. For the year ended December 31, 2020, there were no reportable bonus payments to a payee.

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, 2020, 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, 2020, 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 considered geographical location and common infrastructure as two key indicators for making the determination of its’ sole Alberta Bakken project.

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.

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, 2020, there were no reportable CSR payments to a payee.