

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name Black Swan Energy Ltd.

Reporting Year From 1/1/2019 To: 12/31/2019 Date submitted 5/15/2020

Reporting Entity ESTMA Identification Number E838558

Original Submission
 Amended Report

Other Subsidiaries Included
(optional field)

Not Consolidated

Not Substituted

Attestation Through Independent Audit

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.

*The auditor expressed an unmodified opinion, dated 2020-05-07, 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/news-and-presentations/estma-reporting/>.*

Full Name of Director or Officer of Reporting Entity Michael Wilhelm Date 5/7/2020

Position Title CFO & VP Finance

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Reporting Entity Name	Black Swan Energy Ltd.			Currency of the Report	CAD
Reporting Entity ESTMA Identification Number	E838558				
Subsidiary Reporting Entities (if necessary)					

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 -British Columbia	Government of British Columbia	The Company made payments to the following departments within the Government of British Columbia: Ministry of Finance, Ministry of Forests, Ministry of Finance OGC, Ministry of Energy, Mines and Petroleum Resources, BC Oil and Gas Commission, Ministry of Environment, Worksafe BC, ICBC.	560,000	890,000	2,470,000		280,000			4,200,000	
Canada -British Columbia	Blueberry River First Nation				2,300,000				230,000	2,530,000	

Additional Notes:

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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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 - British Columbia	Montney	560,000	890,000	4,770,000		280,000		230,000	6,730,000	See detailed notes in the Payments by Payee section.

Additional Notes³:

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.



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, 2019 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) Take-in-kind payments

The Corporation has valued in-kind payments based on the cost or, if cost is not determinable, the in-kind payment is reported at fair market value. The valuation method for each payment has been disclosed in the notes section of 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 Board of Directors of Black Swan Energy Ltd.

Opinion

We have audited the Schedule of Payments by Payee totaling \$6,730,000 and the Schedule of Payments by Project totaling \$6,730,000 of Black Swan Energy Ltd. (the "Entity") for the year ended December 31, 2019 and notes to each schedule, including a summary of significant accounting policies (hereinafter referred to as the "schedules").

In our opinion, the accompanying schedules for the period ended December 31, 2019 of the Entity are prepared, in all material respects, in accordance with the financial reporting provisions in Section 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 Extractor Sector Transparency Measures Act – Guidance.

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 "Auditors' Responsibilities for the Audit of the Schedules" section of our auditors' report.

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

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

Emphasis of Matter – Financial Reporting Framework

We draw attention to Note 1 in the schedules, which describes the applicable financial reporting framework.

The schedules are prepared to assist the Entity to meet the requirements of the Extractive Sector Transparency Measures Act. As a result, the schedules may not be suitable for another purpose.

Our opinion is not modified in respect of this matter.



Responsibilities of Management and Those Charged with Governance for the Schedules

Management is responsible for the preparation of the schedules in accordance with the financial reporting provisions in Section 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, and for such internal controls as management determines is necessary to enable the preparation of schedules that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 the schedules.

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 schedules, 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.
- 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

May 7, 2020