

# Extractive Sector Transparency Measures Act - Annual Report



**Saguaro Resources Ltd.**

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**Reporting Entity Name**

Saguaro Resources Ltd.

**Reporting Year**

**From**

1/1/2019

**To:**

12/31/2019

**Date submitted**

9/25/2020

**Reporting Entity ESTMA Identification Number**

E223715

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**

Scott Carrothers

**Date**

9/25/2020

**Position Title**

Vice President Finance & CFO

## Extractive Sector Transparency Measures Act - Annual Report

<b>Reporting Year</b>	<b>From:</b>	1/1/2019	<b>To:</b>	12/31/2019	<b>Currency of the Report</b>	CAD
<b>Reporting Entity Name</b>	Saguaro Resources Ltd.					
<b>Reporting Entity ESTMA Identification Number</b>	E223715					
<b>Subsidiary Reporting Entities (if necessary)</b>						

### 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-British Columbia	Province of British Columbia		310,000	870,000	1,540,000	-	-	-	-	<b>2,720,000</b>	Minister of Finance Ministry of Natural Gas Development Safety Authority Oil and Gas Commission

**Additional Notes:**

- Taxes : includes property taxes, field office business taxes and orphan well taxes.
- Royalties : consists of cash royalties. The Corporation does not pay royalties in-kind and does not have any other in-kind payments.
- Fees : includes rental fees, administration fees, regulatory charges, as well as fees or other consideration for licenses, permits or concessions.
- This report is presented in Canadian dollars (\$ or C\$), which is the Corporation's functional reporting currency. Foreign currency payments are translated into Canadian dollars at exchange rates prevailing at the dates of the associated payments. There were no foreign currency payments made in the current year.
- Payments on the report have been rounded to the nearest \$10,000.

## Extractive Sector Transparency Measures Act - Annual Report

<b>Reporting Year</b>	<b>From:</b> 1/1/2019	<b>To:</b> 12/31/2019	
<b>Reporting Entity Name</b>	Saguaro Resources Ltd.		<b>Currency of the Report</b> CAD
<b>Reporting Entity ESTMA Identification Number</b>	E223715		
<b>Subsidiary Reporting Entities (if necessary)</b>			

### 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-British Columbia	Montney-Laptise	310,000	870,000	1,540,000	-	-	-	-	<b>2,720,000</b>	

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

- Taxes : includes property taxes, field office business taxes and orphan well taxes.
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## **INTRODUCTION**

Saguaro Resources Ltd. (the “Company” or “Saguaro”) has prepared the following Annual report (“the Report”) of payments made to government entities for the year ended December 31, 2019 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. For the year ended December 31, 2019, there were no in-kind payments.

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

The preparation of the Report in accordance with the Act includes evaluation of the substance, rather than the form, of payments.

#### **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, state, 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.

Aboriginal and indigenous groups and organizations may also be regarded as a payee under the Act. For the year ended December 31, 2019, there were no payments to such groups over the \$100,000 disclosure threshold.

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, \$100,000 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, such as the British Columbia orphan well tax. Consumption taxes, personal income taxes and taxes withheld by the Company on behalf of others 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. For the year ended December 31, 2019, there were no royalties paid in-kind.

#### *Fees*

This category may include mineral and surface leases, gathering pipeline statutory rights of way, the British Columbia oil and gas levy, as well as fees or other consideration for licenses, permits or concessions. The fee category is broad and includes payments to 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, 2019, there were no reportable production entitlement payments to a payee.

#### *Bonuses*

Signing, discovery, production and any other type of bonuses, including crown land acquisition bonuses, paid to a payee in relation to the commercial development of oil and gas resources are reported under this category. For the year ended December 31, 2019, 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, 2019, 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, 2019, 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.

#### **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, license, 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 Company, including instances where an applicable credit reduces the amount payable, to reflect the net cash payment to the payee. Cash refunds or cash rebates received from payees directly to the Company have been excluded from this report.

### **Attribution of payments**

Where a payment was made for the Company by another entity which is a non-reporting entity, such payment has been deemed to have been made by the Company and has been included in this Report. This may include payments not directly made to a payee, or were not received directly by the payee. Whether a payment is made for the Company may be difficult to determine and depends on the facts and circumstances including legal and contractual requirements.

### **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 an unincorporated 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. In cases where the Company is the non-operator, an assessment has been made as to whether the operator has a responsibility to report ESTMA payments; if the operator does not have an ESTMA reporting responsibility, the Company has reported any payments made on the Company's behalf by the operator.

### **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 of a corporate or asset acquisition need to be reported. For the year ended December 31, 2019, there were no such reportable payments.

#### *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 need to be reported. For the year ended December 31, 2019, there were no such reportable payments.

### **Fair Market Value**

Payments made to payees have been assessed to determine any excess paid over the fair market value of goods or services received from the payee. The excess, if applicable, has been included in the ESTMA report. For the year ended December 31, 2019, there were no such amounts to report.

**Corporate Social Responsibility Payments**

In determining whether a corporate social responsibility payment is reportable, the Company has considered the nature, timing or extent of a payment, and whether one or more of these criteria are controlled by the payee, or if the criteria must be negotiated between the Company and a payee. For the year ended December 31, 2019, there were no such reportable payments.