

Extractive Sector Transparency Measures Act - Annual Report

Reporting Entity Name	Progress Sasol Montney Partnership					
Reporting Year	From	7/1/2017	To:	6/30/2018	Date submitted	11/13/2018

Reporting Entity ESTMA Identification Number	E088016	<input checked="" type="radio"/> Original Submission
		<input type="radio"/> Amended Report

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 2018-10-30, on the ESTMA Report for the entity and period listed above.
The independent auditor's report can be found at the end of the report.*

Full Name of Director or Officer of Reporting Entity	Kevin Georget	Date	10/30/2018
Position Title	Chief Financial Officer		

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Reporting Entity Name	Progress Sasol Montney Partnership			Currency of the Report	CAD
Reporting Entity ESTMA Identification Number	E088016				

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	District of Hudson Hope		140,000			-		-	-	140,000	
Canada	Government of British Columbia		2,920,000	920,000	1,930,000	-	-	-	-	5,770,000	Minister of Finance (multiple departments), BC Oil and Gas Commission, Ministry of the Economy, BC Land Title & Survey
Canada	Halfway River First Nation		-	-	-	-	140,000	-	-	140,000	
Canada	West Moberly First Nation		-	-	-	-	280,000	-	-	280,000	
	TOTAL		3,060,000	920,000	1,930,000	-	420,000	-	-	6,330,000	

Additional Notes: Please refer to "Note 1 - Financial Reporting Framework" for explanatory information and disclosures related to this Annual Report

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Reporting Year	From: 7/1/2017	To: 6/30/2018	
Reporting Entity Name	Progress Sasol Montney Partnership		Currency of the Report CAD
Reporting Entity ESTMA Identification Number	E088016		

Payments by Project

Country	Project Name	Taxes	Royalties	Fees	Production Entitlements	Bonuses	Dividends	Infrastructure Improvement Payments	Total Amount paid by Project	Notes
Canada	Progress Sasol Montney Partnership	3,060,000	920,000	1,930,000	-	420,000	-	-	6,330,000	The Progress Sasol Montney Partnership is a stand-alone project.
	TOTAL	3,060,000	920,000	1,930,000	-	420,000	-	-	6,330,000	

Additional Notes³: Please refer to "Note 1 - Financial Reporting Framework" for explanatory information and disclosures related to this Annual Report

Note 1 – Financial Reporting Framework

(a) Basis of accounting:

The Schedule of Payments by Payee and the Schedule of Payments by Project (collectively “the Schedules”) prepared by Progress Energy Canada Ltd., as Managing Partner of the Progress Sasol Montney Partnership (the “Partnership”), for the year ended June 30, 2018 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 Progress Energy Canada Ltd., as Managing Partner of the Partnership, 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.

(b) Significant accounting policies:

i) Cash basis

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

The Schedules include all cash payments made, without inclusion of cash inflows from a government. Where a payment is made to a government that is net of credits from that government, the net payment amount has been presented.

ii) Operator

The Partnership has reported all payments made for the Partnership’s benefit by Progress Energy Canada Ltd., as the Managing Partner and operator for the Partnership, directly to the government.

iii) Excluded payments

Certain 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 Progress Energy Canada Ltd., as Managing Partner of the Progress Sasol Montney Partnership, and the Minister of Natural Resources Canada

We have audited the accompanying Schedule of Payments by Payee totaling \$6,330,000 and the Schedule of Payments by Project totaling \$6,330,000 of the Progress Sasol Montney Partnership for the year ended June 30, 2018 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 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 (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 Schedule of Payments by Payee amounting to \$6,330,000 and the Schedule of Payments by Project amounting to \$6,330,000 of the Progress Sasol Montney Partnership for the year ended June 30, 2018 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 Progress Energy Canada Ltd., as Managing Partner of the Progress Sasol Montney Partnership, 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.

Our report is intended solely for the Directors of Progress Energy Canada Ltd., as Managing Partner of the Progress Sasol Montney Partnership, and the Minister of Natural Resources Canada and should not be used by parties other than the Directors of Progress Energy Canada Ltd., as Managing Partner of the Progress Sasol Montney Partnership, and the Minister of Natural Resources Canada.

KPMG LLP

Chartered Professional Accountants
October 30, 2018
Calgary, Canada