

Extractive Sector Transparency Measures Act - Annual Report

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|-------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|------------|-------------|-----------------------|------------|
| Reporting Entity Name | Harvest Operations Corp. | | | | | |
| Reporting Year | From | 01/01/2017 | To: | 31/12/2017 | Date submitted | 30/05/2018 |
| Reporting Entity ESTMA Identification Number | E954157 | <input checked="" type="radio"/> Original Submission <input type="radio"/> Amended Report | | | | |
| Other Subsidiaries Included (optional field) | | | | | | |
| For Consolidated Reports - Subsidiary Reporting Entities Included in Report: | Viking Management Ltd. (E378991), 1057533 Alberta Ltd. (E325206), 1496965 Alberta Ltd. (E972729), Breeze Resources Partnership (E804267), Deep Basin Partnership (E674826), Harvest Breeze Trust 1 (E905129), Harvest Breeze Trust 2 (E875779), Harvest Operations (USA) Inc. (E416648), Hay River Partnership (E123083), Pathfinder Partnership (E797297) | | | | | |
| Not Substituted | | | | | | |
| Attestation by Reporting Entity | <p><i>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.</i></p> | | | | | |
| Full Name of Director or Officer of Reporting Entity | Sungki Lee | | | Date | 25/05/2018 | |
| Position Title | Chief Financial Officer | | | | | |

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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 | Conklin Resource Development Advisory | | - | - | 110,000 | | - | - | - | 110,000 | |
| Canada | Metis Settlements General Council | Metis Settlements General Council Fishing Lake Metis Settlement | 30,000 | 40,000 | 80,000 | | - | - | - | 150,000 | |
| Canada | Indian Oil and Gas Canada (IOGC) | | - | 1,040,000 | 280,000 | | - | - | - | 1,320,000 | |
| Canada | Loon River First Nation | Loon River First Nation Band Loon River Trucking LRC Contractors Maghwa Resources Inc. | 720,000 | 350,000 | 1,090,000 | | 30,000 | - | - | 2,190,000 | |
| Canada | Horse Lake First Nation | Horse Lake First Nation Band Status Energy Ltd. | - | - | 110,000 | | - | - | - | 110,000 | |
| Canada | Clear Hills County | | 240,000 | - | - | | - | - | - | 240,000 | |
| Canada | Clearwater County | | 880,000 | - | - | | - | - | - | 880,000 | |
| Canada | County of Vermilion | | 250,000 | - | 10,000 | | - | - | - | 260,000 | |
| Canada | Cypress County | | 510,000 | - | - | | - | - | - | 510,000 | |
| Canada | Federal Government of Canada | Receiver General of Canada | - | 5,800,000 | 20,000 | | - | - | - | 5,820,000 | |
| Canada | Flagstaff County | | 1,170,000 | - | - | | - | - | - | 1,170,000 | |
| Canada | Government of Alberta | Alberta Boilers Safety Association (ABSA) Alberta Energy Alberta Energy Regulator (AER) Alberta Environment Water Management Operations Alberta Environment and Sustainable Resource Development Alberta Municipal Affairs Alberta Petroleum Marketing Commission (AMPC) Alberta Registries Eastern Irrigation District Government of Alberta Minister of Environmental Minister of Finance Special Areas Board Sustainable Resource Development | 370,000 | 16,840,000 | 4,910,000 | | - | - | - | 22,120,000 | Note 1 |
| Canada | Government of British Columbia | BC Oil & Gas Commission British Columbia Safety Authority BC Transportation Financing Authority BC Minister of Finance | 60,000 | 8,950,000 | 1,670,000 | | - | - | - | 10,680,000 | |
| Canada | Lac Ste. Anne County | | 190,000 | - | - | | - | - | - | 190,000 | |
| Canada | Municipal District of Greenview | | 1,110,000 | - | 20,000 | | - | - | - | 1,130,000 | |
| Canada | Municipal District of Opportunity | | 90,000 | - | 20,000 | | - | - | - | 110,000 | |
| Canada | Municipal District of Provost | | 760,000 | - | - | | - | - | - | 760,000 | |
| Canada | Municipal District of Wainwright | | 320,000 | - | - | | - | - | - | 320,000 | |
| Canada | Northern Rockies Regional Municipality | | 900,000 | - | - | | - | - | - | 900,000 | |
| Canada | Northern Sunrise County | | 1,010,000 | - | - | | - | - | - | 1,010,000 | |
| Canada | Red Deer County | | 960,000 | - | - | | - | - | - | 960,000 | |
| Canada | Regional Municipality of Wood Buffalo | | 390,000 | - | 60,000 | | - | - | - | 450,000 | |
| Canada | Rocky View County | | 340,000 | - | - | | - | - | - | 340,000 | |
| Canada | Saddle Hills County | | 360,000 | - | 30,000 | | - | - | - | 390,000 | |
| Canada | Yellowhead County | | 130,000 | - | - | | - | - | - | 130,000 | |

1) Royalties paid in-kind to APMC are valued at the fair market value of the volumes taken in-kind, based on Harvest's realized sales price.

Additional Notes:

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| Reporting Entity ESTMA Identification Number | E954157 | | |
| Subsidiary Reporting Entities (if necessary) | Viking Management Ltd. (E378991), 1057533 Alberta Ltd. (E325206), 1496965 Alberta Ltd. (E972729), Breeze Resources Partnership (E804267), Deep Basin Partnership (E674826), Harvest Breeze Trust 1 (E905129), Harvest Breeze Trust 2 (E875779), Harvest Operations (USA) Inc. (E416648), Hay River Partnership (E123083), Pathfinder Partnership (E797297) | | |

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 | Black Gold AB Project | 390,000.00 | - | 800,000 | - | - | - | - | 1,190,000 | |
| Canada | Corporate Project | 10,000.00 | 5,780,000 | 2,830,000 | - | - | - | - | 8,620,000 | |
| Canada | North AB Project | 710,000.00 | 4,550,000 | 360,000 | - | - | - | - | 5,620,000 | |
| Canada | North East BC Project | 120,000.00 | 350,000 | 730,000 | - | - | - | - | 1,200,000 | |
| Canada | Hay BC Project | 780,000.00 | 8,600,000 | 940,000 | - | - | - | - | 10,320,000 | |
| Canada | Hay AB Project | 60,000.00 | 10,000 | 30,000 | - | - | - | - | 100,000 | |
| Canada | Red Earth Project | 1,810,000.00 | 3,210,000 | 1,720,000 | - | 30,000 | - | - | 6,770,000 | |
| Canada | South AB Project | 5,580,000.00 | 5,800,000 | 540,000 | - | - | - | - | 11,920,000 | |
| Canada | West AB Project | 1,330,000.00 | 4,720,000 | 460,000 | - | - | - | - | 6,510,000 | |

Additional Notes³:



Harvest

OPERATIONS CORP.



ESTMA Reporting 2017



INTRODUCTION

Harvest Operations Corp and its subsidiaries (collectively the “Company”) has prepared the following annual 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”).

All subsidiary reporting entities are listed within the annual report, however within the 2017 year payments to government entities were facilitated through:

- Harvest Operations Corp. (ESTMA ID number is: E954157)
- Deep Basin Partnership (ESTMA ID number is: E674826).

BASIS OF PREPARATION

The Report has been prepared in accordance with the requirements of the Act and the Natural Resources Canada (“NRCan”) Technical Reporting Specifications. The Technical Reporting Specifications provides specifications with regards to the form and manner of reporting. The following is a summary of judgments and definitions that the Company has made for the purpose of preparing the Report.

Reportable Payments

A payment under the Act is one that, in a financial year,

- a) Is made to the same payee.
- b) Is made in relation to the commercial development of oil, gas or minerals, as set out in the Act.
- c) Totals, as a single or multiple payments, C\$100,000 or more within one of the following seven categories: taxes, royalties, fees, production entitlements, bonuses, dividends and infrastructure improvement payments.

The Report excludes payments that are not related to the Company’s commercial development activities.

The Report contains disclosure of the full amounts (rounded to the nearest \$10,000) paid by the Company to a payee, no amounts have been offset or reduced by amounts reimbursed or refunded.

Payee

For 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.
- 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 or local/municipal levels. Payees include Crown corporations and other state-owned enterprises that are exercising or performing a power, duty or function of government.

For purposes of disclosing payments in the Report, when practical the Company has listed the name of the department, agency or entity of the payee that received the payment, if more than one such body of a payee received a payment from the Company.

Aboriginal and indigenous groups and organizations within Canada and in other jurisdictions may be regarded as governments for purposes of qualifying as a payee under the Act. However, the Act defers the requirement to report on payments made to Aboriginal governments in Canada, with reporting on these payments beginning on June 1, 2017. The Company has applied the deferral period and has reported payments to Aboriginal governments with the Report for the period June 1, 2017 – December 31, 2017.



Payment Categories

The information is reported under the following payment categories.

Taxes

This category may include taxes paid by the Company on its income, profits or production. Taxes reported include property taxes, business taxes and certain provincial resource surcharges. Consumption taxes, personal income taxes and taxes not paid in relation to the commercial development of oil, gas or minerals are excluded.

Royalties

These are payments for the rights to extract oil and gas resources, typically at a set percentage of revenue less any deductions that may be taken.

Royalties paid in kind are also reported under this category. If the cost of an in-kind payment can be determined that is the value that should be reported. If the cost is not determinable, the in-kind payment should be reported at the fair market value. The monetary value of any in-kind payment made to a payee by the Company was determined via the fair market value of the volumes taken in-kind, based on Harvest's realized sales price. All in-kind payments included within the Report are disclosed in a supplementary note to the Report.

Fees

This category may include annual fees, application fees, rental fees, and regulatory charges as well as fees or other consideration for licenses, permits or concessions. Amounts paid in ordinary course commercial transactions in exchange for services provided by a payee are excluded from this category.

Production entitlements

A payee's share of oil, gas or mineral production under a production sharing agreement or a similar contractual or legislated arrangement is reported under this category. The Company had no reportable production entitlement payments to a payee for the year ended December 31, 2017.

Bonuses

Signing, discovery, production and any other type of bonuses paid to a payee are reported under this category.

Dividends

Dividends paid to a payee as an ordinary shareholder do not need to be reported under the Act, so long as the:

- a) Shares have been acquired by the payee for consideration on the same terms as were available at the time of acquisition to other shareholders.
- b) Dividend is paid to the payee on the same terms as to other shareholders.

The Company had no reportable dividend payments to a payee for the year ended December 31, 2017.

Infrastructure improvement payments

These are payments which relate to the construction of infrastructure that do not relate primarily to the operational purposes of the Company. The Company had no reportable infrastructure improvement payments to a payee for the year ended December 31, 2017.



Project

Per the Technical Reporting Specifications published by NRCan a “project” means the operational activities that are governed by a single contract, license, lease, concession or similar legal agreement and form the basis for payment liabilities with a government. However, if multiple such agreements are substantially interconnected, the Company has aggregated such interconnected agreements into a single “Project” for reporting purposes.

Payments are reported at the project level except for payments that are not attributable to a specific project and are reported at the entity level. Reportable corporate income taxes, which are typically not levied at a project level, are an example of this.