Oil Gas Salt Resources Trust

ANNUAL REPORT 2004

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TRUST MISSION & OBJECTIVES

The Oil, Gas and Salt Resources Trust is a non-profit organization, established by the Oil, Gas and Salt Resources Act, which funds information management relating to oil, gas and salt resources; and also funds research, surveys, and laboratory facilities and operations relating to oil or gas exploration, drilling or production, the storage of oil, gas and other hydrocarbons in geological formations, and the disposal of oil field fluid in geological formations.

The Trust manages the Oil, Gas and Salt Resources Library as a resource centre for the study of the subsurface geology and oil, gas, salt, and subsurface storage and fluid disposal resources of all the potential oil, gas and salt-bearing rocks of Ontario. The Trust is funded by, and provides services to, companies and individuals involved in oil and gas exploration, drilling or production; the storage of hydrocarbons in geological formations, the disposal of oil field fluid in geological formations, and solution mining. Services are also available to the general public, universities and other clients on a cost-recovery basis.

Activity in 2004

80 wells drilled
121 wells plugged
47,900 metres drilled

1220 producing oil wells
153,000 cubic metres of oil produced

1180 producing natural gas wells
360 million cubic meters of natural gas produced

242 billion cubic feet of natural gas storage capacity in 30 reservoirs

The Trust's overall mandate is to maintain and improve access to existing data, and to develop programs to improve client access to information and to generate new revenue.

RESOURCES

The The Oil, Gas and Salt Resources Library houses resources and data available for study including drill cuttings samples from over 14,000 wells; cores from over 1,000 wells; file information on over 20,000 wells, including geophysical logs, formations tops, well history and construction, oil/gas/water zones, initial completion results, core analyses, oil/gas/water analyses; an extensive collection of reference books, periodicals and reprints on the subsurface geology and oil, gas, salt and subsurface storage resources of Ontario.

June 30, 2005

The Honourable David Ramsay
Minister of Natural Resources
90 Wellesley Street West
6th Floor,Whitney Block,Room 6630
Toronto,ON M7A 1W3

Dear Mr.Ramsay,

It is my pleasure to submit the 2004 Annual Report of the Oil, Gas & Salt Resources Trust.

2004 continued to be an extremely productive year for the Trust and its staff. It continues to invest in converting the data that exists in the Oil, Gas & Salt Resources Library to a more modern and accessible digital format. In addition to continuing to operate the Library as a resource centre for the study of Ontario's geological subsurface ,our new and expanding portfolio of digital products is helping to attract investment and interest in Ontario's petroleum and natural gas resources. Fiscal 2004 saw the continued partnership with the Targeted Geoscience Initiative(TGI) of Natural Resources Canada. This partnership started in fiscal 2003 with TGI will allow the library to work in partnership with this federal program and geological staff of the Ministry of Natural Resources' Petroleum Resources Centre to develop further mapping of Ontario's geological subsurface. The targeted completion date for this project is June 2005.

The Library website (www.ogsrlibrary.com) continues to evolve as a tremendous resource for cost effectively distributing data and information about Ontario, essentially creating a virtual Library for users to access when and where they want. Fiscal 2004 also saw an increase in membership revenue to the library as its user continue to fund much of its operation.

2005 will see the development of more digital data products, in addition to broader geographical coverage of Ontario. It is also hoped that the upcoming fiscal will see partnerships with industry and other agencies continue to grow.

Sincerely,

Joe Van Overberghe
Managing Director
Oil, Gas & Salt Resources Corporation

Highlights in 2004

Oil and Gas Industry Activity

Drilling activity in Ontario continued at the relatively low levels experienced in the preceding few years. Oil prices continued to be strong throughout the year due to supply concerns related to the Iraq conflict, low inventory levels of refined petroleum products in the United States, and possibly most importantly concern over whether or not peak production had been reached in not only Canada but, around the world. Natural gas prices did not reach the record highs of 2002, but did see an average higher price than in the previous year.

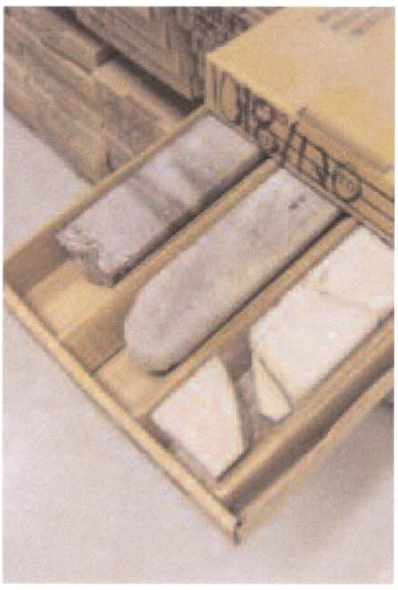
Despite high commodity prices preliminary figures continue to indicate production of oil and natural gas in Ontario declined in 2004. Oil production in 2004 totalled 153,000 cubic metres compared to 186,000 cubic metres the previous year. This is due primarily to decreased exploration effort in the Ordovician oil play. Preliminary figures for natural gas indicate production declined to 360 million cubic metres compared to 378 million cubic metres in 2003, due primarily to lower production from wells on Lake Erie. Estimated value of production was $51.7 million for oil and $114.7 million for natural gas.

Digital Well Data

Well location and data verification continued aggressively to update the Ministry of Natural Resources' (MNR) database with digitized well information. Two temporary employees spent approximately 4000 person-hours inputting data on a county-by-county basis.The results of this effort has produced completely updated and verified digital data for much of Southwestern Ontario. Basic data can now be downloaded free of charge from the OGSR Library website for all counties in southernOntario. The areas worked on in 2004 included Lambton, Halton, Middlesex and Norfolk counties.

Digital Maps

At year-end, the OGSR Library continued to be capable of plotting digital copies of maps that were previously only available as reproductions of old maps from MNR archives. The Library regularily fullfills requests for plotting Base Maps,Well Location Maps, Spacing Orders, Counties and Township Maps, and Pool and Pipeline Maps.



Sample Processing

A summer student was hired in 2004 to assist the incumbent with reducing the number of backlogged sample washings. Drill cutting samples for wells were washed, vialed and permanently stored in the OGSR Library warehouse.

Website

Revisions to the data and information on OGSR Library website were ongoing during 2004: regular features included the posting of free digital well data, bit map images of maps available in the OGSR Library, weekly new licence reports, monthly activity reports, and additional reference material. Users of the website also have the ability make specific requests of the OGSR via the website.

Future Directions

While the library continues to upgrade in service and facilities at the Oil, Gas & Salt Resources Library, the following projects and initiatives will be undertaken in 2005:

Digital Database

The Trust will continue working in partnership with the MNR to build, maintain and market a digital database of geological and engineering information on wells drilled in Ontario throughthe MNR's Ontario Petroleum Data System (OPDS). By the end of 2005, data and locationverification for most of Southern Ontario's counties will be completed, as well as all of Lake Erie.This will ensure that the most active counties are completed first, with the balance of the province completed by mid-2006.

In addition to verifying data and publishing up-to-date maps, the Library has begun work on allowing direct access to the data in the Library by users, leading eventually to accessing the data and the digital base maps over the Internet or on remote computers. Access to digital data will help to encourage the sustainable development of Ontario's resources by existing industry participants, as well as attracting new investment to the province.

Targeted Geoscience Initiative

The Trust will continue its partnership within the TGI project. The partnership uses federal funding to develop a continued enhancement of the provinces understanding of our subsurface Geology and energy storage. Specific outcomes of the project have consisted of updated estimates of discovered and undiscovered oil and gas resources for the Ordivician hydrocarbon play, and a series of subsurface geological cross-sections of Southern Ontario. The TGI project has allowed an update in both the hardware, software and tools to improve the analysis of geological and geophysical data and reports collected by the MNR from the Ontario Oil, Gas and Hydrocarbon Storage industries. The hope of the OGSR Trust is that such initiatives continue to be available in the future to enhance the trust's targeted research budgets.

Future research initiatives of the OGSR Trust will continue to focus on emerging and environmental issues in Ontario and Canada. There has been recent media recognition of potential global supply problems regarding oil and gas. In particular the declining gas delivery capacity from Western Canada. In this regard, the OGSR Trust shall fund projects that further enhance Ontario's energy self-sufficiency, in particular, the contribution of natural gas as an energy alternative to coal. Other areas of future research may include partnerships with industry and Ontario Geological Survey reviewing historical and possibly enhancing the mapping of Ontario's subsurface. Such information would benefit not only the Oil and Gas industry but, may lead to a better understanding of subsurface water in Ontario and contribute to improvements in source water protection initiatives.

Ontario Oil, Gas and Salt Resources Corporation

Financial Statements

December 31, 2004

Grant Thornton

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Grant Thornton LLP
Chartered Accountants
Management Consultants

Notice To Reader

To the Shareholder of
Ontario Oil, Gas and Salt Resources Corporation

We have compiled the balance sheet of **Ontario Oil, Gas and Salt Resources Corporation** as at December 31, 2004 and the statement of earnings and retained earnings for the year then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Grant Thornton LLP

London, Ontario
February 25, 2005

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Chartered Accountants

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Ontario Oil, Gas and Salt Resources Corporation
Statement of Earnings and Retained Earnings

Years Ended December 31	2004	2003
Revenue		
Trustee management fee	$ 7,500	$ 7,500
Trustee service fees	10,310	8,666
	17,810	16,166
Expenses		
Management fees – Ontario Petroleum Institute Inc.	7,500	7,500
Insurance – directors and officers	2,810	1,166
Administration	7,500	7,500
	17,810	16,166
Net earnings	$ -	$ -
Retained earnings, beginning of year	$ -	$ -
Net earnings	-	-
Retained earnings, end of year	$ -	$ -

Unaudited
Notice To Reader Appended

Grant Thornton

Ontario Oil, Gas and Salt Resources Corporation
Balance Sheet

As At December 31

	2004	2003
Assets		
Current Asset		
Cash	$ 1	$ 1
Shareholder's Equity		
Share Capital		
Authorized:		
1 Common share		
Issued:		
1 Common share	$ 1	$ 1

On behalf of the Board

M F Sleeth Director

R Neal Director

Unaudited
Notice To Reader Appended

Grant Thornton

Oil, Gas and Salt Resources Trust
Financial Statements
December 31, 2004

Grant Thornton

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Management Consultants

Auditors' Report

To the Members of
Oil, Gas and Salt Resources Trust

We have audited the balance sheet of the **Oil, Gas and Salt Resources Trust** as at December 31, 2004 and the statements of earnings, retained earnings and cash flows for the year then ended. These financial statements are the responsibility of the Trustee. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the organization, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Oil, Gas and Salt Resources Trust as at December 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Grant Thornton LLP

London, Ontario
February 25, 2005

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Chartered Accountants

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Oil, Gas and Salt Resources Trust
Statement of Earnings

Years Ended December 31	2004	2003
Revenue		
Well licence fees	$ 114,052	$ 125,923
Sample processing fees	30,178	41,928
Photocopying	6,547	13,356
Memberships	32,970	19,891
Lab user fees	725	3,118
Maps	16,805	12,165
Geoscience	10,588	1,765
Interest and foreign exchange	3,490	4,642
	215,355	222,788
Expenses		
Wages and employee benefits	66,967	87,582
Contract and co-op wages	48,160	50,290
Processing supplies	6,470	6,329
Waste removal	152	187
Sundry	6,698	9,277
Trust management fee	7,500	7,500
Trust services fee	7,500	7,500
Professional fees	2,300	2,858
Office expenses	7,170	7,692
Postage and telephone	3,899	4,640
Insurance	4,037	3,568
Travel	355	338
Rent	73,846	75,930
Database management	216	978
Bad debts	940	1,558
Amortization	4,317	5,671
	240,527	271,898
Loss before allocation	(25,172)	(49,110)
Allocation to the Province of Ontario	25,172	49,110
Net earnings	$ -	$ -

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Statement of Retained Earnings

Years Ended December 31	2004	2003
Retained earnings, beginning of year	$ -	$ -
Net earnings (Page 2)	-	-
Retained earnings, end of year	$ -	$ -

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Balance Sheet

As At December 31

	2004	2003
Assets		
Current Assets		
Cash and term deposits	$ 59,098	$ 110,676
Accounts receivable	95,321	49,318
Inventory of supplies	7,189	7,537
Prepaid expenses	5,160	5,160
	166,768	172,691
Capital Assets (Note 3)	12,456	15,773
	$ 179,224	$ 188,464

Commitments (Note 4)

On behalf of the Trustee

M F Steele

R Neal

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Balance Sheet

As At December 31	2004	2003
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 52,071	$ 25,551
Unearned revenue	4,113	14,701
Payable to the Province of Ontario	123,040	148,212
Total liabilities	179,224	188,464
Equity		
Retained Earnings (Page 3)	-	-
	$ 179,224	$ 188,464

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust
Statement of Cash Flows

Years Ended December 31	2004	2003
Increase (decrease) in cash and term deposits		
Operating		
Cash received from customers	$ 154,334	$ 186,847
Cash payments to suppliers for goods and services	(93,275)	(96,697)
Cash payments to employees	(115,127)	(137,872)
Interest received	3,490	4,026
	(50,578)	(43,696)
Investing		
Purchase of capital assets	(1,000)	(324)
Change in cash and term deposits	(51,578)	(44,020)
Cash and term deposits, beginning of year	110,676	154,696
Cash and term deposits, end of year	$ 59,098	$ 110,676

See accompanying notes to financial statements.

1. Summary of significant accounting policies

(a) Organization

Pursuant to the Oil, Gas and Salt Resources Act, R.S.O 1990, the Trust was formed by the Ontario Ministry of Natural Resources. A trust agreement, dated February 16, 1998, was signed with the original trustee, the Ontario Oil, Gas and Salt Resources Corporation. The purpose of the Trust is to provide for the funding of research, surveys and laboratory facilities relating to the oil and gas industry. Pursuant to the trust agreement, the net assets of the Trust accrue to the benefit of the Province of Ontario.

(b) Revenue recognition

Fees and other revenue received in advance are deferred and recognized as income at the time the related expenditures are incurred. Members' fees as set by the Board of Directors are recognized as revenue on a fiscal year basis.

(c) Cash and term deposits

Cash and term deposits include cash on hand, balances with banks and short term deposits with original maturities of one year or less.

(d) Inventories

Inventories are valued at the lower of cost and current replacement value. Cost is determined on a specific item basis.

(e) Amortization

It is the Trust's policy to provide for amortization of capital assets on the following basis:

Furniture and fixtures	20% declining balance
Computer hardware	3 years, straight-line
Computer software	100%

(f) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Expenses are recorded at average rates of exchange. Translation gains and losses are included in earnings.

1. Summary of significant accounting policies (continued)

(g) Use of estimates

In preparing the Trust's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

2. Financial instruments

(a) Fair value of financial instruments

The fair values of accounts receivables, inventory, prepaid expenses, accounts payable and accrued liabilities, and amounts payable to the Province of Ontario are assumed to approximate their carrying value because of their short term to maturity.

(b) Financial risk

The Trust is exposed to financial risk with respect to foreign exchange rates and the degree of volatility of these rates. The Trust does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Credit risk

The Trust is exposed to credit risk with respect to its accounts receivable. However, this is minimized by the Trust's customer base, which covers different consumer and business sectors. The Trust performs initial credit evaluations of its potential customers and limits the amount of credit extended when deemed necessary. The Trust maintains provisions for potential credit losses, and any such losses to date have been within management's expectations.

3. Capital assets

			2004	2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and fixtures	$ 31,557	$ 20,345	$ 11,212	$ 12,765
Computer hardware and software	20,072	18,828	1,244	3,008
	$ 51,629	$ 39,173	$ 12,456	$ 15,773

4. Commitments

Pursuant to a lease agreement in respect of its business premises, the Trust is contractually obligated to lease payments in the amount of $4,823 monthly as at December 31, 2004. The minimum annual lease payments due to the expiry of this lease, in March 2006 are as follows:

2005	$ 57,876
2006	14,469
	$ 72,345

5. Targeted geosciences initiative

In 2003 the Trust entered into a contract with the federal government to provide specific mapping information on the locations of various natural resources within Ontario. Under the terms of this contract all expenses incurred are to be billed back to Natural Resources Canada.

Detail of expenses billed to Federal Government

	2004	2003
Project Start Up		
Capital costs	**$ -**	$ 26,600
Part 1 – Hydrocarbon Resource Evaluation		
Pool maps and summary sheets	**52,009**	-
Monthly production data	**10,000**	-
Reserves by Pool	**58,757**	-
Ordovician and Cambrian Hydrocarbon Potential Report	**5,000**	-
	125,766	-
Part 2 – Regional Stratigraphic Correlations		
Progress report 1 - Research summary and digitized logs	**19,000**	-
Progress report 2 - Drill core and cuttings descriptions and field work	**81,686**	-
Progress report 3 - Correlated log cross-sections	**20,087**	-
	120,773	-
Billings to Federal Government	**$ 246,539**	$ -

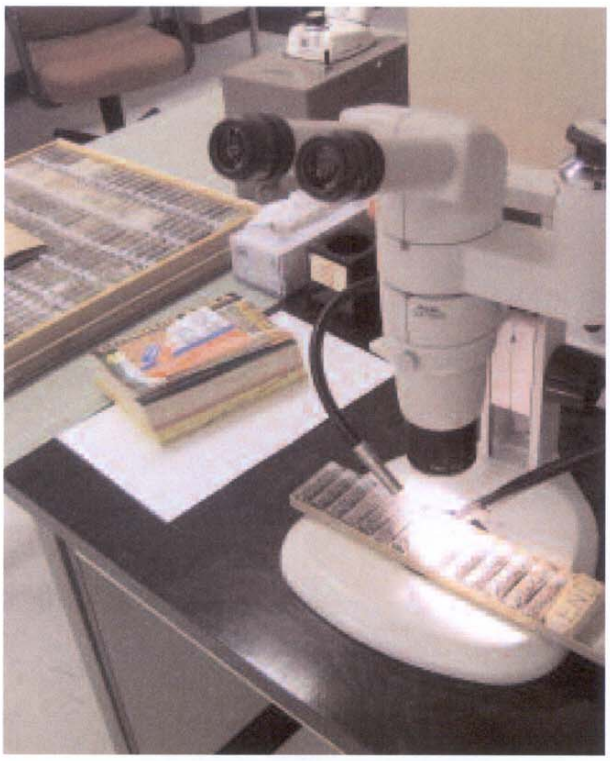
Schedule of Fee Recognition

2003	$ 1,765
2004	10,588
2005	2,647
	$ 15,000

Fees are pro-rated monthly over the term of the contract.

Industry Input

Requirements for a Trust Advisory Committee (TAC) exist within the Oil, Gas and Salt Resources Act and the Trust Agreement. Members of the TAC are industry representatives who are appointed by the Trustee for a two year term. The TAC meets on a quarterly basis to advise the Trustee on the setting of operating budgets and directing policy with respect to expenditures. A representative from the Ontario Ministry of Natural Resources meets with the TAC in an advisory capacity.



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