Ontario Oil, Gas and Salt Resources Trust

(Oil, Gas and Salt Resources Library)

Oil Springs Ontario, 1858

2016 Annual Report

August, 2017

Ontario Oil, Gas & Salt Resources Corporation
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www.ogsrlibrary.com/

August 31, 2017

Hon. Kathryn McGarry
Minister of Natural Resources and Forestry
Suite 6630, 6th Floor, Whitney Block
99 Wellesley Street West
Toronto, Ontario M7A 1W3

Dear Minister McGarry,

Re: Ontario Oil, Gas and Salt Resources Trust - 2016 Annual Report

The Ontario Oil Gas & Salt Resources Corporation (Corporation) is pleased to provide you with the 2016 Annual Report of the Oil, Gas and Salt Resources Trust (Trust).

The Corporation is an entity established by the Ontario Petroleum Institute (OPI), the industry association that represents the oil and natural gas, hydrocarbon storage and salt solution-mining industries in Ontario. The Corporation is the "Original Trustee" in the Trust Agreement signed with the Government of Ontario on February 16, 1998.

The Trust's main function is the management of the Oil, Gas and Salt Resources Library (Library) which is an important resource centre offering services to companies and individuals involved in oil and natural gas exploration, production, and storage as well as providing information for the mapping of groundwater aquifers.

The Library is central to the ongoing effort to reverse the serious decline in oil and natural gas production that has occurred in Ontario. The OPI and the Library work collaboratively to promote Ontario as a profitable exploration and development opportunity throughout North America.

For 159 years oil has flowed from wells in Ontario, and natural gas for 128 years. In 2016 there were 120 companies and individuals producing oil and natural gas as well as providing significant hydrocarbon storage in Southwestern Ontario. Ontario also has a vibrant salt solution-mining sector that supports the Library. Salt deposits in the province are located along the shores of lakes Huron and Erie and the sector represents close to two-thirds of Canada's production of salt.

The Corporation through its management of the Library is dedicated to providing professional, cost-effective services to meet our client's needs from Ontario, across Canada, and internationally.

Sincerely,

K Dale Holland

Dale Holland
President

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Ontario Oil, Gas and Salt Resources Trust

MISSION AND OBJECTIVES

MISSION

The Oil, Gas and Salt Resources Trust is a non-profit organization established as required by the Ontario Oil, Gas and Salt Resources Act to provide information management relating to oil, gas and salt resources in the province. The Trust also funds research projects, laboratory facilities and operations relating to oil and natural gas exploration and production, the storage of oil, natural gas and petrochemicals in geological formations, the disposal of oil field fluid in geologic formations and salt solution mining.

OBJECTIVES

The Ontario Oil, Gas and Salt Resources Trust manages the Oil, Gas and Salt Resources Library, a resource centre for petroleum, salt-solution mining and subsurface storage industries in Ontario. Its mandate includes maintaining and improving access to information relating to oil, natural gas and salt resources developing new data products, and generating new revenue to sustain operations.

The Oil, Gas and Salt Resources Library provides services on a cost recovery basis to companies and individuals involved in oil and gas exploration, production, storage as well as to the general public, universities, government ministries, agencies and companies providing geotechnical, geothermal and groundwater services.

The Ontario Oil, Gas and Salt Resources Library provides its clients in these resource industries with access to essential data not available from other sources with a view to enabling them to conduct their business in the safest and most efficient way possible. It also provides public access to this data at reasonable cost.

1.0 Introduction

The Ontario Oil, Gas and Salt Resources Trust (Trust) 2016 Annual Report was prepared to fulfill the mandate of the "Trust Agreement" between the Province of Ontario and the Ontario Oil, Gas & Salt Resources Corporation, an entity established by the Ontario Petroleum Institute Inc. (OPI).

The Annual Report has been reviewed by Ontario Oil, Gas and Salt Resources Trust Advisory Committee as part of its Trust Agreement responsibility to set operating budgets and to direct policy with respect to expenditures.

2.0 Executive Summary

The 2016 Annual report identifies the objectives undertaken by the Trust in operating Oil, Gas and Salt Resources Library (Library) as a resource centre for the oil and natural gas, hydrocarbon storage, and salt/solution mining industries in the province.

The Library is a self-sustaining organization that generates its revenues from the Ontario oil and natural gas industry, governments, agencies and associations. Despite declining revenues from reduced exploration and development activity in recent years the Library reported a surplus for fiscal 2016 of $55,352 (encl., 2016 Ontario Oil, Gas and Salt Resources Trust Financial Statements).

The majority of the special projects revenue in 2016 was derived from the Ontario Ministry of Natural Resources and Forestry (MNRF), Geological Survey of Canada (GSC) and the Ontario Geological Survey (OGS).

The Library continued, in 2016, to promote its expertise and services to support exploration, production and storage of Ontario energy resources. The Library has a close working relationship with the MNRF providing services and project support that provides the Trust with financial stability.

3.0 Oil, Gas and Salt Resources Trust

The Ontario Oil, Gas and Salt Resources Trust was formed by the Ontario Ministry of Natural Resources pursuant to amendments made to the Oil, Gas and Salt Resources Act in 1997. A Trust Agreement, dated February 16, 1998, was signed with the "Original Trustee", the Ontario Oil Gas and Salt Resources Corporation, an entity established by the Ontario Petroleum Institute Inc. The OPI is the sole shareholder of the Ontario Oil Gas and Salt Resources Corporation. The Executive of the OPI are the officers of the Corporation. The Executive Director of the OPI is the Managing Director of the Trust.

The Trust Agreement gives the Trust the responsibility for the operation of the Library: core and cuttings storage, public access to well files, maintenance of client service area and payment of all reasonable costs and expenses. Requirements for a Trust Advisory Committee (TAC) exist within the Trust Agreement. The TAC is comprised of four representatives from the oil and natural gas exploration and production industry, and one representative from each of the natural gas storage, hydrocarbon cavern storage, and salt solution mining industries. The TAC meets regularly to advise the Corporation on policy, operations and budgeting.

3.1 The Structure of the Trust Agreement

Ontario Ministry of Natural Resources	Trustee Ontario Oil, Gas & Salt Resources Corporation ⇓ Oil, Gas and Salt Resources Library ⇓ Managing Director ⇓ Manager ⇓ Staff and Contractors	Trust Advisory Committee

3.2 Ontario Oil, Gas & Salt Resources Corporation

Officers

Frank Kuri, President; Dale Holland, First Vice President; Jim McIntosh, Second Vice President; Charlie Fairbank, Secretary; Jack Norman, Treasurer (Executive of the Ontario Petroleum Institute Inc.)

3.3 Trust Advisory Committee

The Trust Advisory Committee is a seven person committee comprised of four representatives from the oil and natural gas exploration and production industry, and one representative from each of the natural gas storage industry, the hydrocarbon cavern storage industry, and the salt solution-mining industry, appointed by the Ontario Oil, Gas & Salt Resources Corporation.

Oil and Natural Gas Exploration and Production:
Dale Norman, Elexco Ltd.
Mike Dorland, Consulting Geologist
Terry Carter, Consulting Geologist
Scott Lewis, Tribute Resources

Natural Gas Storage:
Shelie Cascadden, Union Gas

Hydrocarbon Cavern Storage:
Dean Edwardson, Sarnia-Lambton Environmental Association

Salt Solution Mining:
Stephan Whan

Ontario Ministry of Natural Resources (non-voting observer)
Lee Fortner

The chairman of the Trust Advisory Committee is Dale Norman.

3.4 Oil, Gas and Salt Resources Library Team

Hugh Moran, Managing Director
Jordan Clark, Manager
Liz Sutherland. GIS and Database Technician
Candace Freckelton, Quality Assurance Geologist
Matthew Dupont, Data and Operations Clerk

4.0 Industrv Summarv

Ontario's petroleum and salt solution-mining industries include the following activities:

(i) oil exploration and production;
(ii) natural gas exploration and production;
(iii) natural gas underground storage;
(iv) salt solution mining; and
(v) hydrocarbon underground storage associated with the petrochemical refining industry

These activities provide Ontario consumers with the following:

(i) storage of natural gas imported to Ontario from sources in Saskatchewan, Alberta, British Columbia, Pennsylvania and Ohio by pipeline and held in reserve to supplement times of peak demand. This becomes very important with the switch from coal to natural gas generation of electricity;
(ii) table salt and industrial salt – Ontario is a net exporter of salt produced from salt solution-mining;
(iii) underground storage in caverns of product necessary for Ontario's petrochemical and refining industry;
(iv) a small percentage of Ontario's demand for oil and related products; and
(v) a small percentage of Ontario's demand for natural gas

An estimate of the oil and gas industry's contribution to the Ontario economy:

(i) approximately 700 plus people directly employed in exploration, production, storage and salt solution-mining in Ontario;
(ii) industry assets = $650 million;
(iii) personal total taxable income = $55 million;
(iv) services and goods purchased by the industry = $90 million;
(v) lease payments and royalties paid to land owners and the crown = $10. 4 million; and
(vi) municipal taxes = >$4 million per year.

The approximate value of production and storage in Ontario in 2016:
(i) 1,127 wells produced 56,867 m^3 (357,683 barrels) of oil= $20.4 million ?
(ii) 1,178 wells produced 152,311 m^3 (5.5 bcf) of natural gas = $19.0 million?
(iii) 7,300 million m^3 (258 bcf) of natural gas storage capacity = $1 billion
(iv) 3.5 million m^3 of hydrocarbon storage capacity = $2 billion

Overall annual value of oil and natural gas sector in the province is approximately $4 billion.

5.0 Oil, Gas and Salt Resources Library

5.1 Resources

The Oil, Gas and Salt Resources Library can trace its origin to the late 1800's when the Geological Survey of Canada (GSC) solicited voluntary submissions of drill cuttings and core from oil and gas wells drilled in Ontario and other parts of the country. This informal collection evolved into the establishment of a core and drill cuttings sample processing, storage and study facility in Ottawa. In 1950, a similar facility was established in Calgary and all Western Canada drill cuttings samples stored in Ontario were transferred to Calgary. In 1971, the Ontario cores and drill cuttings samples were shipped to the new Petroleum Resource Laboratory in London, Ontario. The lab was owned and operated by the Ontario Ministry of Natural Resources. A new facility was built in London in 1987. The Ontario Oil, Gas & Salt Resources Corporation assumed responsibility for it in 1998.

The Library houses resources and data available for study including: (i) drill cuttings samples from over 13,100 wells; (ii) cores from over 1,027 wells; (iii) documentation from approximately 26,500 wells including geophysical logs, formations tops, well history and construction; (iv) oil/gas/water zones and initial completion results; (v) core analyses, (vi) oil/gas/water analyses; and (vii) an extensive collection of reference books, periodicals and reprints on the subsurface geology and resources of Ontario.

The project to digitize all hard-copy petroleum well records remained as a first priority in 2016, accounting for over 125,000 scanned pages of original well completion and well plugging and other technical reports. The results will not only preserve the original archive but will also serve as an instant online viewer of all documents. This project is nearing completion with 25% of records remaining to be scanned.

The Ontario Petroleum Data System data entry project is complete with a total count of approximately 26,500 wells on record. The second phase "Data Integrity" project has further enhanced data accuracy and remains as an ongoing effort.

A pools and pipelines update was completed in 2016. Revised pool boundaries are published in the Oil and Gas Pools and Pipelines Map of Southern Ontario.

5.2 Services

The Library is visited by industry participants that wish to view maps of well locations, as well as data files including drilling reports, production records, and plugging reports from wells drilled in Ontario under the Oil, Gas and Salt Resources Act. The Library is the only repository for this data and is also the only location where clients can view core and drill cuttings samples from these wells. Clients can make copies of the data files for review outside of the Library.

An ArcGIS workstation is available for client use and is equipped with the MNRF proprietary PetroGIS software for performing spatial queries on the digital petroleum well. The Library also provides GIS training to clients in qGIS a free GIS package compatible with Ontario data, Software services in mapping, 3D modelling, and 3D model animation is available to any researchers of Ontario's subsurface.

The Library also operates a dynamic website (www.ogsrlibrary.com) which contains summaries of reference materials and a growing list of regularly updated reports including drilling activity and production. Member access includes individual well history complete with geology, analyses, geophysical logs, stimulation production, history plugging and operations.

Basic digital petroleum well data including location and operational dates are posted to the Library website for complimentary download. A set of enhanced and value-added subsurface data are available for purchase. The website is updated regularly with verified location data and improvements to digital data products. The Library staff utilizes this digital data for plotting specialized maps which combine different data types including well locations, bedrock geology, bedrock topography, oil and gas pools, and digital elevation models for Ontario as well as incorporating results from data queries and filters.

The Production Module for the Library's well database now incorporates all 70,000 production forms scanned. These forms are posted on the website and can be viewed at no charge by the public. This module also contains digitized monthly production data for all wells completed between 1992 and 2015. The Library has over 7.5 million rows of digital production data available for query and for download by individual and corporate members.

Operators in Ontario are required by regulation to submit drill cuttings and drilled core to the Library for archiving. The Library processes the cuttings for examination and storage, and can provide additional services including slabbing of core as well as collecting of samples from core to be sent to outside laboratories for analysis.

5.3 Ongoing Initiatives

5.3.1 Digitization of Hard-Copy Petroleum Well Records

The ongoing project to scan original source documents is already proving its worth as the industry responds positively to thousands of records being instantly available online. Dedication to this effort has resulted in 100% of archival records being scanned and digitally cataloged. This project was initially sponsored by the MNRF and was completed in the second quarter of 2016. The Library continues to update the catalogue with new hard copy record submissions.

5.3.2 Digital Archiving of Geophysical Log

A major undertaking in 2012 was the digital log archiving which produced 21,000 geophysical log scans from paper records and became the ultimate backup and an online resource for clients. This project continued into second phase during 2016 to accomplish depth registration for each image captured. The project results are expected to be used in the marketing of the Ontario industry in upcoming OPI magazines.

5.3.3 Seismic Surveys and Shot Lines

Following industry feedback, in 2016 the Library approached the majority of companies who own seismic surveys in Ontario to propose a one point data exchange with anyone interested in exploration. The objective of this venture will aim at encouraging investment in the Ontario oil and gas industry. All seismic shot lines known to the Library were verified in 2012 by Library staff using historical records and a digital compilation of lines was produced. Additional work could be done by the Library to locate owners of proprietary seismic data not recorded in archives in order to stimulate exploration in the province.

5.3.4 Log Digitizing

Targeted Geoscience Initiative research provided funds for hardware/software to scan and digitize hard-copy geophysical well logs as well as to acquire select project logs not submitted to MNRF. For a fee, Library staff can digitize logs upon client request.

There is a continuous review of current digital data pricing. There are also on-going requests to MNRF to ensure that digital log submissions are part of the next Provincial Operating Standards update. To date 21,000 geophysical well logs have been scanned and catalogued as TIFF files and 4,700 well logs have been digitized as LAS files.

5.3.5 Digital Data Publishing

The Library will continue to work, in partnership with the MNRF to build, maintain and market a digital database of geologic and engineering information on wells drilled in Ontario. The Library will be the data vendor for information on Ontario oil, natural gas, and salt and hydrocarbon resources, based on the Data Resale Agreement with MNRF. Partnerships have also been formed with OGS and GSC to augment data holding relevant to those groups.

Current Activity:

- MNRF maintains the Ontario Petroleum Data System (OPDS) database of all identified wells regulated under the Oil, Gas and Salt Resources Act. All recorded well information with the exception of production information, is entered into the OPDS. The Library, in cooperation with the MNRF has populated the database with available historical well information from archived files.
- Sale of value-added subsurface data from OPDS by the Library began in 2003 and will continue through 2016. Data consists of geological formation tops, logging records, and oil/gas/water interval records.
- The data sharing agreement signed between the MNRF Information Access Section and the Ontario Oil, Gas and Salt Resources Trust allows corporate members of the Library to use MNRF Digital Base Maps.
- The Library is updating well co-ordinates as required and populating the well location metadata record with accuracy descriptions. It is also performing quality assurance checks and corrections for oil, gas, and water interval records in the OPDS.
- Well production history is one of the most sought-after items by Library users. The Library has produced a digital dataset of well production history and has posted the data on its website for use by members. This project was funded in part by the MNRF.

6.0 Marketing

In 2016 the Trust marketed the Library as a resource centre and provider of member and client services. The emphasis was on business development and promotion.

The business development activities targeted to generate non-fixed Library revenue were centered on five strategic areas:

- **Data sales**
- **Membership**
- **Publications**
- **Special Projects**
- **Data & Mapping Services**

6.1 Business Development

The Library's business development activity sought additional project work, increased sales of information and data, new memberships, renewed Library publications, and direct support of client activity through data enhancement services. The geographical markets are Ontario, Alberta and the mid-western and northeastern United States.

In Ontario users are typically the operator of oil, natural gas, solution mining, natural gas storage, oil field fluid disposal or petroleum product storage wells in the province, or a consultant providing services to these operators. Outside of Ontario potential clients are resource exploration companies considering new locations for investment or activity.

The Library continues to look for opportunities to sell data and information (see Appendix 1). Various sectors of the economy including energy, telecommunications, and construction while responding to market conditions and regulations such as environmental compliance, may require resources offered by the Library.

Potential project work opportunities will be provided from the Ontario Ministry of Natural Resources and Forestry, the Ontario Geological Survey, the Geological Survey of Canada, and member companies and individuals.

The primary market for membership is the oil and natural gas sector, hydrocarbon storage companies and salt solution mining companies whose wells are regulated under the Act. Academics and researchers form an important secondary membership market. Of the 130 commercial operators that are assessed annual well license fees approximately 30 are Library members. In 2016 the Library's focus for new membership was on companies that operate wells licenses under the Act but do not have a Library membership.

Additional membership potential exists for any sector that perform subsurface work in Ontario including government ministries and agencies, companies providing geotechnical, geothermal and groundwater services, academic researchers, and the general public.

6.2 Promotion

The Library's promotional activity is focusing on exhibiting at conferences encourage companies to look to Ontario for exploration and production opportunities, and to enable the industry to obtain exposure to key sectors that represent revenue opportunities for membership, projects and data sales.

The list of conferences attended in 2016:

North American Prospect Expo, Houston Texas
AAPG Annual Convention and Exhibition 2016
2016 Michigan Petroleum Conference, Traverse City, Michigan
OPI Conference and Trade Show, Windsor, Ontario
Ontario Groundwater Association

7.0 Budget

7.1 Revenue

The Trust receives fixed and non-fixed revenue from well license fees, memberships, and data sales, drill cuttings processing fees, drill core processing fees, and special projects.

Fixed revenue, – the largest source, – comes from well license fees which are collected annually through Ontario Regulation 245/97. It obligates producers to pay a yearly production-based fee assessed by the MNRF. Revenue increase for 2016 was at par with 2015 that showed a substantial increase as a result of a well license fees increase that became effective on January 1, 2015.

The non-fixed revenue from memberships, data sales and special projects is mixed for 2016 with membership income lower and data services higher. Special Project revenue for 2016 while lower than 2015 came in at $77,000 an amount greater than the budgeted amount of $60,000 and all of which was derived from projects for the MNRF, OGS, and GSC. The Library is projecting an increase in special project revenue to $97,000 in 2017 thanks to increased interest in data production from the three main project partners: MNRF, OGS, and GSC.

The 2016 Library membership/user fee schedule is attached as Appendix 1.

7.2 Expenses

The Library's expenses rose in 2016 due primarily to the increased activity which began in the spring of 2014. This was a result of the combined marketing efforts by the OPI and the Library, additional project work, and a change of management that brought a fresh approach to the operation of the Library. The Library added a full-time employee to address a requirement for a GIS Technician

The Library reported a surplus of approximately $52,000 for the fiscal year 2016.

8.0 Priorities 2016

The Oil, Gas and Salt Resources Library concentrated its efforts in 2016 on:

(1) Geological Study – developed an initiative in partnership with the OPI to have the Ontario Geological Survey to initiate geological and geophysical work to enhance oil and natural gas exploration opportunities in Southwestern Ontario.

(2) Special Projects – The Library focused its efforts on securing various project contracts to support operations in 2016 and beyond.

(3) Data services and products - providing the most up-to-date data available and developing a broad selection of products to offer members and clients. The new core photo services resulted in a significant increase in work for the Library in 2016 and improved ease of access to core data.

(4) Client access to information - providing members and clients with ease of access, onsite and online, to the store of information housed in the Library. A greater emphasis was placed on safe and convenient access to physical rock samples at the Library and the making of sample cuttings for scientific purposes. Improvements were also made to the organizing, cataloguing, and availability of traditional Library materials, such as books and reports.

(5) Marketing – promoting the profitable development of Ontario natural resources, and the Library as a resource centre for oil and natural gas, hydrocarbon storage and salt-solution mining industries in a continued effort to increase membership, project contracts, and client services.

The OPI promoted the industry and the Library was marketed throughout North America in 2016.

9.0 A Sustainable Future

The Ontario Oil, Gas and Salt Resources Trust has been successfully supported by the oil and natural gas, hydrocarbon storage and salt-solution mining industries, the Government of Ontario and from clients in and outside of Ontario.

The Trust has built-up a contingency reserve of approximately $500,000 to ensure it has operational stability for the Library.

Appendix I

2016 Fees - Oil, Gas and Salt Resources Library

Membership Fees:

Annual fee – corporate	$1,925/year
Annual fee – individual	$660/year
Unlimited Geophysical Viewing	$500

User Fees:

	Member	Non-Member
Use of Core & Cuttings Room	No fee	$20/hour Plus setup charge
Use of File & OGSRL Research Room	No fee	$10/hour
Copying		
Standard copying charge (self-serve photocopy, custom staff e-mail, and pdf)	25¢/copy	50¢/copy
Geophysical log copying on paper bond	$4.75/m	$6.50/m
Plotting	$25	$25
Research and Data Retrieval		
General Research/Retrieval by OGSRL Staff : (1 hour minimum)	$30/hour	$40/hour
Digital Data Research/Retrieval by OGSRL Staff: (1 hour minimum)	$55/hour	$75/hour
Digital Products and Services		
Ontario Digital Base Maps (GIS) *GIS (shape file) coverage of Southern Ontario.*	No fee	Not Available
Digital Surface Data (DBF) FREE at www.ogsrlibrary.com *Well location and historical information for over 26,000 well records.*		
Digital Subsurface Data (DBF)	$4,000	$6,500
Data Maintenance Updates	$300	$300

Digital tables with oil, natural gas, water, casing, logging and geological formation intervals.

Geophysical Logs
$10.00/image (TIFF)
$15.00/smart raster (depth calibrated TIFF)
$20.00/LAS curve

Core Photos: $10/box

Maps

Pool & Pipelines of Southwestern Ontario $75/map
Oil and gas pools, underground storage and major pipelines map at 1:400,000
(The pools and pipeline map will be updated and available for purchase on a yearly basis)

Well Location Maps:

E-size plot	$50
D-size plot	$25

Over 26,000 well locations plus roads, rivers and other culture.

Spacing Orders

Free PDF at www.ogsrlibrary.com
E-size plot - $50.00

Sample Processing Fees - New Wells

Cuttings Bagged and Unwashed	90¢/meter for vertical and deviated section of wells
Cuttings Bagged and Unwashed	45¢/meter for horizontal section of wells
Cuttings Washed and Vialed	60¢/meter for vertical and deviated section of wells
Cuttings Washed and Vialed	30¢/meter for horizontal section of wells

Core Processing Fee

Delivered, unslabbed	$30/meter
Delivered, slabbed to specs	$10/meter

Miscellaneous

Exclusive use of Core & Cuttings Room - $300.00/day
Shipping & Handling - $10 plus postage
Shipping & Handling applies to all products not picked up at the OGSRL

*** All fees are subject to applicable taxes.**

OIL, GAS AND SALT RESOURCES TRUST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

OIL, GAS AND SALT RESOURCES TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Oil, Gas and Salt Resources Trust:

I have audited the accompanying financial statements of Oil, Gas and Salt Resources Trust, which comprise the Statement of Financial Position as at December 31, 2016, and the Statements of Operations and Net Assets and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Oil, Gas and Salt Resources Trust as at December 31, 2016 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Scrimgeour & Company

May 12, 2017
London, Canada

LICENSED PUBLIC ACCOUNTANT

OIL, GAS AND SALT RESOURCES TRUST
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016

		2016		2015
ASSETS				
Current Assets				
Cash (note 2.b), (note 4)	$	**52,159**	$	53,343
Short-term investments		**335,481**		325,577
Accounts receivable (note 2.h)		**40,606**		5,826
Prepaid expenditures		**610**		5,421
Inventory (note 2.d)		**3,779**		3,856
		432,635		394,023
Property, plant and equipment (note 2.e), (note 5)		**8,052**		10,065
TOTAL ASSETS	$	**440,687**	$	404,088
LIABILITIES AND NET ASSETS				
Current Liabilities				
Accounts payable and accrued liabilities (note 6)		**13,221**		35,470
Deferred revenue		**21,224**		17,728
Payable to the Province of Ontario		**406,242**		350,890
Net assets (page 3)		**-**		-
TOTAL LIABILITIES AND NET ASSETS	$	**440,687**	$	404,088

Approved on behalf of Trustee:

Hugh Moran, Executive Director

The accompanying notes are an integral part of the financial statements

OIL, GAS AND SALT RESOURCES TRUST
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016	2015
NET ASSETS, BEGINNING OF YEAR	$ -	$ -
Excess of revenues over expenditures (page 4)	-	-
NET ASSETS, END OF YEAR	$ -	$ -

The accompanying notes are an integral part of the financial statements

OIL, GAS AND SALT RESOURCES TRUST
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016		2015
REVENUES				
Well license fees	$	**179,592**	$	180,008
Sample processing fees		**2,636**		5,272
Special projects		**94,020**		121,955
Labour and clerical		**15,347**		9,053
Memberships		**33,154**		34,050
Lab user fees		**951**		1,533
Publications and data		**10,346**		9,975
Sponsorship		**730**		788
Interest and foreign exchange		**3,137**		5,268
		339,913		367,902
EXPENDITURES				
Amortization		**2,013**		2,740
Bad debts expense (recovery)		**6,861**		(1,898)
Bank charges		**2,062**		1,984
Contract and co-op wages		**21,966**		82,300
Databases		**1,686**		1,881
Insurance		**2,950**		3,298
Office expenses		**10,115**		9,182
Postage and telephone		**3,512**		3,797
Processing supplies		**602**		1,794
Professional fees		**4,800**		8,939
Promotion and travel		**15,870**		13,262
Rent		**46,281**		54,716
Training and development		**1,329**		502
Trust management fee		**25,000**		20,000
Wages and employee benefits		**132,164**		95,874
Waste and janitorial		**7,350**		7,390
		284,561		305,761
NET OPERATING REVENUES IN EXCESS OF EXPENDITURES		**55,352**		62,141
OTHER REVENUES (EXPENDITURES)				
Gain (loss) on disposal of capital asset		**-**		(65)
		-		(65)
EXCESS OF REVENUES OVER EXPENDITURES BEFORE ALLOCATION		**55,352**		62,076
Allocation to the Province of Ontario		**55,352**		62,076
EXCESS OF REVENUES OVER EXPENDITURES	$	**-**	$	-

OIL, GAS AND SALT RESOURCES TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016

		2016		2015
OPERATING ACTIVITIES				
Amortization		**2,013**		2,740
Loss (gain) on sale of plant, property and equipment		**-**		65
		2,013		2,805
OTHER ITEMS NOT INVOLVING CASH				
Decrease (increase) in accounts receivable		**(34,780)**		17,036
Decrease (increase) in inventory		**77**		(272)
Decrease (increase) in prepaid expenses		**4,811**		-
Increase (decrease) in accounts payable and accrued liabilities		**(22,249)**		17,183
Increase (decrease) in deferred revenue		**3,496**		(3,048)
Increase (decrease) in Province of Ontario		**55,352**		62,076
		8,720		95,780
INVESTING ACTIVITIES				
Plant, property and equipment additions		**-**		(1,600)
Net decrease (increase) of investments		**(9,904)**		(76,793)
		(9,904)		(78,393)
Increase (decrease) in cash		**(1,184)**		17,387
Cash, beginning of year		**53,343**		35,956
CASH END OF YEAR	**$**	**52,159**	$	53,343

The accompanying notes are an integral part of the financial statements

1. Nature of business

Pursuant to the Oil, Gas and Salt Resources Act, R. S. O. 1990, Oil, Gas and Salt Resources Trust (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. The monetary value of this entitlement is reflected within the current liabilities as "Payable to the Province of Ontario".

2. Significant accounting policies

The Trust has prepared these financial statements in accordance with Canadian Accounting Standards for Not-for-Profit Organizations (ASNPO).

a. Revenue recognition

Fees and other revenue received in advance are deferred and recognized as revenue at the time the related expenditures are incurred. Sponsorship revenue received for the purchase of capital assets is deferred and is recognized as revenue on the same basis as the amortization expense related to the acquired capital assets. Members' fees as set up by the Trustee are recognized on a straight line basis over the term of the membership. Well licensing fees are recognized as revenue on a fiscal year basis. Investment revenue is recognized within the month in which it is earned.

b. Cash

Cash includes cash on hand and balances with banks.

c. Investments

Investments consist of cashable guaranteed investment certificates with Canadian banks and are carried at market value. The weighted average interest rate of the guaranteed investment certificates is 0.75% (2015 -.75%). Investments are measured at fair value at each reporting date and any unrealized gains or losses are recognized in operations for the period in which they arise.

d. Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Costs such as storage costs and administrative overheads that do not contribute to bringing the inventories to their present location and condition are specifically excluded from the cost of inventories to their present location and condition are specifically excluded from the cost of inventories and are expensed in the period incurred.

e. Capital assets

Capital assets are initially recorded at cost less accumulated amortization. Amortization is calculated on a straight-line or declining balance basis over the estimated useful lives of the property and equipment as follows:

Computer hardware	20% declining balance or 3 years straight line
Furniture and equipment	20% declining balance

f. Foreign currency transactions

The Trust translates all of its foreign currency transactions using the temporal method. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate in effect at date of the Statement of Financial Position. Other assets and liabilities are translated at the exchange rate in effect at the transaction date. Items appearing in the current year's statement of operations are translated at average year rates. Exchange gains and losses are included in the Statement of Operations.

g. Financial instruments

The Trust initially measures its financial instruments at fair value. The Trust subsequently measures all its financial assets and liabilities at amortized cost except for cash and cash equivalents which are measured at fair value. Changes in fair value are recognized in the Statement of Operations.

h. Accounts receivable

Accounts receivable at December 31, 2016 are reported net of allowance for doubtful accounts in the amount of $8,484 (2015 - $6,472).

3. Related party transactions

During the year the Trust participated in the following related party transaction with its trustee (note 1). Trust management fees were paid totaling $25,000 (2015 - $20,000). This transaction was in the normal course of operations and measured at the exchange value as agreed upon by the related parties.

4. Cash

Included within cash is a balance of $6,606 (2015 - $6,608) which is held as continuing collateral security for the payment of present and future indebtedness and cannot be used for current transactions.

5. Property, plant and equipment

The Company's property and equipment consist of the following:

	Cost	Accumulated Amortization	2016	2015
Computers	**34,761**	**(30,935)**	**3,826**	4,782
Furniture and fixtures	**37,624**	**(33,398)**	**4,226**	5,283
	72,385	**(64,333)**	**8,052**	10,065

6. Accounts payable and accrued liabilities

Included within accounts payable and accrued liabilities are amounts owing to various government agencies totaling $5,609 (2015 - $24,354).

7. Financial instruments - risks

a. Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Some assets are exposed to foreign exchange fluctuations. As at December 31, 2016, cash of $299 (2015 - $299) is denominated in US dollars and converted to Canadian dollars.

b. Credit risk

The Trust has determined that the financial assets with credit risk exposure are accounts receivable since failure of any of these parties to fulfill their obligations could result in significant financial losses for the Trust.

c. Liquidity risk

The Trust's liquidity risk represents the risk that the Trust could encounter difficulty in meeting obligations associated with its financial liabilities. The Trust is, therefore, exposed to liquidity risk with respect to its accounts payable and accrued liabilities..

8. Lease commitment

The Trust is currently negotiating its lease.

9. Comparative balances

Certain of the comparative balances have been reclassified to conform to the current years' presentation. The comparative balances have been audited by the Trust's previous auditor.