



ANNUAL

REPORT

2003

Trust Purposes

The funding of information management relating to oil, gas and salt resources;

The funding of research, surveys and laboratory facilities and operations relating to:

- oil or gas exploration, drilling or production;
- storage of oil, gas and other hydrocarbons in geological formations;
- disposal of oil field fluids in geological formations; and,
- solution mining of salt.

Such other matters as may be specified by the Minister.

Activity in 2003

87 wells drilled

19 wells plugged

54,201 metres drilled

1189 producing oil wells

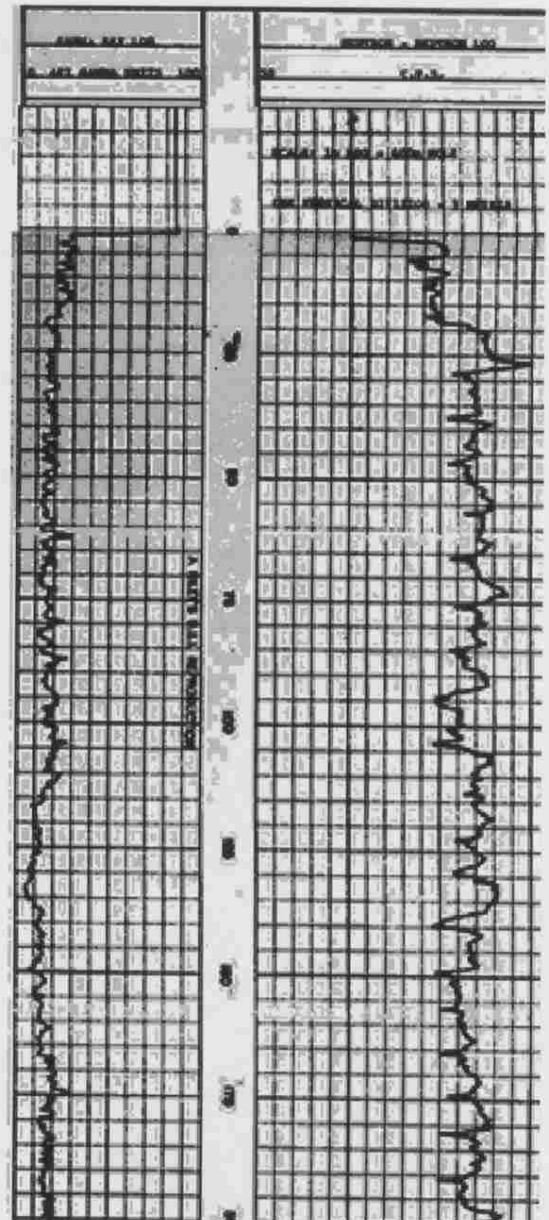
186,000 cubic metres of oil produced

1,369 producing natural gas wells

377.9 million cubic meters of natural gas produced

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

(information as of May 15, 2004)



June 30, 2004

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 2003 Annual Report of the Oil, Gas & Salt Resources Trust.

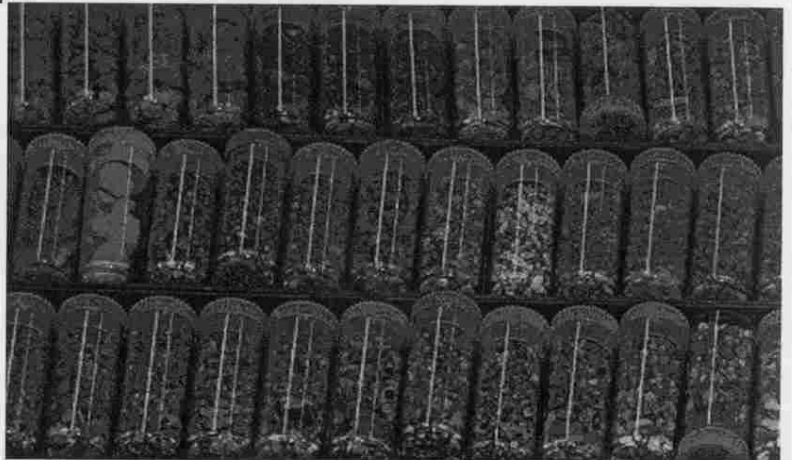
2003 continued to be an extremely productive year for the Trust. It continues to invest in converting the data that exists in the Oil, Gas & Salt Resources Library to a more modern and accessible digital format. In addition to continuing to operate the Library as a resource centre for the study of Ontario's 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 2003 also sees the beginning of a partnership with the Targeted Geoscience Initiative (TGI) of Natural Resources Canada. 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 2006.

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.

2004 will see the development of more digital data products, in addition to broader geographical coverage of Ontario.

Sincerely,

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



Highlights in 2003

Oil and Gas Industry Activity

Drilling activity in Ontario continued at the relatively low levels experienced in 2002. Oil prices were strong throughout the year due to supply concerns related to the Iraq conflict and low inventory levels of refined petroleum products in the United States. Natural gas prices did not reach the record highs of 2002 due to healthy inventories of natural gas in storage reservoirs and normal winter temperatures, but still remained at levels appreciably higher than long-term averages.

Despite high commodity prices preliminary figures indicate production of oil and natural gas declined significantly in 2003. Oil production in 2003 totalled 186,000 cubic metres compared to 214,000 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 378 million cubic metres compared to 425 million cubic metres in 2002, due primarily to lower production from wells on Lake Erie. Estimated value of production was \$50.2 million for oil and \$112.5 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 3500 man-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 and Niagara Regions. Basic data can now be downloaded free of charge from the OGSR Library website for all counties in southern Ontario.

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 regularly fulfills requests is 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 2003 to concentrate on reducing the number of backlogged sample washings. Drill cutting samples for wells were washed, vialled and permanently stored in the OGSR Library warehouse.

Website

Revisions to the OGSR Library website were ongoing during 2003: 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 2004:

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 through the MNR's Ontario Petroleum Data System (OPDS). By the end of 2004, data and location-verification for the 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-2005.

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 will consist of updated estimates of discovered and undiscovered oil and gas resources for the Ordovician hydrocarbon play, and a series of subsurface geological cross-sections of Southern Ontario. The TGI partnership will seek input and analysis from local geological consultants and analysis from the Ontario Geological Survey. The TGI project will also allow a continued 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 Gas Storage industries. The hope of the OGSR Trust is that such initiatives continue to be available in the future to enhance the trusts targeted research budgets.

Future research initiatives of the OGSR Trust will 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 calcium brine production, compressed air energy storage and cavern storage of natural gas.



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, 2003 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, 2003 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

London, Ontario
March 4, 2004

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Oil, Gas and Salt Resources Trust

Statement of Earnings

Years Ended December 31

	2003	2002
Revenue		
Well licence fees	\$ 125,923	\$ 127,034
Sample processing fees	41,928	38,685
Photocopying	13,356	14,415
Memberships	19,891	4,998
Lab user fees	3,118	1,513
Maps	12,165	2,854
Geoscience	1,765	-
Interest and foreign exchange	4,642	6,929
	<u>222,788</u>	<u>196,428</u>
Expenses		
Wages and employee benefits	87,582	85,048
Contract and co-op wages	50,290	37,627
Processing supplies	6,329	13,935
Waste removal	187	531
Sundry	9,277	5,651
Trust management fee	7,500	5,000
Trust services fee	7,500	5,000
Professional fees	2,858	2,798
Office expenses	7,692	6,115
Postage and telephone	4,640	3,074
Insurance	3,568	2,835
Travel	338	547
Rent	75,930	66,897
Database management	978	580
Bad debts	1,558	807
Amortization	5,671	9,941
	<u>271,898</u>	<u>246,386</u>
Loss before allocation	(49,110)	(49,958)
Allocation to the Province of Ontario	<u>49,110</u>	<u>49,958</u>
Net earnings	\$ <u>-</u>	\$ <u>-</u>

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust

Statement of Retained Earnings

Years Ended December 31

	2003	2002
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

2003

2002

Assets

Current Assets

Cash and term deposits	\$ 110,676	\$ 154,696
Accounts receivable	49,318	4,260
Inventory of supplies	7,537	13,817
Prepaid expenses	<u>5,160</u>	<u>5,562</u>
	172,691	178,335

Capital Assets (Note 3)

15,773	21,120
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<u>\$ 188,464</u>	<u>\$ 199,455</u>
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Commitments (Note 4)

On behalf of the Trustee

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust

Balance Sheet

As At December 31

2003

2002

Liabilities

Current Liabilities

Accounts payable and accrued liabilities	\$ 25,551	\$ 2,133
Unearned revenue	14,701	-
Payable to the Province of Ontario	<u>148,212</u>	<u>197,322</u>
Total liabilities	188,464	199,455

Equity

Retained Earnings (Page 3)

-	-
\$ <u>188,464</u>	\$ <u>199,455</u>

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust

Statement of Cash Flows

Years Ended December 31

2003

2002

Increase (decrease) in cash and term deposits

Operating

Cash received from customers	\$ 186,847	\$ 190,273
Cash payments to suppliers for goods and services	(96,697)	(186,958)
Cash payments to employees	(137,872)	(122,675)
Interest received	<u>4,026</u>	<u>10,250</u>
	(43,696)	(109,110)

Investing

Purchase of capital assets	<u>(324)</u>	<u>(4,009)</u>
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Change in cash and term deposits

	(44,020)	(113,119)
Cash and term deposits, beginning of year	<u>154,696</u>	<u>267,815</u>
Cash and term deposits, end of year	\$ <u>110,676</u>	\$ <u>154,696</u>

See accompanying notes to financial statements.

Oil, Gas and Salt Resources Trust

Notes to the Financial Statements

December 31, 2003

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.

Oil, Gas and Salt Resources Trust

Notes to the Financial Statements

December 31, 2003

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 small balance in accounts receivable. 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

	<u>2003</u>		<u>2002</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>	<u>Net Book Value</u>
Furniture and fixtures	\$ 30,557	\$ 17,792	\$ 12,765	\$ 15,591
Computer equipment	<u>20,072</u>	<u>17,064</u>	<u>3,008</u>	<u>5,529</u>
	<u>\$ 50,629</u>	<u>\$ 34,856</u>	<u>\$ 15,773</u>	<u>\$ 21,120</u>

Oil, Gas and Salt Resources Trust

Notes to the Financial Statements

December 31, 2003

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, 2003. The minimum annual lease payments due to the expiry of this lease, in March 2006 are as follows:

2004	\$	57,872
2005		57,872
2006		<u>14,468</u>
	\$	<u>130,212</u>

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.



OOGSRC Board of Directors

President
Tony Steele
Polishuk, Camman and Steele

First Vice President
Kerry O'Shea
Dillon Consulting Limited

Second Vice President
Lyle Reiber
Talisman Energy Inc

Treasurer
Ray Neal
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Secretary
Bill Fay
Union Gas Limited

Trust Advisory Committee

Oil and Gas
Peter Johnston (chair)
Union Gas Limited

Ian Colquhoun
Veteran Resources Inc.

Duncan Hamilton
Greentree Gas And Oil

Ron Stinson
Talisman Energy Inc.

Natural Gas Storage
Jim Egden
Union Gas Limited

Hydrocarbon Cavern Storage
Neil MacDougall
Bayer Inc

Solution Mining
Mike Learn
The Canadian Salt Company