

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**

-1-	Independent Auditor's Report
-2-	Statement of Financial Position
-3-	Statement of Net Assets
-4-	Statement of Operations
-5-	Statement of Cash Flows
-6-	Notes to the Financial Statements

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.

May 12, 2017
London, Canada

Scrimgeour & Company
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

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	\$ -	\$ -

The accompanying notes are an integral part of the financial statements

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

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

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.

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

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.

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

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.