

**OIL, GAS AND SALT RESOURCES TRUST**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**INDEPENDENT AUDITOR'S REPORT**

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

**Opinion**

We have audited the financial statements of Oil, Gas and Salt Resources Trust (the "Trust"), which comprise the Statement of Financial Position as at December 31, 2018, and Statements of Net Assets, Operations and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Oil, Gas and Salt Resources Trust as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

**Basis of Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trusts financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**May 24, 2019**  
**London, Canada**

*Scrimgeour & Company*  
**LICENSED PUBLIC ACCOUNTANT**

**OIL, GAS AND SALT RESOURCES TRUST**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT DECEMBER 31, 2018**

	2018	2017
<b>ASSETS</b>		
Current Assets		
Cash (note 2.b), (note 4)	\$ 133,993	\$ 47,970
Short-term investments	203,323	403,073
Accounts receivable (note 2.h)	133,586	15,316
Prepaid expenditures	1,297	536
Inventory (note 2.d)	4,838	3,658
	477,037	470,553
Property, plant and equipment (note 2.e), (note 5)	21,091	6,550
<b>TOTAL ASSETS</b>	<b>\$ 498,128</b>	<b>\$ 477,103</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Accounts payable and accrued liabilities (note 6)	\$ 25,704	\$ 32,072
Deferred revenue	16,845	16,745
Payable to the Province of Ontario (note 9)	455,579	428,286
Net assets (page 4)	-	-
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 498,128</b>	<b>\$ 477,103</b>

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, 2018**

	<b>2018</b>		2017	
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>
Excess of revenues over expenditures (page 5)		-		-
<b>NET ASSETS, END OF YEAR</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>

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, 2018**

	2018	2017
<b>REVENUES</b>		
Well license fees	\$ 177,032	\$ 173,916
Sample processing fees	3,195	2,979
Special projects	254,730	205,375
Labour and clerical	5,069	7,714
Memberships	34,403	30,674
Lab user fees	683	263
Publications and data	5,499	10,096
Sponsorship	584	584
Interest and foreign exchange	4,934	4,422
	<b>486,129</b>	<b>436,023</b>
<b>EXPENDITURES</b>		
Amortization	3,071	1,502
Bad debts expense (recovery)	-	600
Bank charges	2,475	2,025
Contract and co-op wages	44,032	9,163
Insurance	2,435	2,950
Office expenses	12,265	15,963
Postage and telephone	3,232	3,182
Processing supplies	2,081	121
Professional fees	4,800	4,800
Promotion and travel	45,506	33,960
Rent	23,806	53,669
Special projects	83,483	109,800
Training and development	1,540	2,024
Trust management fee	25,000	25,000
Wages and employee benefits	197,655	141,339
Waste and janitorial	7,945	7,881
	<b>459,326</b>	<b>413,979</b>
<b>NET OPERATING REVENUES IN EXCESS OF EXPENDITURES</b>	<b>26,803</b>	<b>22,044</b>
<b>OTHER REVENUES (EXPENDITURES)</b>		
Gain (loss) on disposal of capital asset	490	-
<b>EXCESS OF REVENUES OVER EXPENDITURES BEFORE ALLOCATION</b>	<b>27,293</b>	<b>22,044</b>
Allocation to the Province of Ontario	27,293	22,044
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>\$ -</b>	<b>\$ -</b>

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, 2018**

	2018	2017
<b>OPERATING ACTIVITIES</b>		
Amortization	3,071	1,502
	<b>3,071</b>	<b>1,502</b>
<b>OTHER ITEMS NOT INVOLVING CASH</b>		
Decrease (increase) in accounts receivable	(118,270)	25,290
Decrease (increase) in inventory	(1,180)	121
Decrease (increase) in prepaid expenses	(761)	74
Increase (decrease) in accounts payable and accrued liabilities	(6,368)	18,851
Increase (decrease) in deferred revenue	100	(4,479)
Increase (decrease) in Province of Ontario	27,293	22,044
	<b>(96,115)</b>	<b>63,403</b>
<b>INVESTING ACTIVITIES</b>		
Property, plant and equipment additions	(17,612)	-
Net decrease (increase) of investments	199,750	(67,592)
	<b>182,138</b>	<b>(67,592)</b>
Increase (decrease) in cash	<b>86,023</b>	(4,189)
Cash, beginning of year	<b>47,970</b>	52,159
<b>CASH END OF YEAR</b>	<b>\$ 133,993</b>	<b>\$ 47,970</b>

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, 2018**

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**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 information management, research, surveys and laboratory facilities relating to oil, gas and salt resources.

**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 2.175% (2017 - 1.30%). 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, 2018**

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**e. Property, plant and equipment**

Property, plant and equipment are initially recorded at cost less accumulated amortization. Amortization is calculated on a straight-line or declining balance basis over the estimated useful lives 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, 2018 are reported net of allowance for doubtful accounts in the amount of \$NIL (2017 - \$NIL).

**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 (2017 - \$25,000). 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 \$6,623 (2017 - \$6,609) 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, 2018**

**5. Property, plant and equipment**

The Trust's property, plant and equipment consist of the following:

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>2018</b>	<b>2017</b>
Computer hardware	44,373	(26,073)	18,300	3,061
Furniture and equipment	37,624	(34,833)	2,791	3,489
	<b>81,997</b>	<b>(60,906)</b>	<b>21,091</b>	<b>6,550</b>

**6. Accounts payable and accrued liabilities**

Included within accounts payable and accrued liabilities are amounts owing to various government agencies totaling \$17,264 (2017 - \$23,113).

**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, 2018, cash of \$299 (2017 - \$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**

During 2018, the lease for the Trust's current location was assumed by the Ontario Ministry of Natural Resources.

**OIL, GAS AND SALT RESOURCES TRUST  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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**9. Due to Province of Ontario**

Pursuant to the trust agreement, upon the termination of the Trust, the net Trust assets, after the settlement of all liabilities, will be returned to the Crown. The monetary value of this amount is reflected within the current liabilities as "Payable to the Province of Ontario".