

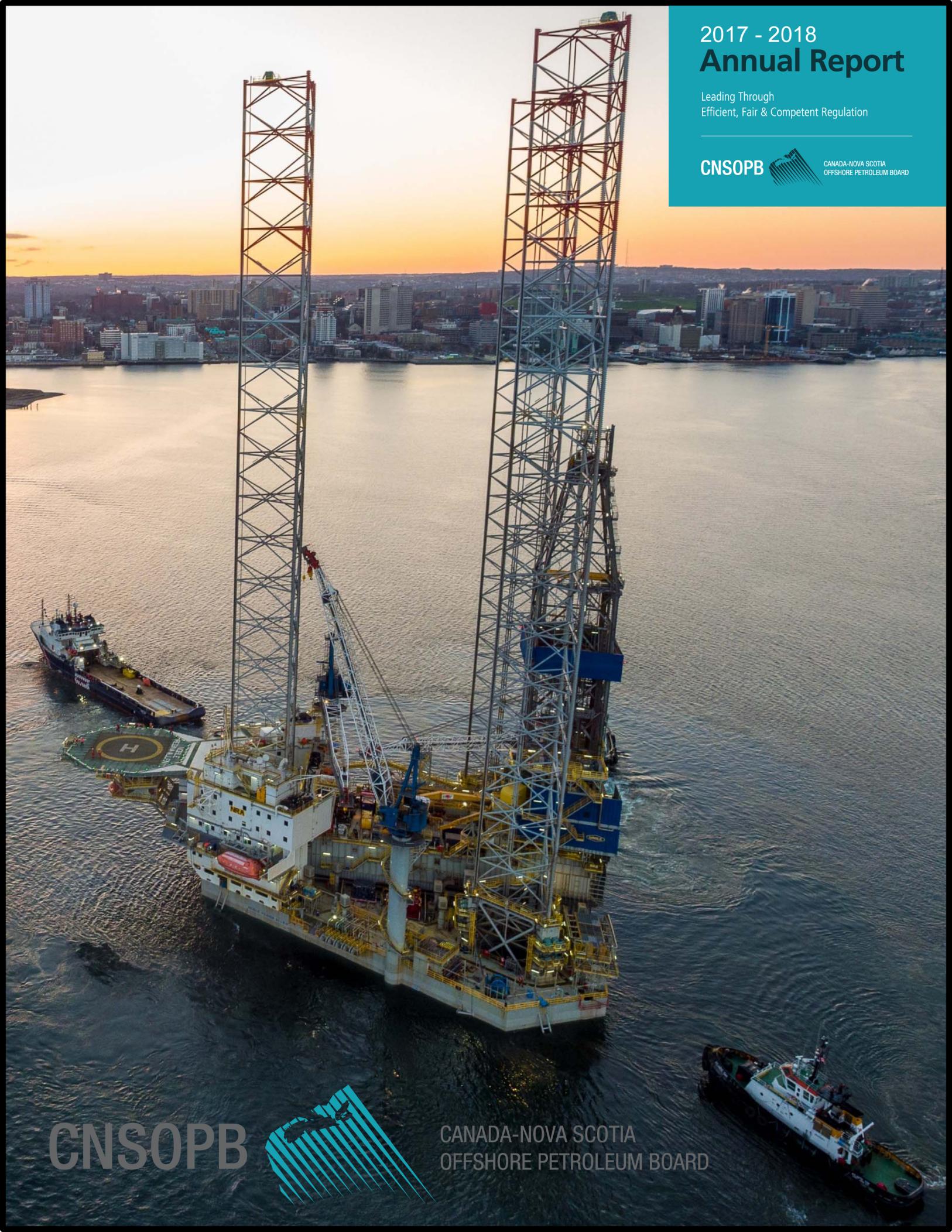
2017 - 2018 Annual Report

Leading Through
Efficient, Fair & Competent Regulation

CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD



CNSOPB



CANADA-NOVA SCOTIA
OFFSHORE PETROLEUM BOARD

Introduction

The Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) has been working to streamline and refine its Annual Report over the past couple of years. This includes becoming more environmentally friendly by producing it digitally, and only providing printed copies upon request. Interested parties who wish to learn more about our team can access additional information at www.cnsopb.ns.ca.

The CNSOPB encourages the public to check our website and Twitter (@CNSOPB) regularly for the latest news and to stay up-to-date on the regulation of oil and gas activity in the Canada-Nova Scotia offshore area.

Should any of the links in this year's Annual Report fail to lead you to the correct page, please go to the main page of our website (www.cnsopb.ns.ca) and search by specific interest, or contact us directly.

Should you wish to request a printed copy of the 2017-2018 Annual Report, please submit your request to info@cnsopb.ns.ca, or by phone at 902-422-5588.

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Message from the Chair & Chief Executive Officer

The 2017-2018 fiscal year has certainly been a great demonstration of the rigour and thoroughness in which the CNSOPB regulates petroleum activity in the Canada-Nova Scotia offshore area.

As an organization, we're extremely proud of the expertise, diligence and independence of our team. From providing regulatory oversight of exploration projects, production operations and decommissioning and abandonment activities, our dedicated technical experts and support staff remained focused on making sure that necessary equipment, systems, operating and incident response plans (including spill response) and procedures, and appropriately trained and competent personnel are in place no matter what activity is happening offshore. When it comes to regulatory compliance, safety and environmental protection are of the utmost importance.

This year, we placed a greater emphasis on stakeholder engagement and remained focused on transparent and factual information sharing. To this extent, we hosted engagement and consultation sessions with municipal representatives, fishing associations and Indigenous communities in an effort to not only foster relationship building, but also to provide these groups with the opportunity to voice their concerns and participate in our decision-making process.

While there were certainly some important lessons learned throughout this process, we are confident that the feedback gathered and conversations had are an important stepping stone in continuing to build confidence and trust in our role as an independent regulator of oil and gas activities in the Canada-Nova Scotia offshore area.

Vital to this effort is ensuring that we are equipped to continue communicating relevant information so that our stakeholders stay informed. Helping us to achieve this has been the rollout of our new corporate communications strategy, which places a focus on disseminating accurate information in a way that is open, timely and easy-to-understand, and doing so via multiple communications channels.

This content will live on our new corporate website, once it is finalized. Our website revamp project is underway, with plans to launch in late 2018. A modern, easy-to-navigate online platform will provide our visitors with a more seamless user-experience, and will support our information-sharing efforts. Our Data Management Centre is also being updated to improve the way geoscience data is disseminated. The new system allows for improved scalability and growth, and the interface is more logical and intuitive for users to navigate and find the information they require.

We are presented with many exciting but challenging opportunities in the year ahead. We are confident that our team has the skills and expertise required to hold industry accountable to safe and environmentally responsible operations. Earning our 'licence to regulate' is not something we take lightly. We are committed to building on our key learnings to drive meaningful dialogue and support continued regulatory excellence.



Keith MacLeod
Chairperson



Stuart Pinks
Chief Executive Officer

1.0 Summary of Offshore Work & Activities

1.1 Authorizations and Approvals

Figure 1 provides a summary of work activity authorization applications that were submitted and approved between April 1, 2017 and March 31, 2018.

Figure 1: Authorizations and Approvals 2017-18

Continuing Authorizations 2017-18	
<u>Operator</u>	<u>Authorization</u>
ExxonMobil Canada Ltd.	Operations Authorization – Production (Effective February 28, 2017–February 28, 2020)
Encana Corporation	Operations Authorization – Production (Effective August 1, 2017 – August 1, 2019)
Authorizations and Approvals Issued in 2017-18	
ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (South Venture 2) (Approved May 12, 2017)
ExxonMobil Canada Ltd.	Operations Authorization – Production; Amendment to Include Well Plug and Abandonment Activities (Effective November 21, 2017–February 28, 2020)
ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Thebaud 1) (Approved December 11, 2017)
ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Thebaud 2) (Approved December 11, 2017)
ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Thebaud 3) (Approved December 11, 2017)
ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Thebaud 4) (Approved December 11, 2017)
ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Thebaud 5) (Approved December 11, 2017)
ExxonMobil Canada Ltd.	Well Approval: Approval to Alter the Condition of a Well (Thebaud 6) (Approved December 11, 2017)

1.2 Authorization Process

Operators must receive authorization from the CNSOPB prior to conducting any petroleum-related activity in the Canada-Nova Scotia offshore area. The CNSOPB requires prospective operators to undergo a rigorous process to determine if an authorization will be granted, which includes submission of the following (as applicable, and among other items) for review and acceptance:

- Summary of Proposed Operations;
- Safety Plan;
- Certificate of Fitness (where applicable);
- Project-Specific Environmental Assessment (includes opportunities for public input);
- Environmental Protection Plan;
- Emergency Response, Spill Response and Contingency Plans;
- Canada-Nova Scotia Benefits Plan;
- Financial Requirements; and,
- Declaration of Operator.

The CNSOPB also requires operators to conduct audits and inspections of all vessels and installations (e.g. drilling unit) to be used in any program prior to the granting of authorization. In addition, the CNSOPB conducts its own independent audits and inspections as part of the authorization process. For activities related to the development of an oil or gas pool or field, a

Development Plan must be approved by the CNSOPB prior to an application for any specific activity authorization or approval.

1.3 Monitoring and Oversight

Throughout the duration of a project, the CNSOPB's monitoring and oversight program evaluates operator compliance with regulatory requirements while authorized petroleum-related work activities are being conducted. Operators are required to submit reports (daily, monthly, quarterly, and annually) detailing the status of their work programs, along with other documentation to demonstrate ongoing compliance with regulatory requirements. Additionally, CNSOPB Occupational Health and Safety Officers, Operational Safety Officers and Conservation Officers regularly visit offshore worksites to perform audits and inspections. A summary of these audits and inspections is updated quarterly on the CNSOPB website at: <http://www.cnsopb.ns.ca/health-safety/compliance-and-enforcement>.

Operators that are found not to be in compliance may face enforcement action, including, but not limited to: Facilitated compliance; issuance of orders or directives; cancellation or suspension of authorizations or approvals; monetary penalties; or, prosecution through the courts.

1.4 Sable Offshore Energy Project (Operator: ExxonMobil Canada Ltd.)

During the 2017-18 fiscal year, production of natural gas continued from the Sable Offshore Energy Project (SOEP). In Q4 2017, the CNSOPB approved the commencement of well plug and abandonment activities at the Thebaud field. Gas production at Thebaud was shut-in to allow for the safe plugging and abandonment of the Thebaud production wells. Thebaud is the first of the five producing fields to be plugged and abandoned. The other SOEP fields (Venture, South Venture, Alma, and North Triumph) remained on production during the reporting period and will be abandoned over the next 1-2 years. Ongoing production operations from SOEP fields remained the subject of regular oversight by CNSOPB staff.

Throughout the 2017-18 fiscal year, ExxonMobil Canada Ltd. (ExxonMobil) continued planning for the decommissioning and abandonment of the project. Such plans are rigorously reviewed by the CNSOPB to ensure that activities will be completed to the highest safety and environmental standards, and there will be no waste of the resource. ExxonMobil awarded major contracts related to this phase of the project, with significant review from the CNSOPB's Industrial Benefits staff. CNSOPB staff met with ExxonMobil on a frequent basis to discuss associated regulatory requirements, to ensure that the commitments made in the previously approved Benefits Plan and Development Plan applications are upheld, and to identify and plan for the various regulatory interfaces and submissions that will be required.

1.5 Deep Panuke Offshore Gas Project (Operator: Encana Corporation)

Production operations at Deep Panuke continued until June 2017, when the field underwent a seasonal shutdown. Production operations resumed in December 2017 and continued for the remainder of the 2017-18 fiscal year. CNSOPB staff continued to monitor all aspects of the project to ensure compliance with regulatory requirements.

1.6 Shelburne Basin Venture Exploration Drilling Project (Operator: Shell Canada Limited)

In December 2017, Shell Canada Limited surrendered its six (6) exploration licences associated with this project. Please refer to section 3.1 for additional information.

1.7 Scotian Basin Exploration Drilling Project (Operator: BP Canada Energy Group ULC)

BP Canada Energy Group ULC (BP Canada) did not conduct any offshore activities in the Canada-Nova Scotia offshore area during the 2017-18 fiscal year. The CNSOPB and BP Canada continued discussions on regulatory requirements and expectations with respect to BP Canada's planned exploration drilling program (the Scotian Basin Exploration Drilling Project), proposed to commence in the spring of 2018.

The CNSOPB began reviewing information submitted in support of the application for authorization to conduct the first well of its planned exploratory drilling program in April 2017, with BP Canada officially submitting an application on September 21, 2017. The review process was ongoing through the end of fiscal year 2017-18, and included a rigorous review of supporting documentation, policies, plans and procedures, as well as Ready-For-Operations audits and inspections of the operator and their key contractors to verify readiness for operations and regulatory compliance.

An Environmental Assessment (EA) of BP Canada's Scotian Basin Exploration Drilling Project was conducted by the Canadian Environmental Assessment (CEA) Agency pursuant to the *Canadian Environmental Assessment Act, 2012*. This process began in August 2015, when BP Canada filed a Project Description with the CEA Agency, and was ongoing through to January 2018. The CEAA, 2012 EA process included a number of public comment opportunities, as well as direct consultation with Indigenous groups, all led by the CEA Agency. The Minister of Environment and Climate Change Canada released her Decision Statement on February 1, 2018 indicating that the Designated Project is not likely to cause significant adverse environmental effects, and that the project may proceed subject to a number of conditions along with other statutory approvals. The EA considered the drilling of up to seven exploration wells in total. The CEA Agency-led EA and Minister's Decision statement then become part of the documentation required in support of the drilling program authorization application by BP Canada to the CNSOPB.

With the Minister's Decision Statement released and conditions finalized, the CNSOPB conducted public engagement sessions in February and March 2018 to discuss the drilling program authorization process and provide key stakeholders with the opportunity to identify issues and concerns within the CNSOPB's remit. This may trigger further information sharing, the application of additional requirements in respect of the granting of a drilling authorization, and/or adjustments to compliance monitoring and enforcement programs.

The CNSOPB and the CEA Agency have entered into a Memorandum of Understanding whereby monitoring and enforcement of CEA Agency conditions will be best coordinated and ensured. Compliance with the CEA Agency conditions will also be a condition of a drilling program authorization that may be issued by the CNSOPB to BP Canada.

In April 2017, the CNSOPB approved an application from BP Canada, Interest Representative for Exploration Licences (ELs) 2431, 2432, 2433, and 2434, to enter into a consolidation agreement to consolidate these four ELs into a single EL. As per the conditions outlined in the agreement, the effective date of the consolidated EL will be the spud date for the first validation well on one of the four ELs. A validation well is a term used to describe the first well drilled on an EL.

2.0 Health, Safety and Environmental Protection

2.1 Safety Performance

In 2017-18, there were 927,877 person hours worked under the CNSOPB authority in the Canada-Nova Scotia offshore area. During that period, there were two (2) disabling injuries. The CNSOPB Operational Safety Officers and Occupational Health and Safety Officers follow-up on all incidents to ensure that root causes are identified and that necessary corrective actions have been taken to prevent recurrence. Disabling injury statistics are in **Figure 2**.

Figure 2: Disabling Injury* Statistics

Number of Disabling Injuries	2013-14	2014-15	2015-16	2016-17	2017-18
Installations	1	3	3	2	2
Vessels	3	0	0	0	0
Aviation	0	0	0	0	0
Total	4	3	3	2	2

Person Hours	2013-14	2014-15	2015-16	2016-17	2017-18
Installations	562,584	526,440	808,104	1,005,852	626,079
Vessels	591,084	735,992	397,791	427,464	278,503
Aviation	28,177	8,421	10,207	10,401	7,276
Personnel Transport	-	25,482	20,083	23,502	16,019
Total	1,181,845	1,296,335	1,236,185	1,467,219	927,877

Frequency Rate (Per 200,000 Person Hours)**	2013-14	2014-15	2015-16	2016-17	2017-18
Installations	0.36	1.14	0.74	0.40	0.63
Vessels	1.02	0	0	0	0
Aviation	0	0	0	0	0
Total	0.68	0.46	0.49	0.27	0.43

* The term “disabling injury” means an employment injury or an occupational disease that (a) prevents an employee from reporting for work or from effectively performing all the duties connected with the employee’s regular work on any day subsequent to the day on which the disabling injury occurred, whether or not that subsequent day is a working day for that employee, (b) results in a loss by an employee of a body member or part thereof or in a complete loss of its usefulness, or (c) results in the permanent impairment of a body function of an employee.

** The frequency rate is calculated by dividing the number of disabling injuries by the number of person hours and multiplying by 200,000.

2.2 Environmental Performance

Operators must report spills that occur at all offshore installations. Each spill is followed up by the CNSOPB, with an emphasis on prevention of recurrence. There were seven (7) spills to the ocean during the 2017-18 fiscal year. These spills are categorized in **Figure 3**.

Figure 3: Spills to the Sea (L=Litres)

Material	Less than 1L	1-10L	11-150L	Greater than 150L	Total
Hydraulic Oil	3				3
Diesel	1				1
Condensate	1		1		2
Hydrocarbon	1				1
Total	6		1		7

Note: Does not include exceedances to authorized spill limits or gas releases.

2.3 Environmental Effects Monitoring

The results of Environmental Effects Monitoring (EEM) programs are used to determine the effects of oil and gas activity to the natural environment. EEM programs are conducted throughout each year, and the program design changes yearly to reflect best practices and key learnings. EEM is required for all development projects, and occasionally for certain exploration activities. To view the reports submitted during the 2017-18 fiscal year, please visit: www.cnsopb.ns.ca/environment/environmental-effects-monitoring.

2.4 Environmental Assessments

Strategic Environmental Assessments

Prior to issuing a Call for Bids within a given area, the CNSOPB conducts Strategic Environmental Assessments (SEAs) to identify specific environmental sensitivities, and to provide a preliminary assessment of potential mitigation measures that may be required, should exploration activity be proposed within the area in the future. The conduct of a SEA provides early opportunities for input from Indigenous groups, interested stakeholders, and the general public in advance of the CNSOPB's consideration of the bidding for, and/or the granting of exploration licences, within the study area. SEA reports are posted on the CNSOPB website so as to inform Indigenous groups, interested stakeholders, potential bidders and the general public. In June 2016, the CNSOPB completed a SEA for the Sydney Basin/Orpheus Graben areas in preparation for the Call for Bids NS17-1. While no new SEAs were prepared in the 2017-2018 fiscal year, an internal review of SEAs at least five years old was completed. Respective SEAs are being updated as appropriate.

To view these SEAs, related comments, and the SEA archive, please visit:

<http://www.cnsopb.ns.ca/environmental-assessments/public-registry-sea>.

Project-Specific Environmental Assessments

For the BP Canada Scotian Basin Exploration Drilling Project, the CNSOPB acted as a Federal Authority in providing expert knowledge to the EA process led by the CEA Agency. As indicated in section 1.7 above, the Minister of Environment and Climate Change Canada released her Decision Statement on February 1, 2018 indicating that the Designated Project is not likely to cause significant adverse environmental effects, and the project may proceed, subject to other statutory approvals.

Also during the 2017-18 fiscal year, the CNSOPB received a Project Description from Equinor (formally Statoil) for a seismic program, and prepared a Scoping Document outlining the requirements for the EA for the program.

Documents pertaining to the above EAs, and an archive of previously completed EAs, can be found by clicking the following link: <http://www.cnsopb.ns.ca/environment/environmental-assessments>.

3.0 Rights Management

3.1 Call for Bids NS17-1 and Licensing Update

Call for Bids NS17-1 was announced on July 24, 2017, and closed on December 14, 2017. This Call consisted of three (3) parcels, located east of Cape Breton Island in water depths of 50 to 450 metres. A public comment period was provided within this timeframe. No bids were received, and the lands remain as Crown Land.

There were no changes to the number of Significant Discovery Licences or Production Licences during the past year. ELs 2423, 2424, 2425, 2426, 2427, 2428, 2429, and 2430 were surrendered by Shell Canada on December 2017. Two Work Deposits totaling \$1,000,000.00 were forfeited for ELs 2427 and 2428. The CNSOPB is reviewing an application related to Shell Canada's allowable expenditures for ELs 2423, 2424, 2425, 2426, and 2429. For EL 2430, there is no forfeiture as the approved allowable expenditures exceeded the work expenditure bid.

Figure 4: Interests Offshore Nova Scotia

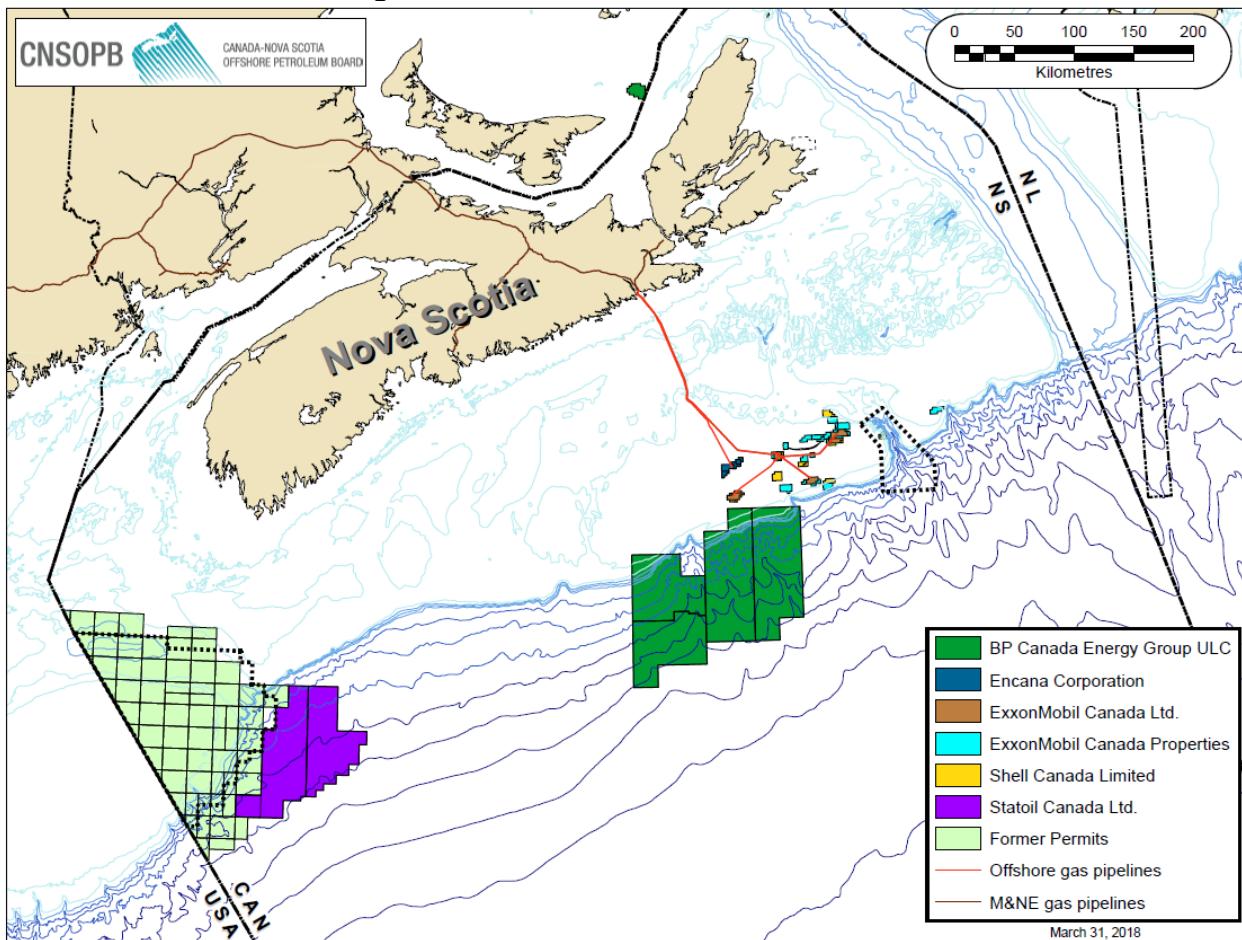


Figure 4 shows the current active ELs in the Canada-Nova Scotia offshore area as of March 31, 2018. Additional maps, tables and information specific to all active licences (Exploration Licences, Significant Discovery Licences and Production Licences) in the Canada-Nova Scotia offshore area can be found on the CNSOPB's website (<http://www.cnsopb.ns.ca/lands-management>).

4.0 Resources

For additional production information, including monthly production data from producing projects, visit <http://www.cnsopb.ns.ca/offshore-activity/production-data>.

4.1 Sable Offshore Energy Project Production Information

During the reporting period, SOEP's average production rate was 2.9 E6m3/d (Million cubic metres per day) or 101 MMscf/d (Million standard cubic feet per day). Total SOEP gas production to March 31, 2018 was 59.4 E9m3 (Billion cubic metres) or 2.1 Tcf (Trillion cubic feet). Total yearly production

for each SOEP field is shown in **Figure 5**. The average gas rate for each SOEP field is shown graphically in **Figure 6**. **Figure 7** is a table of SOEP's average gas rate by fiscal year.

Figure 5: SOEP Total Yearly Gas Production by Field to March 31, 2018

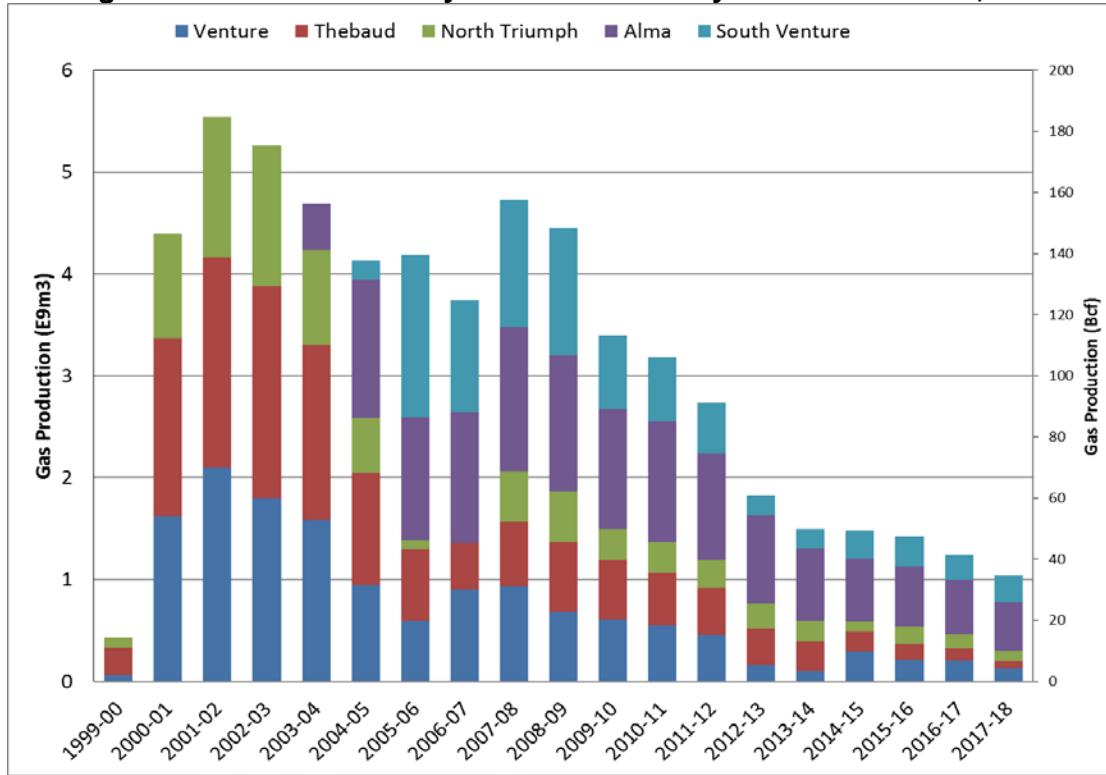


Figure 6: SOEP Average Gas Rate by Field to March 31, 2018

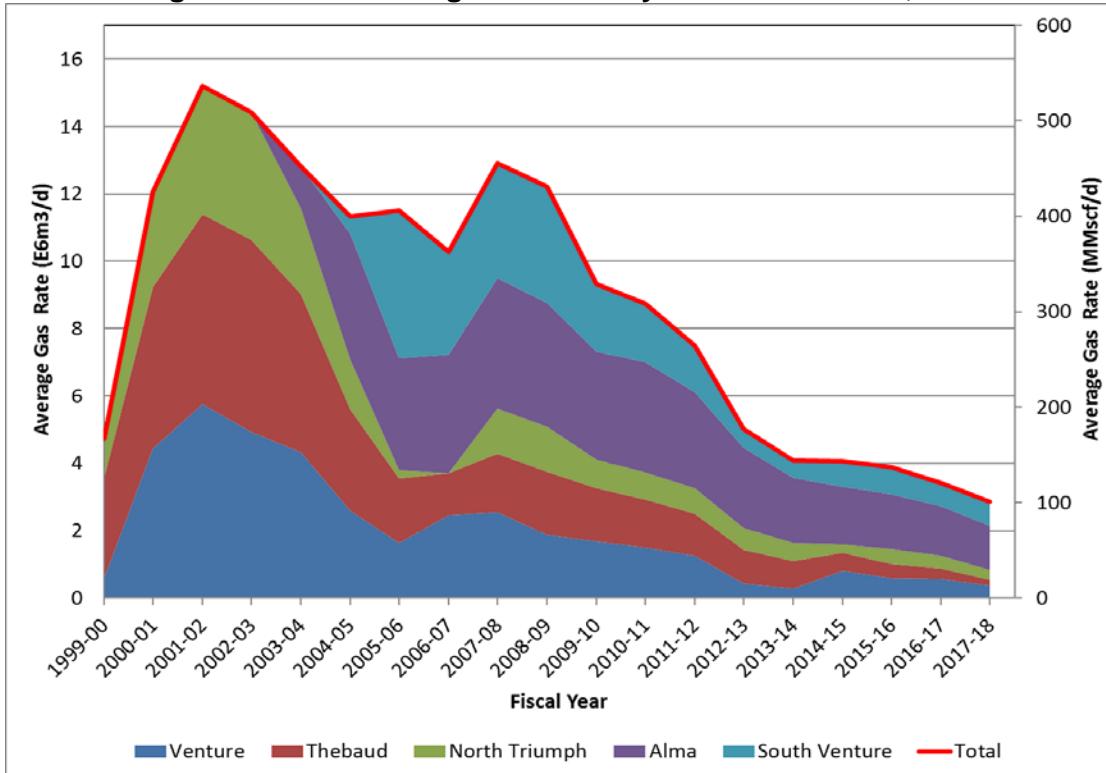


Figure 7: SOEP Average Gas Rate by Fiscal Year

Fiscal Year	(E6m3/d)	(MMscf/d)
1999-00	4.7	167
2000-01	12.0	425
2001-02	15.2	536
2002-03	14.4	509
2003-04	12.8	452
2004-05	11.3	400
2005-06	11.5	406
2006-07	10.3	362
2007-08	12.9	456
2008-09	12.2	431
2009-10	9.3	329
2010-11	8.7	308
2011-12	7.5	264
2012-13	5.0	177
2013-14	4.1	144
2014-15	4.1	144
2015-16	3.9	137
2016-17	3.4	120
2017-18	2.9	101

4.2 Deep Panuke Offshore Gas Project Production Information

During the reporting period, Deep Panuke's average production rate was 0.3 E6m3/d (Million cubic metres per day) or 10.7 MMscf/d (Million standard cubic feet per day). Total Deep Panuke gas production to March 31, 2018 was 4.2 E9m3 (Billion cubic metres) or 146.6 Bcf (Billion cubic feet). Deep Panuke total monthly production by well, since first gas in August 2013, is shown in **Figure 8**. The average monthly gas rate for each well is shown in **Figure 9**. **Figure 10** is a table of Deep Panuke's average gas rate by fiscal year.

Figure 8: Deep Panuke Total Monthly Gas Production by Well to March 31, 2018

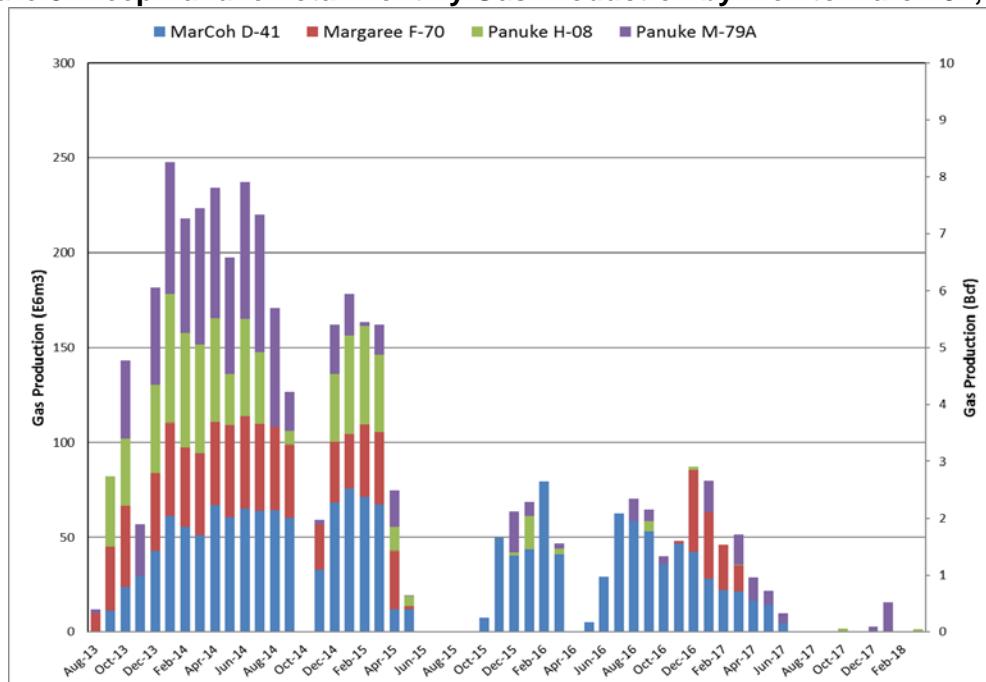


Figure 9: Deep Panuke Average Gas Rate by Well to March 31, 2018

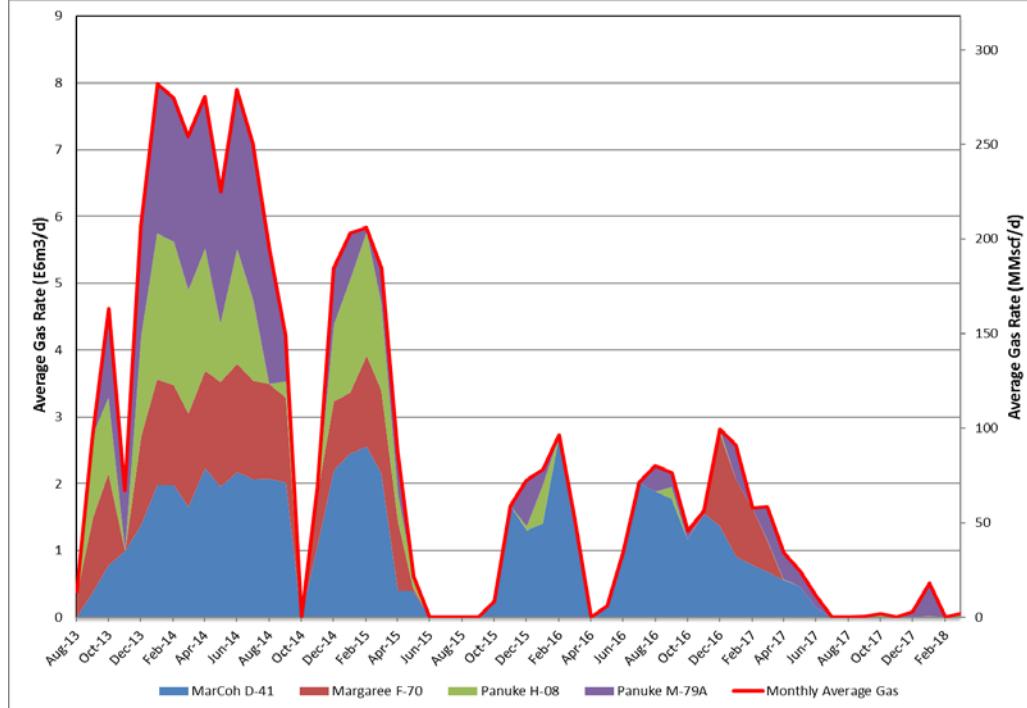


Figure 10: Deep Panuke Average Gas Rate by Fiscal Year*

Fiscal Year	(E6m3/d)	(MMscf/d)
2013-2014	4.79	169
2014-2015	5.72	202
2015-2016	1.67	59
2016-2017	1.76	62
2017-2018	0.31	11

*Only the producing months in each year have been averaged.

5.0 Industrial Benefits

For more information on Canada-Nova Scotia benefits, including benefits plans and annual benefits reports filed by producing operators, please visit: www.cnsopb.ns.ca/can-ns-benefits/benefits-plans.

5.1 Sable Offshore Energy Project

ExxonMobil, the operator of the SOEP, is required to file an annual benefits report with the CNSOPB. As stated in the report submitted to the CNSOPB for the period ending December 31, 2017, the SOEP has spent \$2.97 billion in Nova Scotia to date, \$1.32 billion has been spent in the rest of Canada, with overall Canadian spending totaling \$4.30 billion. Cumulatively, Nova Scotia person hours amounted to 25.2 million, while the rest of Canada totaled 3.8 million person hours.

5.2 Deep Panuke Offshore Gas Project

Encana Corporation, the operator of Deep Panuke, is required to file an annual benefits report with the CNSOPB. According to the report submitted to the CNSOPB for the period ending December 31, 2017, cumulative Nova Scotian person hours amounted to 7.0 million, while the rest of Canada totaled 1.2 million person hours.

5.3 Exploration Programs

The CNSOPB monitored benefits activity related to exploration programs carried out by Shell Canada and BP Canada for compliance with legislative requirements and benefits plan commitments.

6.0 Financial Statements

The 2017-18 audited Financial Statements, prepared by Levy Casey Carter MacLean, follow.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

**FINANCIAL STATEMENTS
MARCH 31, 2018**

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of the Canada-Nova Scotia Offshore Petroleum Board and have been prepared in compliance with legislation and generally accepted accounting principles established by the Public Sector Accounting Board of the Chartered Professional Accountants of Canada. Management is also responsible for the notes and schedules to the financial statements, and for ensuring this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Audit, Evaluation and Human Resources Committee is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control and exercises these responsibilities through regular meetings with them. The Committee met with management and its external auditors to review a draft of the financial statements and to discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The external auditors, Levy Casey Carter MacLean Chartered Professional Accountants, conducted an independent examination, in accordance with Canadian auditing standards, and expressed their opinion on the financial statements. The external auditors have full and free access to the financial management of the Board and meet when required.

On behalf of management of the Canada-Nova Scotia Offshore Petroleum Board:



Stuart Pinks
Chief Executive Officer

May 10, 2018



Christine Bonnell-Eisnor
Director, Regulatory
Affairs & Finance

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD:

We have audited the accompanying financial statements, which comprise the statement of financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2018 and the statement of operations and accumulated operating surplus, remeasurement gains (losses), changes in net debt 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 public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditors' 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 Board'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 Board'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Canada-Nova Scotia Offshore Petroleum Board as at March 31, 2018, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.



**Chartered Professional Accountants
Licensed Public Accountants**

Halifax, Nova Scotia
May 10, 2018

**Levy
Casey
Carter
MacLean**
Chartered Professional
Accountants

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CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
FINANCIAL ASSETS		
Cash and cash equivalents	\$ 4,117,390	\$ 3,417,297
Receivables	270,725	118,120
Investments (note 2(j)) (note 3)	<u>2,809,358</u>	<u>2,570,354</u>
	<u>7,197,473</u>	<u>6,105,771</u>
LIABILITIES		
Payables and accruals	1,206,836	956,628
Payable to governments (note 4)	2,755,162	2,262,432
Supplementary employee retirement plan obligation (note 5)	922,208	832,177
Post-retirement health and retiring allowance obligation (note 6)	<u>1,550,754</u>	<u>1,806,628</u>
	<u>6,434,960</u>	<u>5,857,865</u>
Net financial assets	<u>762,513</u>	<u>247,906</u>
NON-FINANCIAL ASSETS		
Prepaid expenses	365,199	197,863
Tangible capital assets (page 16)	<u>92,900</u>	<u>322,012</u>
	<u>458,099</u>	<u>519,875</u>
Accumulated surplus	<u>\$ 1,220,612</u>	<u>\$ 767,781</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 4)	\$ 1,241,385	\$ 725,816
Accumulated remeasurement gains (losses) (page 5)	<u>(20,773)</u>	<u>41,965</u>
	<u>\$ 1,220,612</u>	<u>\$ 767,781</u>
Commitments (note 9)		
Contingencies (note 11)		

Approved by the Board

Chair

Board member

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
YEAR ENDED MARCH 31, 2018

	(Note 12) Budget	2018	2017
Revenue			
Government grants			
Government of Canada	\$ 4,355,000	\$ 4,355,000	\$ 4,355,000
Government of Nova Scotia	<u>4,355,000</u>	<u>4,355,000</u>	4,355,000
Costs recovered from industry	<u>8,710,000</u>	<u>8,052,252</u>	8,392,724
Interest and other	-	33,441	9,149
Interest on overdue balances	-	<u>13,742</u>	<u>58,570</u>
	<u>17,420,000</u>	<u>16,809,435</u>	<u>17,170,443</u>
Less:			
Costs recoveries refunded to government (page 17)	<u>8,710,000</u>	<u>8,052,252</u>	8,392,724
Cost recoveries refundable to industry	-	-	292,391
Repayment of government grants			
Government of Canada	-	-	36,210
Government of Nova Scotia	-	-	36,210
Interest remitted to government	<u>-</u>	<u>13,742</u>	<u>58,570</u>
	<u>8,710,000</u>	<u>8,065,994</u>	<u>8,816,105</u>
Net revenue	<u>8,710,000</u>	<u>8,743,441</u>	8,354,338
Expenses			
Regulation of petroleum activities (page 17)	<u>8,710,000</u>	<u>8,012,105</u>	<u>7,950,937</u>
Operating surplus before other revenue (expenses)	-	731,336	403,401
Amortization of tangible capital assets	-	(273,747)	(351,867)
Net investment income (note 7)	<u>-</u>	<u>59,862</u>	<u>56,829</u>
	<u>-</u>	<u>(213,885)</u>	<u>(295,038)</u>
Operating surplus	-	517,451	108,363
Accumulated operating surplus, beginning of year	-	725,816	706,277
Repayment to Government of Canada - prior year surplus	-	(941)	(44,412)
Repayment to Government of Nova Scotia - prior year surplus	<u>-</u>	<u>(941)</u>	<u>(44,412)</u>
Accumulated operating surplus, end of year	\$ <u>-</u>	\$ <u>1,241,385</u>	\$ <u>725,816</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF REMEASUREMENT GAINS (LOSSES)
YEAR ENDED MARCH 31, 2018

	<u>2018</u>	<u>2017</u>
Accumulated remeasurement gains, beginning of the year	\$ 41,965	\$ 74,951
Unrealized loss arising during the year on investments	(62,738)	(32,986)
Accumulated remeasurement gains (losses), end of year	\$ (20,773)	\$ 41,965

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED MARCH 31, 2018

	(Note 12) <u>Budget</u>	<u>2018</u>	<u>2017</u>
Operating surplus			
Repayment to Government of Canada	\$ -	\$ 517,451	\$ 108,363
Repayment to Government of Nova Scotia	<u>-</u>	<u>(941)</u>	<u>(44,412)</u>
	<u>-</u>	<u>515,569</u>	<u>19,539</u>
Change in tangible capital assets			
Acquisition of tangible capital assets	(710,000)	(44,636)	(148,856)
Amortization of tangible capital assets	<u>-</u>	<u>273,747</u>	<u>351,867</u>
Increase in tangible capital assets	<u>(710,000)</u>	<u>229,111</u>	<u>203,011</u>
Change in other non-financial assets			
Use (acquisition) of prepaid expense	<u>-</u>	<u>(167,335)</u>	<u>226,631</u>
Net remeasurement loss (page 5)	<u>-</u>	<u>(62,738)</u>	<u>(32,986)</u>
Increase (decrease) in net financial assets	(710,000)	514,607	416,195
Net financial assets (debt), beginning of the year	<u>247,906</u>	<u>247,906</u>	<u>(168,289)</u>
Net financial assets (debt), end of the year	<u>\$ (462,094)</u>	<u>\$ 762,513</u>	<u>\$ 247,906</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	2018	2017
Operating Activities		
Operating surplus	\$ 517,451	\$ 108,363
Amortization of tangible capital assets	273,747	351,867
Loss on disposal of investments	1,540	1,673
Repayment to Government of Canada	(941)	(44,412)
Repayment to Government of Nova Scotia	(941)	(44,412)
Increase in supplementary employee retirement plan obligation	90,031	77,892
Increase (decrease) in post-retirement health and retiring allowance obligation	<u>(255,874)</u>	<u>105,776</u>
	625,013	556,747
Net change in non-cash working capital balances related to operations (note 8)	<u>423,000</u>	<u>739,274</u>
	<u>1,048,013</u>	<u>1,296,021</u>
Investing Activities		
Decrease (increase) in accrued interest on investments	(1,422)	978
Purchase of investments	(754,681)	(565,832)
Proceeds on disposal of investments	<u>452,794</u>	<u>505,069</u>
	<u>(303,309)</u>	<u>(59,785)</u>
Capital Activities		
Purchase of		
Leasehold improvements	-	(40,205)
Computer equipment	(44,636)	(99,048)
Computer software	<u>-</u>	<u>(9,603)</u>
	<u>(44,636)</u>	<u>(148,856)</u>
Increase in cash and cash equivalents during year	700,068	1,087,380
Cash and cash equivalents, beginning of year	<u>3,425,735</u>	<u>2,338,355</u>
Cash and cash equivalents, end of year	\$ 4,125,803	\$ 3,425,735
Represented by:		
Cash	\$ 4,117,390	\$ 3,417,297
Investment cash	<u>8,413</u>	<u>8,438</u>
	<u>\$ 4,125,803</u>	<u>\$ 3,425,735</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

1. Purpose of organization

The Canada-Nova Scotia Offshore Petroleum Board was formed to administer the relevant provisions of the Canada- Nova Scotia Offshore Petroleum Resources Accord Implementation Acts as enacted by the Parliament of Canada and the Legislature of Nova Scotia. The Board is funded primarily by grants from the Federal and Provincial Governments in equal contributions. The Board also collects and remits to the Governments cost recovery charges assessed against industry from regulatory reviews, up to a maximum of 100% of the Board's approved budget. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada) and reflect the following significant accounting policies.

(b) Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and cash held within the investment portfolio.

(c) Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations. The change in non-financial assets during the year, together with the operating surplus or deficit and the net remeasurement gains or losses, provides the change in net financial assets or net debt for the year.

(d) Tangible capital assets

Tangible capital assets are recorded at cost which includes all costs directly attributable to the acquisition, construction, development, installation or betterment of the tangible capital asset. The Board capitalizes assets with a value greater than \$2,500 and a useful life greater than one year. Amortization is recorded using the straight-line method over four years for furniture, fixtures and equipment and over three years for computer equipment and software. Leasehold improvements are amortized over the life of the lease.

(e) Impairment of long-lived assets

Tangible capital assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the asset no longer contributes to the Board's ability to provide services resulting from its use and eventual disposition. The impairment loss is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

2. Significant accounting policies (continued)

(f) Use of estimates

Uncertainty in the determination of the amount at which an item is recorded in the financial statements is known as measurement uncertainty. Such uncertainty exists when there could be a material difference between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. The preparation of the financial statements in conformity with Canadian public sector accounting standards, requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the period. The supplementary employee retirement plan obligation and the post-retirement health and retiring allowance obligation are items requiring the use of significant estimates because actual results may differ significantly from the various assumptions about plan members and economic conditions in the marketplace.

Estimates are based upon the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements and actual results could differ from these estimates.

(g) Revenue recognition

Revenues are recorded on the accrual basis. Revenues are recognized in the period in which the transactions or events occurred that gave rise to the revenues. Government transfers are recognized when the transfer is authorized and eligibility criteria are met except, when and to the extent, stipulations by the transferor gives rise to an obligation that meets the definition of a liability. Stipulations by the transferor may require that the funds only be used for providing specific services or the acquisition of tangible capital assets. For transfers with stipulations an equivalent amount of revenue is recognized as the liability is settled.

Cost recoveries from industry are recognized when invoiced which are based upon estimated costs and units of Board time for the fiscal year, as per the Cost Recovery Guidelines. Cost recoveries are adjusted at the end of each fiscal year based upon the actual full cost of providing regulatory services, as defined in the Cost Recovery Guidelines.

Investment income is recorded as earned.

(h) Supplementary employee retirement plan obligation

The projected unit credit method prorated on services has been used to determine the accrued benefit obligation and current service cost. The objective under this method is to expense each participant's benefits under the plan as they would accrue, taking into consideration future salary increases and the plan's benefit allocation formula.

Obligations are attributed to the period beginning on the employee's date of joining the plan and ending on the earlier of the date of termination, death or retirement.

The Board's fiscal year end date is March 31 and the measurement date of the plan's assets and obligations is March 31.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

2. Significant accounting policies (continued)

(i) Post-retirement health and retiring allowance obligation

Employees of the Board participate in the Province of Nova Scotia Pensioners Extended Health Plan upon retirement. This plan provides health care coverage to age 65. Employees are also eligible for one week of salary for each year of pensionable service, to a maximum of 26 weeks for Board staff who retire upon becoming eligible for retirement. These retirement benefits are recorded on an accrual basis based on an actuary's estimate.

As of June 30, 2015, those employees eligible for the retiring allowance must have been employed on June 30, 2015 and the service period for the benefit was frozen at June 30, 2015. The benefit is calculated based upon the employee's rate of pay on March 31, 2018. Employees who are first employed after June 30, 2015 will not be eligible for the benefit.

Obligations are attributed to the period beginning on the member's date of hire and ending on the date the member reaches first full year of eligibility for benefits for the post-retirement health program and date of retirement for the retiring allowance program.

The Board's fiscal year end date is March 31 and the measurement date of the programs' obligations is March 31.

(j) Investments

The Board has designated its investment portfolio to fund the Board's obligations for supplementary employee retirement plans and post-retirement health and retiring allowances.

(k) Financial instruments

All financial instruments are measured using either the amortized cost method or the fair value method. Financial instruments included in the amortized cost category are recorded at either cost or amortized cost using the effective interest rate method. Transaction costs are included in the initial cost of financial instruments recognized using the cost method. Financial instruments included in the fair value category are initially recorded at fair value with each subsequent change in fair value recognized in the statement of remeasurement gains and losses until such time that the financial instrument is derecognized. When the financial instrument is derecognized the accumulated remeasurement gain or loss is reversed and recognized on the statement of operations. Transaction costs associated with financial instruments in the fair value category are expensed when incurred.

Accounts receivable, payables and accruals, payable to governments, supplementary employee retirement plan obligation and post-retirement health and retiring allowance obligations are recorded using the cost method. Cash and investments are recorded using the fair value method utilizing quoted prices in active markets to determine the fair value.

3. Investments

	<u>2018</u>	<u>2017</u>
Investments, at cost	\$ 2,797,587	\$ 2,497,241
Accrued investment income	24,132	22,710
Unrealized gain (losses) on investments	(20,774)	41,965
Investment cash	<u>8,413</u>	<u>8,438</u>
Investments, at fair market value	\$ 2,809,358	\$ 2,570,354

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

4. Payable to governments

	<u>2018</u>	<u>2017</u>
Federal government - cost recovery funds	\$ 1,377,581	\$ 1,095,006
Federal government - government grant	-	36,210
Provincial government - cost recovery funds	<u>1,377,581</u>	1,095,006
Provincial government - government grant	<u>-</u>	<u>36,210</u>
	<u>\$ 2,755,162</u>	<u>\$ 2,262,432</u>

5. Pension obligations

(a) Supplementary employee retirement plan (SERP)

The Board Supplementary Employee Retirement Plan provides benefits to its employees who are members of the Public Service Superannuation Plan (PSSP). Employees are eligible for membership in this plan once their pensionable earnings have reached a level such that their benefits under the PSSP are limited by the maximum pension limits under the Income Tax Act.

The Board measures its accrued benefit obligations and the fair value of plan assets for accounting purposes as at March 31 of each year. An actuarial valuation of the retirement plan for funding purposes was completed as of June 30, 2017 and was extrapolated to March 31, 2018. An updated actuarial valuation is completed at least every three years.

The Board has adopted the recommendations of Section 3250 of the Public Sector Accounting Standards Handbook. The following is required for disclosure purposes:

	<u>2018</u>	<u>2017</u>
<u>Components of Supplementary Employee Retirement Plan Cost</u>		
Current service cost	\$ 33,003	\$ 29,864
Interest cost	<u>35,561</u>	35,762
Amortization of net actuarial losses	<u>49,698</u>	<u>40,259</u>
Supplementary Employee Retirement Plan Cost	<u>\$ 118,262</u>	<u>\$ 105,885</u>

Weighted-Average Assumptions for Expense

Discount rate	<u>4.10 %</u>	<u>4.10 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>

Weighted-Average Assumptions for Disclosure

Discount rate	<u>4.10 %</u>	<u>4.10 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

5. Pension obligations (continued)

Change in Accrued Benefit Obligation

Accrued benefit obligation at the end of the prior year	\$ 956,134	\$ 871,306
Current service cost	33,003	29,864
Interest cost	35,561	35,762
Benefits paid	(28,231)	(27,993)
Actuarial loss	<u>33,066</u>	<u>47,195</u>

Accrued benefit obligation at the end of the year \$ 1,029,533 \$ 956,134

Reconciliation of Funded Status to Accrued Benefit Liability

Benefit obligation at end of year	\$ 1,029,533	\$ 956,134
Unamortized net actuarial loss	<u>(107,325)</u>	<u>(123,957)</u>
Accrued benefit liability	\$ <u>922,208</u>	\$ <u>832,177</u>

(b) Multiemployer defined benefit pension plan

The Board contributes to a pension plan under the Public Service Superannuation Act administered by the Public Service Superannuation Plan Trustee Inc. The Board matches employees' contributions calculated as follows: 8.4% (2017 - 8.4%) on that part of their salary that is equal to or less than the "Year's Maximum Pensionable Earnings" (YMPE) under the Canada Pension Plan and 10.9% (2017 - 10.9%) on the part of their salary that is in excess of the YMPE. The Board has recognized contributions of \$398,440 in 2018 (2017 - \$397,909). There is no further liability with respect to past service at March 31, 2018.

6. Post-retirement health and retiring allowance obligation

The Board provides other retirement benefits to its employees by participating in the Province of Nova Scotia's post-retirement health insurance program and also provides retiring allowance benefits to those employees who retire from the Board. Both benefits are funded on a pay-as-you-go basis. The Board funds on a cash basis as contributions are made.

As described in note 2(i), an amendment was made to the retiring allowance program as of June 30, 2015. The retiring allowance benefit is not payable to employees who terminate employment prior to retirement or those employees who are employed after June 30, 2015. The service period is frozen at June 30, 2015 with the allowance being based upon the employee's salary as at March 31, 2018. The amendment to the retiring allowance program is considered a plan curtailment under Section 3250 of the Public Sector Accounting Standards Handbook and, therefore, all unamortized actuarial gains and losses on the plan curtailment are recognized immediately.

An actuarial valuation of the retirement plan for funding purposes was completed as of March 31, 2018. The valuation was based on a number of assumptions about future events, such as inflation rates, interest rates, medical inflation rates, wage and salary increases, and employee turnover and mortality. The assumptions used reflect the Board's best estimates.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

6. Post-retirement health and retiring allowance obligation (continued)

	<u>2018</u>	<u>2017</u>
<u>Components of Post-Retirement Health and Retiring Allowance Cost</u>		
Current service cost (employer portion)	\$ 58,369	\$ 50,610
Interest cost	67,356	68,093
Actuarial loss (gain)	6,932	(802)
Settlement loss	158,382	-
Recognition of unamortized net actuarial losses	<u>5,641</u>	<u>-</u>
Post-Retirement Health and Retiring Allowance Cost	<u>\$ 296,680</u>	<u>\$ 117,901</u>
<u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>4.10 %</u>	<u>4.10 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>
Initial weighted average health care trend rate	<u>6.83 %</u>	<u>6.83 %</u>
Ultimate weighted average health care trend rate	<u>4.50 %</u>	<u>4.50 %</u>
Year ultimate rate reached	<u>2030</u>	<u>2030</u>
<u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>3.59 %</u>	<u>3.71 %</u>
Rate of compensation increase	<u>2.25 %</u>	<u>2.25 %</u>
Initial weighted average health care trend rate	<u>6.50 %</u>	<u>6.67 %</u>
Ultimate weighted average health care trend rate	<u>4.50 %</u>	<u>4.50 %</u>
Year ultimate rate reached	<u>2030</u>	<u>2030</u>
<u>Change in Accrued Benefit Obligation</u>		
Accrued benefit obligation at the end of the prior year	\$ 1,857,194	\$ 1,641,544
Current service cost (employer portion)	58,369	50,610
Interest cost	67,356	68,093
Impact of settlement	158,382	-
Benefits to be settled	(410,816)	-
Benefits paid	(141,738)	(12,125)
Actuarial loss	<u>(75,831)</u>	<u>109,072</u>
Accrued benefit obligation at the end of the year	<u>\$ 1,512,916</u>	<u>\$ 1,857,194</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at the end of year	\$ 1,512,916	\$ 1,857,194
Unamortized net actuarial loss	<u>37,838</u>	<u>(50,566)</u>
Accrued benefit liability	<u>\$ 1,550,754</u>	<u>\$ 1,806,628</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

7. Net investment income

	<u>2018</u>	<u>2017</u>
Investment income	\$ 77,057	\$ 73,627
Loss on disposal of investments	(1,540)	(1,673)
Portfolio management fees	<u>(15,655)</u>	<u>(15,125)</u>
	<u>\$ 59,862</u>	<u>\$ 56,829</u>

8. Net change in non-cash working capital balances related to operations

	<u>2018</u>	<u>2017</u>
Increase (decrease) in cash from changes in:		
Receivables	\$ (152,604)	\$ (96,469)
Prepaid expenses	(167,335)	226,631
Payables and accruals	250,210	257,145
Payable to governments	<u>492,729</u>	<u>351,967</u>
	<u>\$ 423,000</u>	<u>\$ 739,274</u>

9. Commitments

The Board has entered into various lease agreements for premises and equipment. The approximate minimum payments required over the next five fiscal years are as follows:

2019	\$ 350,765
2020	\$ 354,658
2021	\$ 348,724
2022	\$ 356,863
2023	\$ 357,988

10. Financial instruments

The following are the significant risks that the Board is exposed to through its financial instruments:

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The carrying amount of financial assets represents the maximum credit exposure. The Board's main credit risks relate to its accounts receivable. In order to reduce its credit risk, the Board has adopted credit policies which include the analysis of the financial position of its regulated entities and the regular review of their credit limits. The Board does not have a significant exposure to any individual regulated entity or counterpart. Management reviews accounts receivable on a case by case basis to determine if an allowance is necessary to reflect an impairment in collectability.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

NOTES TO FINANCIAL STATEMENTS MARCH 31, 2018

10. Financial instruments (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Board has investments in guaranteed investment certificates, debentures, bonds, mid and medium term notes and high-interest savings accounts which bear interest at fixed rates ranging between 1.65% and 5.04%. Consequently, the Board's exposure to interest rate risk on these investments is minimal.

(c) Market rate risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The debentures, bonds and mid and medium term notes held in the Board's investment portfolio expose the Board to market risk as such investments are subject to price changes in the open market.

(d) Liquidity risk

Liquidity risk is the risk that the Board will encounter difficulty in meeting its obligations associated with its financial liabilities as they become due. The Board's ability to meet its obligations depends on the receipt of funds whether in the form of revenue or advances.

11. Contingencies

The Board has been involved with the following legal proceeding throughout the year:

In 2013, GSI filed an action in Federal Court of Canada in relation to an alleged copyright infringement regarding Board materials in circulation in 2013 and pre-dating that year. GSI claims damages for copyright infringement and reserves its right to elect to claim statutory damages under the Copyright Act. It also claims exemplary or punitive damages. This case is in abeyance and the Board has requested it discontinue. To date, GSI has denied the request.

At this time, the outcome of this legal proceeding is not determinable. No liability has been recognized in these financial statements with regard to the above mentioned claims due to their uncertainty.

12. Budget information

The budget figures presented are for comparison purposes and are unaudited. Amortization was not contemplated in the development of the budget and, as such, has not been included.

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS
YEAR ENDED MARCH 31, 2018

COST

	<u>Opening</u>	<u>Additions</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 78,061	\$ -	\$ -	\$ 78,061
Furniture and fixtures	453,564	-	-	453,564
Computer equipment	603,016	44,636	-	647,652
Computer software	625,539	-	-	625,539
Equipment	<u>198,430</u>	<u>-</u>	<u>-</u>	<u>198,430</u>
	<u>\$ 1,958,610</u>	<u>\$ 44,636</u>	<u>\$ -</u>	<u>\$ 2,003,246</u>

ACCUMULATED AMORTIZATION

	<u>Opening</u>	<u>Additions</u>	Write Downs/ <u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 41,715	\$ 24,643	\$ -	\$ 66,358
Furniture and fixtures	448,474	3,015	-	451,489
Computer equipment	415,388	163,288	-	578,676
Computer software	543,990	75,202	-	619,192
Equipment	<u>187,032</u>	<u>7,599</u>	<u>-</u>	<u>194,631</u>
	<u>\$ 1,636,599</u>	<u>\$ 273,747</u>	<u>\$ -</u>	<u>\$ 1,910,346</u>

NET BOOK VALUE

	2018	2017
Leasehold improvements	\$ 11,703	\$ 36,346
Furniture and fixtures	2,075	5,090
Computer equipment	68,976	187,628
Computer software	6,347	81,550
Equipment	<u>3,799</u>	<u>11,398</u>
	<u>\$ 92,900</u>	<u>\$ 322,012</u>

CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2018

	(Note 12) <u>Budget</u>	<u>2018</u>	<u>2017</u>
Cost recoveries refunded to government			
Government of Canada	\$ 4,355,000	\$ 4,026,126	\$ 4,196,362
Government of Nova Scotia	<u>4,355,000</u>	<u>4,026,126</u>	<u>4,196,362</u>
Total cost recoveries refunded to government	<u>\$ 8,710,000</u>	<u>\$ 8,052,252</u>	<u>\$ 8,392,724</u>
 Regulation of petroleum activities			
Personnel and Board members	\$ 5,875,000	\$ 5,358,338	\$ 5,274,138
General office and support	<u>1,452,000</u>	<u>951,013</u>	<u>1,247,749</u>
Office and laboratory premise costs	<u>693,000</u>	<u>693,937</u>	<u>694,929</u>
Consulting and legal	<u>455,000</u>	<u>643,497</u>	<u>500,335</u>
Supplementary employee retirement plan cost	<u>106,000</u>	<u>118,717</u>	<u>105,885</u>
Post-retirement health and retiring allowance cost	<u>119,000</u>	<u>211,603</u>	<u>117,901</u>
Diving certification & standards development	<u>10,000</u>	<u>35,000</u>	<u>10,000</u>
Total regulation of petroleum activities	<u>\$ 8,710,000</u>	<u>\$ 8,012,105</u>	<u>\$ 7,950,937</u>