



# 2015 – 2016 Annual Report

Leading Through  
Efficient, Fair & Competent Regulation

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**CNSOPB**



CANADA-NOVA SCOTIA  
OFFSHORE PETROLEUM BOARD

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## Introduction

For the past number of years, the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) has been working to streamline and refine its Annual Report. The 2015-16 fiscal year is no different. The CNSOPB continues to capture opportunities to include more information on its website ([www.cnsopb.ns.ca](http://www.cnsopb.ns.ca)) so that interested parties can have easy access to the most up-to-date information available.

You will notice in this Annual Report a number of links to specific pages on the CNSOPB's website. The CNSOPB encourages the public to check the CNSOPB's website and social media frequently to stay up to date on the regulation of offshore oil and gas activity in the Canada - Nova Scotia offshore area.

Should any of the links in this Annual Report fail to lead you to the correct page, please go to the main page of our website ([www.cnsopb.ns.ca](http://www.cnsopb.ns.ca)) and search by specific department, or contact us directly. Additionally, the CNSOPB will be pleased to provide print copies of relevant data or the 2015-16 audited financial statements upon request. We can be reached by email at [info@cnsopb.ns.ca](mailto:info@cnsopb.ns.ca), or by phone at 902-422-5588.

## Message from the Chair & Chief Executive Officer

The CNSOPB, as an independent regulatory agency, is acutely aware of its role and its responsibility to all stakeholders. We strive to carry out our mandate in a manner that fully meets the public's expectation that the oil and gas industry is held accountable to conduct its activities responsibly. This means that offshore activities will only be approved once we have satisfied ourselves that they can be done safely for workers and without harming the environment. Importantly, they must also be done in a manner that does not compromise the extensive fisheries industry that is recognized as being vital to the local economy of many of the municipalities along Nova Scotia's shoreline. We continue to enhance our Aboriginal consultation and community engagement processes to ensure that ample opportunity for input is provided, and that all comments received are reviewed and taken into account before pertinent regulatory decisions are made.

Recent Board member appointments and staff hires have added significant additional strength to our team. We recently welcomed two new Board members: Roger Percy who brings extensive experience in the environmental field and particularly in the preparation for and management of environmental emergencies; and Harold Giddens who brings lengthy experience in offshore oil and gas engineering and safety management. At the staff level, recent hires have further strengthened our environmental assessment and facilities engineering capabilities.

Substantial technological advances continue to be made in the industry to improve drilling and operational safety, as well as in the area of spill prevention. The CNSOPB's active participation and leadership with other worldwide regulators (such as memberships with the International Regulators' Forum focused on health and safety, and with the International Offshore Petroleum Environment Regulators group) ensures that we are well aware of these advances and that they are incorporated into exploration and production programs by operators.

In fulfilling our mandate, the health and safety of offshore workers is paramount to the CNSOPB, and we are pleased to see that in the 2015-16 year, injury statistics continued to demonstrate strong performance in this regard. Year after year, our offshore health and safety incident rates are lower than those of onshore industries, and are in line with the top performers in other offshore oil and gas jurisdictions.

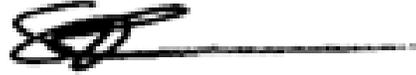
As part of Shell Canada's preparations for their exploratory drilling program that commenced in 2015-16, a week long table top emergency response exercise simulating a loss of well control event was carried out. The exercise involved some 270 people with participants from across industry, regulatory bodies, governments and other stakeholders. The CNSOPB has also recently entered into an Associate Membership with Oil Spill Response Limited that guarantees access to global spill response expertise, equipment and materials that could be called upon in the very unlikely event that CNSOPB itself would have to respond directly to a spill.

Looking ahead, a new Call for Bids in May 2016 may result in further activity in other areas of the Canada-Nova Scotia offshore. In carrying out its regulatory oversight of all current and future offshore activities, the CNSOPB will continue to focus its efforts on worker safety, incident prevention and spill response preparedness.

In the following pages, you will find an overview of the CNSOPB's activities, along with pertinent offshore statistics and data for the 2015-16 fiscal year. You can also find our audited financial statements. We encourage you to stay up to date with our offshore oil and gas regulatory activity throughout the year by visiting the CNSOPB's website at [www.cnsopb.ns.ca](http://www.cnsopb.ns.ca).



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, 2015 and March 31, 2016.

**Figure 1: Authorization and Approvals 2015-16**

<b>Continuing Authorizations 2015-16</b>	
<u>Operator</u>	<u>Authorization</u>
ExxonMobil Canada Ltd.	Operations Authorization – Production (Effective February 28, 2014-February 28, 2017)
Encana Corporation	Operations Authorization – Production (Effective August 1, 2015 – August 1, 2017)
<b>Authorizations and Approvals Issued in 2015-16</b>	
Shell Canada Ltd.	Geotechnical/Geological/Engineering/Environmental Program Authorization (Effective September 5, 2015 – August 31, 2016)
Shell Canada Ltd.	Operations Authorization – Drilling (Effective October 20, 2015)
Shell Canada Ltd.	Approval to Drill a Well (Cheshire) (Effective October 20, 2015)

### 1.2 Approval Process

No work or activity related to the exploration for, development of, or transportation of petroleum can be conducted without a specific authorization issued by the CNSOPB. Prior to issuing any such authorizations, the CNSOPB requires prospective operators to undergo a rigorous process which can include the following (among other items) to be accepted in satisfactory form:

- Summary of Proposed Operations;
- Safety Plan;
- Certificate of Fitness (where applicable);
- Project-specific EA (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.

This is in addition to comprehensive site audits and inspections as well as confirmation of appropriate training for offshore workers. Note: for development activities, a development plan must be submitted for CNSOPB approval prior to an application for any specific activity authorizations or approvals.

### 1.3 Audits and Inspections

The CNSOPB has in place an effective monitoring program to evaluate operator compliance with regulatory requirements while conducting authorized petroleum-related work activities. Operators are required to submit reports detailing the status of their work programs on an ongoing basis, along with other documentation to demonstrate compliance with regulatory requirements. Additionally, CNSOPB staff

regularly visit offshore worksites to perform audits and inspections (a summary of which can be found on our website at [www.cnsopb.ns.ca/health-and-safety/compliance-and-enforcement](http://www.cnsopb.ns.ca/health-and-safety/compliance-and-enforcement)) and to follow up on incidents reported. In cases where noncompliance to regulatory requirements is identified, the CNSOPB's compliance and enforcement actions that may be taken include: seeking of facilitated compliance, issuance of orders or directives, cancellation or suspension of authorizations or approvals, application of administrative monetary penalties, or prosecution through the court system.

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

During the 2015-16 fiscal year, production of natural gas continued from the Sable Offshore Energy Project (SOEP)'s five (5) fields (Thebaud, Venture, South Venture, Alma, and North Triumph), and remained the subject of regular oversight by CNSOPB staff.

Additionally, ExxonMobil Canada Ltd. (ExxonMobil) continued its planning for the eventual decommissioning of the project. CNSOPB staff met with ExxonMobil on a frequent basis to discuss regulatory requirements, to ensure that the commitments made in the previously approved Development Plan will be 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)**

The Deep Panuke Offshore Gas Project (Deep Panuke) moved to seasonal production, with natural gas production being shut in from April through to October. This project remained the subject of regular oversight by the CNSOPB during the full year, regardless of whether the project was producing or shut in. This included the monitoring of a number of well-stimulation programs conducted by Encana to enhance well performance, and an ongoing review to ensure that maximum economic recovery of natural gas reserves is achieved.

#### **1.6 Shell Canada Limited**

The CNSOPB completed its extensive review of Shell Canada Ltd.'s (Shell Canada) application for an Operations Authorization – Drilling, along with the associated Approval to Drill a Well application for the first of its two (2) exploratory wells being drilled as part of their Shelburne Basin Venture Drilling Program.

As part of this review, CNSOPB staff worked alongside the Canadian Environmental Assessment Agency (the CEA Agency) in completing its environmental assessment (EA) under the Canadian Environmental Assessment Act, 2012. In June of 2015, the federal Minister of the Environment released a decision report stating that the drilling program, taking into account the proposed mitigation measures, is not likely to cause significant adverse environmental effects. The CNSOPB accepted the EA completed by the CEA Agency for its purposes in relation to the drilling program in July, 2015. The CNSOPB has in place a monitoring program to ensure mitigation measures and commitments outlined in the EA are implemented.

The CNSOPB issued an Operations Authorization – Drilling and an Authorization to Drill a Well for the program's first well (Cheshire L-97) in October, 2015. Shell Canada commenced drilling shortly thereafter.

CNSOPB staff actively monitored the drilling program, reviewing daily reports and conducting numerous audits and other on-site visits and inspections, and met weekly and monthly with Shell Canada technical staff.

## 1.7 BP Canada

BP Canada did not conduct any physical activity in the Canada-Nova Scotia offshore area during the 2015-16 fiscal year. The CNSOPB and BP Canada continued discussions on regulatory requirements and expectations with respect to BP Canada’s proposed exploratory drilling program (the Scotian Basin Exploration Drilling Project) which is currently proposed for 2018. The CEA Agency formally commenced the environmental assessment process for the Scotian Basin Exploration Drilling Project in September, 2015. CNSOPB staff are working alongside the CEA Agency on this EA.

## 2.0 Health, Safety and Environmental Protection

### 2.1 Safety Performance

In 2015-16, there were 1,236,185 person hours worked under CNSOPB authority in the Canada - Nova Scotia offshore area. During that period, there were three (3) disabling injuries. CNSOPB Operational Safety Officers and Occupational Health and Safety Officers followed up on each of these incidents to ensure that corrective actions had been taken. Disabling injury statistics are tabulated in **Figure 2** below.

**Figure 2: Disabling injury statistics**

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Number of Disabling Injuries*</b>					
Installations	0	3	1	3	3
Vessels	0	1	3	0	0
Aviation	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>4</b>	<b>4</b>	<b>3</b>	<b>3</b>

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Person Hours</b>					
Installations	549,116	716,272	562,584	526,440	808,104
Vessels	413,729	268,529	591,084	735,992	397,791
Aviation	22,542	24,301	28,177	8,421	10,207
Personnel Transport	3,636	3,579	6,086	6,782	20,083
<b>Total</b>	<b>985,387</b>	<b>1,009,102</b>	<b>1,181,845</b>	<b>1,296,335</b>	<b>1,236,185</b>

	2011-12	2012-13	2013-14	2014-15	2015-16
<b>Frequency Rate (Per 200,000 Person Hours)</b>					
Installations	0	0.84	0.36	1.14	0.74
Vessels	0	0.74	1.02	0	0
Aviation	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0.79</b>	<b>0.68</b>	<b>0.46</b>	<b>0.49</b>

\* 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.

Note: For quality assurance, minor adjustments to person hours may periodically be adjusted to reflect Operator amendments.

## 2.2 Environmental Performance

Regulations mandate that all spills and releases from offshore oil and gas installations or vessels are to be reported to the CNSOPB and other applicable government departments. Each spill or release is investigated by the CNSOPB, with an emphasis on prevention of recurrence. There were 6 spills to the ocean during the 2015-16 fiscal year. These spills are categorized in **Figure 3**.

**Figure 3: Spills to the sea**

Material	Less than 1L	1-10L	11-150L	Greater than 150L	Total
Hydraulic Oil	3	0	1	0	4
Diesel	1	0	0	0	1
Condensate	1	0	0	0	1
Total	5	0	1	0	6

*Note: does not include exceedances to authorized discharge limits or gas releases.*

## 2.3 Environmental Effects Monitoring

Environmental Effects Monitoring (EEM) for petroleum activities carried out in the Canada - Nova Scotia offshore area involves scientific monitoring of the effects of petroleum activities on specific components of the surrounding environment. EEM programs are conducted throughout each year, and the program design changes yearly. EEM is required for all development projects, and occasionally for certain exploration activities. To view the reports submitted during the 2015-16 fiscal year, please visit: [www.cnsopb.ns.ca/environment/environmental-effects-monitoring](http://www.cnsopb.ns.ca/environment/environmental-effects-monitoring)

## 2.4 Environmental Assessments

### Strategic Environmental Assessments

Prior to issuing Exploration Licences in new offshore areas, the CNSOPB conducts Strategic Environmental Assessments (SEAs) to ensure that specific environmental issues that may exist are known ahead of irrevocable decisions that may be taken by the CNSOPB and by potential bidders. In the 2015-16 fiscal year, CNSOPB environment staff completed a SEA for the Sydney Basin and Orpheus Graben areas. A public comment period was held and open houses took place in Sydney, Eskasoni and Port Hawkesbury to seek public input. To view this SEA, related comments and an archive, please visit: [www.cnsopb.ns.ca/environment/environmental-assessments/sea-public-registry](http://www.cnsopb.ns.ca/environment/environmental-assessments/sea-public-registry).

### Project-Specific Environmental Assessments

CNSOPB staff worked alongside the CEA Agency in completing its environmental assessment for Shell Canada's Shelburne Basin Venture Exploration Drilling Program. In June of 2015, the federal Minister of the Environment released a decision report stating that the drilling program, taking into account the proposed mitigation measures, is not likely to cause significant adverse environmental effects. The CNSOPB accepted the EA completed by the CEA Agency for its purposes in relation to the drilling program in July, 2015.

Documents from the CEA Agency and the CNSOPB regarding the Shelburne Basin Venture Exploration Drilling Program Environmental Assessment and an archive of previous EAs can be found here: <http://www.cnsopb.ns.ca/environment/environmental-assessments>.

### 3.0 Rights Management

#### 3.1 Call for Bids NS15-1 and Licencing Update

Call for Bids NS15-1 was announced on April 28, 2015, and closed on October 29, 2015. This Call consisted of nine (9) parcels. Parcels 1-7 were located on the western Scotian Shelf and slope adjacent to current Exploration Licences (ELs) held by Shell Canada and partners, and BP Canada and partners. Parcels 8 and 9 were located on the Scotian Shelf in the Sable Subbasin. A public comment period was provided for within this timeframe. Two successful bids were received from Statoil Canada Ltd. (Statoil) on Parcels 1 and 2 with Work Expenditure Bids totaling \$82,000,000. In January, 2016, Exploration Licences 2435 and 2436 were issued to Statoil.

There were no changes to the number of Significant Discovery Licences or Production Licences this year.

Figure 4: Interests Offshore Nova Scotia

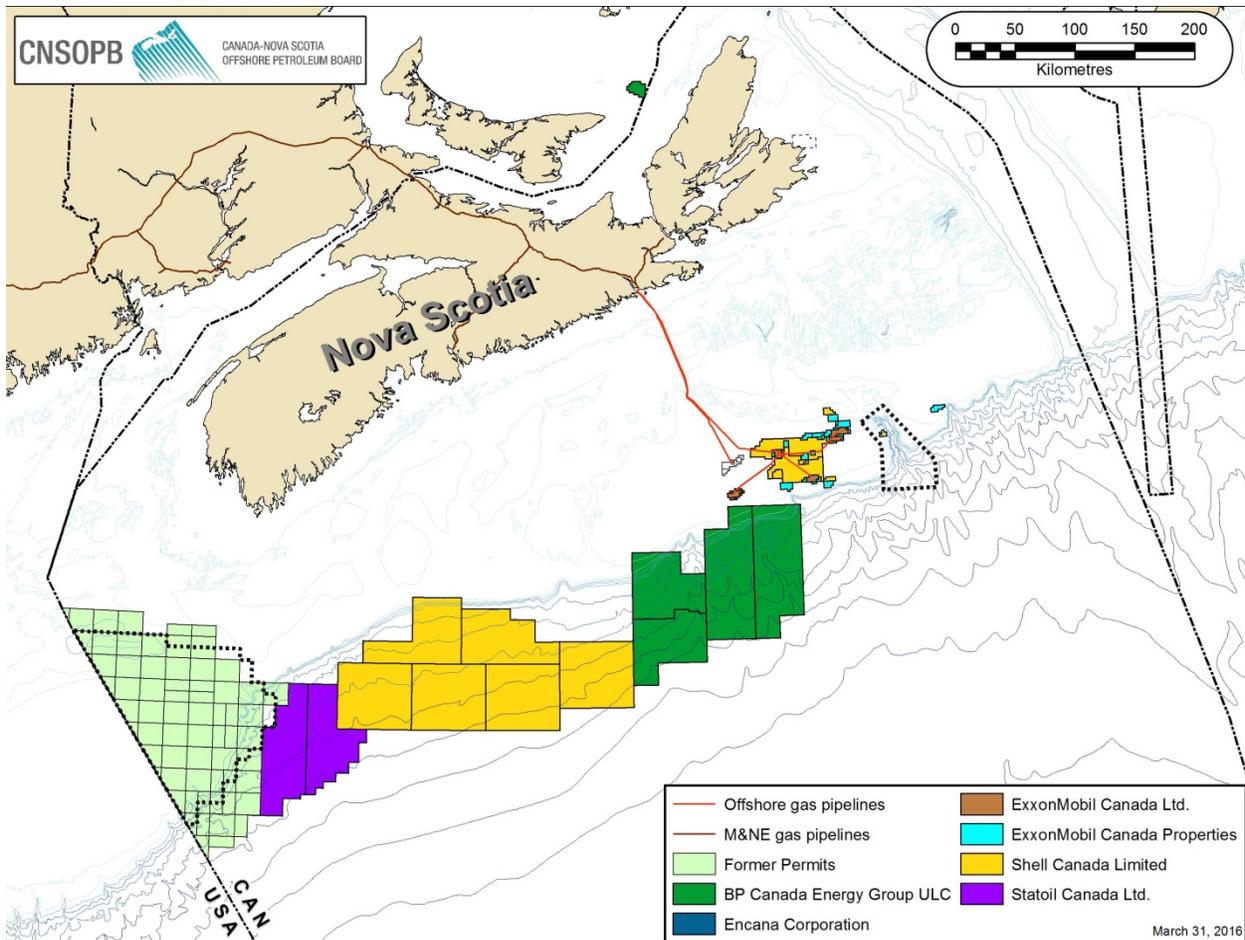


Figure 4 shows the current active ELs in the Canada-Nova Scotia offshore area as of March 31, 2016. Additional maps, tables and information about all active licences (ELs, SDLs and PLs) in the Canada - Nova Scotia offshore area can be found on the CNSOPB’s website (<http://www.cnsopb.ns.ca/lands-management>).

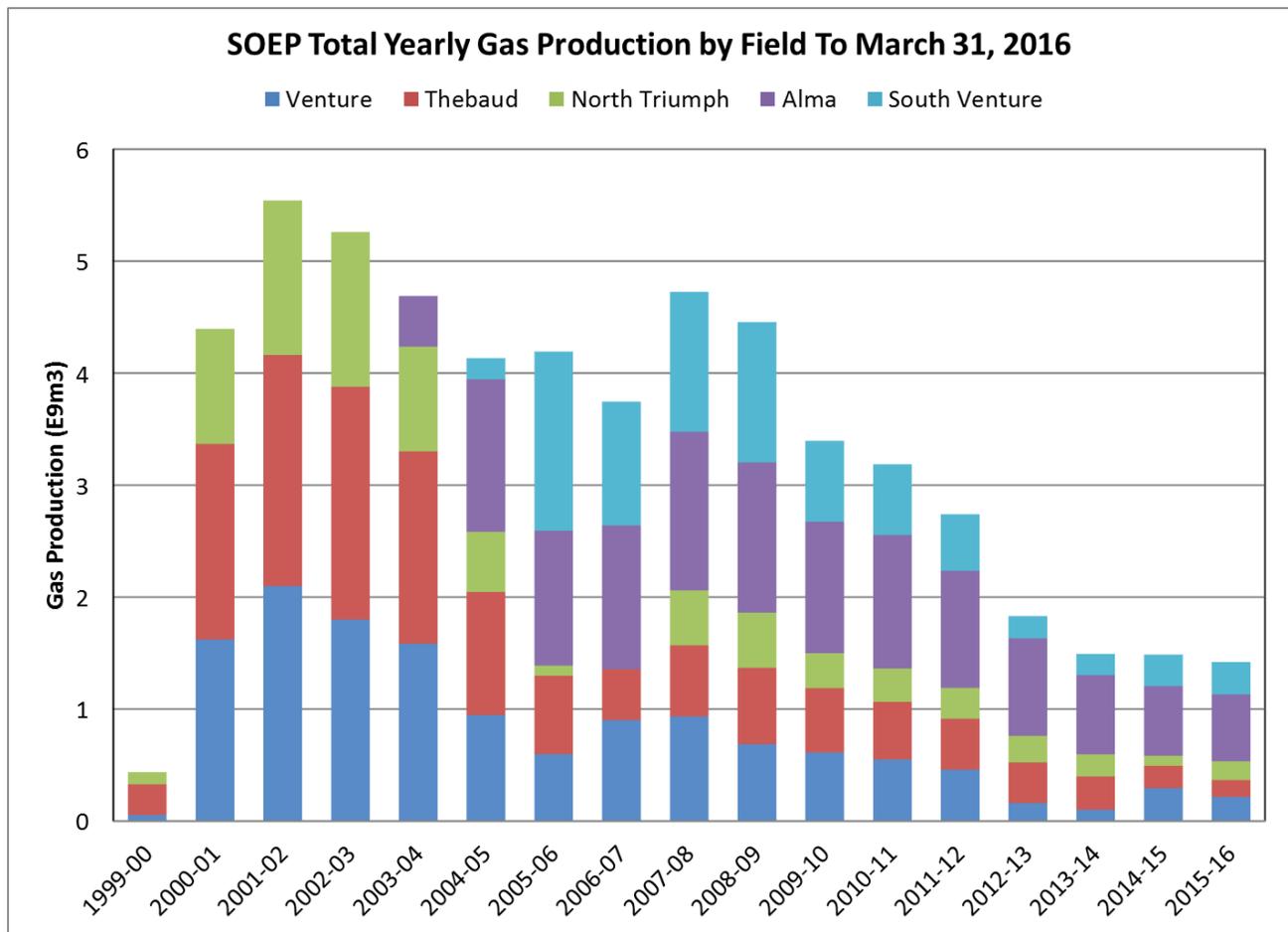
## 4.0 Resources

For additional production information, including monthly production data from producing projects, visit [www.cnsopb.ns.ca/node/5501](http://www.cnsopb.ns.ca/node/5501).

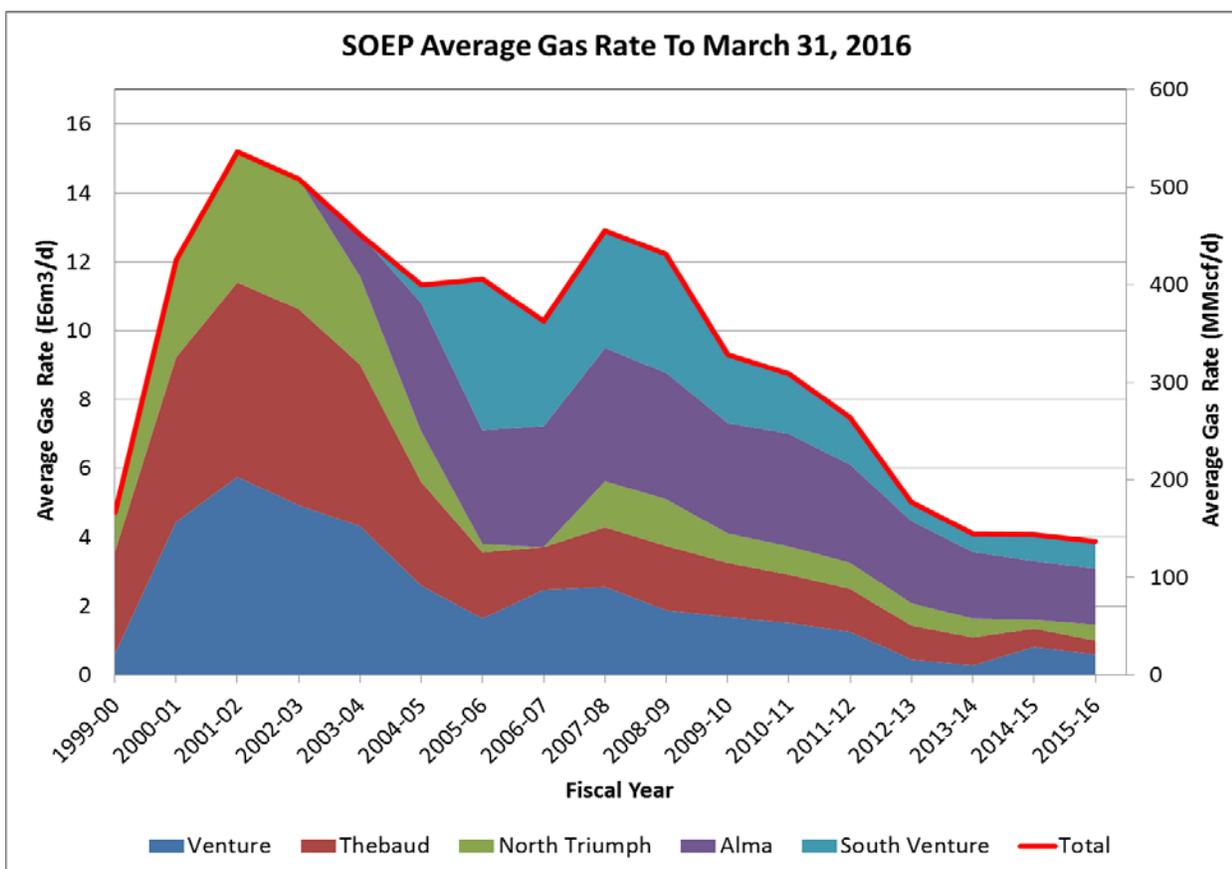
### 4.1 Sable Offshore Energy Project Production (SOEP) Information

During the reporting period, SOEP's average production rate was 3.9 E6m3/d (Million cubic metres per day) or 137 MMscf/d (Million standard cubic feet per day). Total SOEP gas production to March 31, 2016 was 57.1 E9m3 (Billion cubic metres) or 2.02 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 total average gas rate by fiscal year.

**Figure 5: SOEP Total Yearly Gas Production by Field to March 31, 2016**



**Figure 6: SOEP Total Average Gas Rate each Fiscal Year**



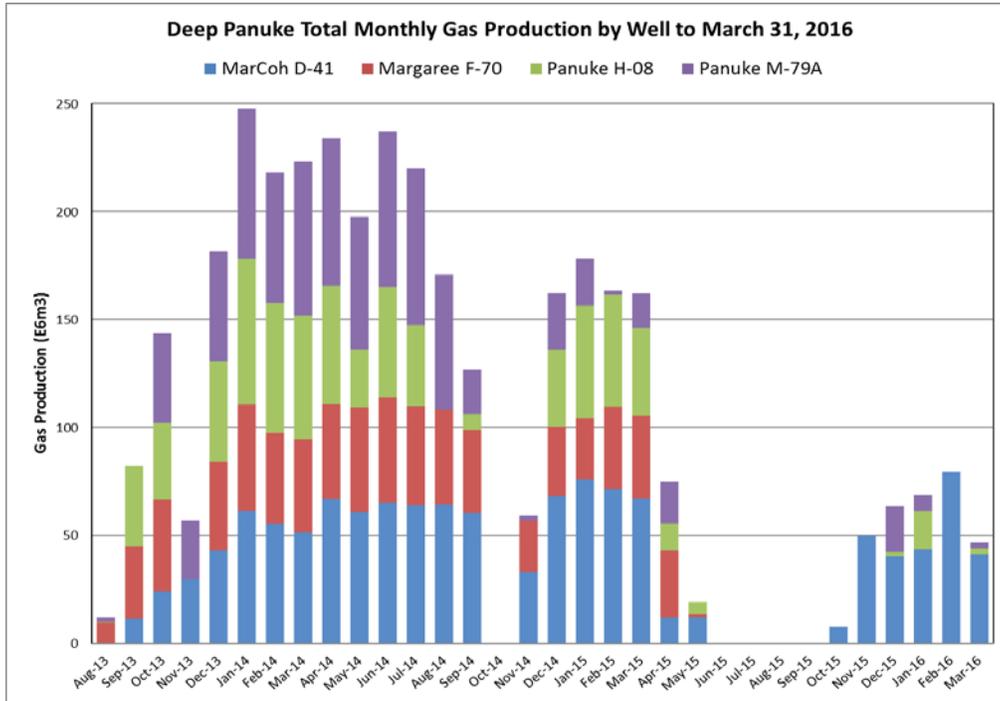
**Figure 7: SOEP Total Average Gas Rate by Fiscal Year**

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

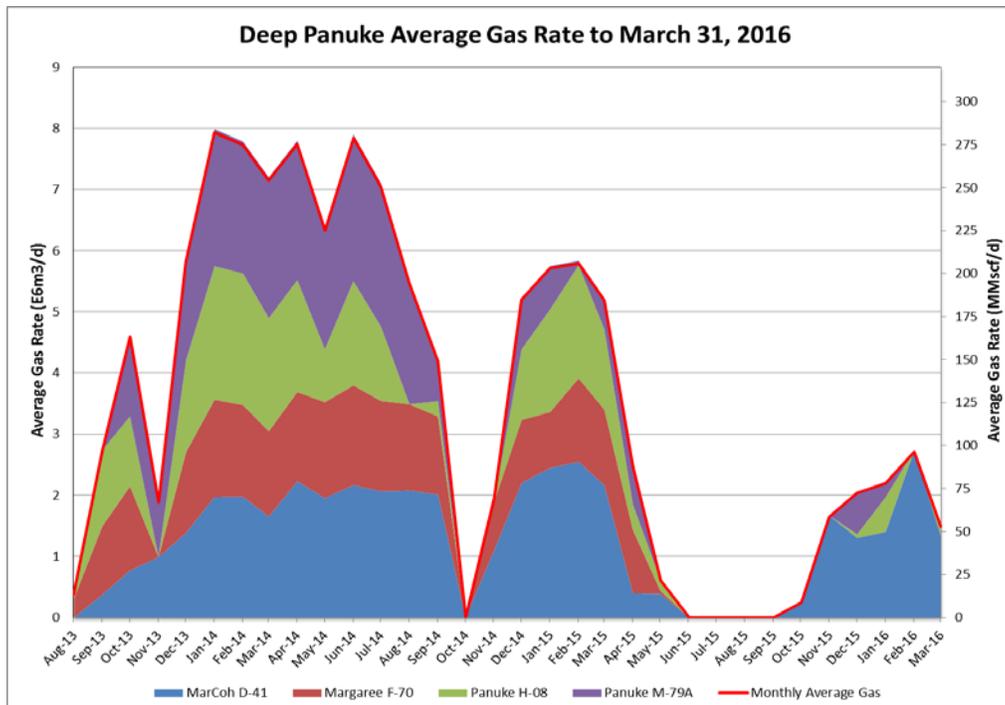
## 4.2 Deep Panuke Offshore Gas Project Production Information

Total Deep Panuke gas production to March 31, 2016 was 3.5 E9m<sup>3</sup> or 123.1 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 8:** Deep Panuke Total Monthly Gas Production by Well to March 31, 2016



**Figure 9:** Deep Panuke Average Gas Rate to March 31, 2016



## **5.0 Industrial Benefits**

For more information on Canada-Nova Scotia benefits, including copies of annual benefits plans filed by producing operators, please visit: [www.cnsopb.ns.ca/can-ns-benefits/benefits-plans](http://www.cnsopb.ns.ca/can-ns-benefits/benefits-plans).

### **5.1 Sable Offshore Energy Project**

ExxonMobil Canada, the operator of the SOEP, files an annual benefits report with the CNSOPB. As stated in the report submitted to the CNSOPB for the period ending December 31, 2015, the SOEP has spent \$2.8 billion in Nova Scotia to date. \$1.26 billion has been spent in the rest of Canada, with overall Canadian spending totaling \$4.06 billion. Cumulatively, Nova Scotia person hours amounted to 23.8 million, while the rest of Canada totaled 3.6 million person hours.

### **5.2 Deep Panuke**

Encana Corporation, the operator of the Deep Panuke Offshore Gas Project, 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, 2015, cumulative Nova Scotian person hours amounted to 5.8 million, while the rest of Canada totaled 985.7 thousand person hours.

### **5.3 Exploration**

The Board monitored benefits activity related to exploration programs carried out by Shell Canada Limited and BP Exploration (Canada) Limited for compliance with legislative requirements and benefits plan commitments.

## **6.0 Financial Statements**

The 2015-2016 audited Financial Statements prepared by Levy Casey Carter MacLean follow.

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

FINANCIAL STATEMENTS  
MARCH 31, 2016

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITY

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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 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 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



Christine Bonnell-Eisnor  
Director, Regulatory  
Affairs & Finance

May 9, 2016

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**INDEPENDENT AUDITOR'S REPORT**

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**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, 2016 and the statement of operations and accumulated operating surplus, remeasurement gains, 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.

**Auditor's 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 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 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, 2016, and the results of its operations and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Terry Carter Ltd.  
Stuart S. MacLean Inc.  
J.E. Melvin Inc.  
Greg T. Strange Inc.  
Tracey Wright Inc.

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Halifax, Nova Scotia  
May 9, 2016

  
**LEVY CASEY CARTER MACLEAN**  
**CHARTERED ACCOUNTANTS**

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF FINANCIAL POSITION MARCH 31, 2016

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	<u>2016</u>	<u>2015</u>
<b>FINANCIAL ASSETS</b>		
Cash and cash equivalents	\$ 2,327,578	\$ 2,736,615
Receivables	88,936	51,082
Investments (note 2(j)) (note 3)	<u>2,547,566</u>	<u>2,518,803</u>
	<u>4,964,080</u>	<u>5,306,500</u>
<b>LIABILITIES</b>		
Payables and accruals	766,767	1,175,675
Payable to governments (note 4)	1,910,466	1,782,188
Deferred grants	-	47,500
Supplementary employee retirement plan obligation (note 5)	754,285	677,419
Post-retirement health and retiring allowance obligation (note 6)	<u>1,700,852</u>	<u>1,581,324</u>
	<u>5,132,370</u>	<u>5,264,106</u>
Net financial assets (debt)	<u>(168,290)</u>	<u>42,394</u>
<b>NON-FINANCIAL ASSETS</b>		
Prepaid expenses	424,495	323,847
Tangible capital assets (page 17)	<u>525,022</u>	<u>707,740</u>
	<u>949,517</u>	<u>1,031,587</u>
Accumulated surplus	<u>\$ 781,227</u>	<u>\$ 1,073,981</u>
Accumulated surplus is comprised of:		
Accumulated operating surplus (page 4)	\$ 706,276	\$ 970,593
Accumulated remeasurement gains (page 5)	<u>74,951</u>	<u>103,388</u>
	<u>\$ 781,227</u>	<u>\$ 1,073,981</u>

**Commitments (note 9)**

**Contingencies (note 11)**

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**Approved by the Board**

\_\_\_\_\_  
Chair

\_\_\_\_\_  
Board member

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS YEAR ENDED MARCH 31, 2016

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	(Note 13) <u>Budget</u>	<u>2016</u>	<u>2015</u>
<b>Revenue</b>			
Government grants			
Government of Canada	\$ 4,012,500	\$ 4,012,500	\$ 3,965,000
Government of Nova Scotia	4,012,500	4,012,500	3,965,000
Costs recovered from industry	4,011,204	4,012,500	3,941,228
Interest and other	<u>-</u>	<u>21,495</u>	<u>12,378</u>
	<u>12,036,204</u>	<u>12,058,995</u>	<u>11,883,606</u>
<b>Expenses</b>			
Costs recoveries refunded to government (page 18)	4,011,204	4,012,500	3,941,228
Regulation of petroleum activities (page 18)	<u>8,025,000</u>	<u>8,023,843</u>	<u>7,231,895</u>
	<u>12,036,204</u>	<u>12,036,343</u>	<u>11,173,123</u>
<b>Operating surplus before other revenue (expenses)</b>	-	22,652	710,483
Amortization of tangible capital assets (page 17)	-	(342,418)	(264,805)
Net investment income (note 7)	<u>-</u>	<u>58,241</u>	<u>58,083</u>
	<u>-</u>	<u>(284,177)</u>	<u>(206,722)</u>
<b>Operating surplus (deficit)</b>	-	(261,525)	503,761
<b>Accumulated operating surplus, beginning of year</b>	-	970,593	472,664
Repayment to Government of Canada	-	(1,396)	(2,916)
Repayment to Government of Nova Scotia	<u>-</u>	<u>(1,396)</u>	<u>(2,916)</u>
<b>Accumulated operating surplus, end of year</b>	<u>\$ -</u>	<u>\$ 706,276</u>	<u>\$ 970,593</u>

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

**STATEMENT OF REMEASUREMENT GAINS  
YEAR ENDED MARCH 31, 2016**

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	<u>2016</u>	<u>2015</u>
<b>Accumulated remeasurement gains, beginning of the year</b>	<b>\$ 103,388</b>	\$ 24,270
<b>Unrealized gain (loss) arising during the year on investments</b>	<u><b>(28,437)</b></u>	<u>79,118</u>
<b>Accumulated remeasurement gains, end of year</b>	<u><b>\$ 74,951</b></u>	<u>\$ 103,388</u>

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

STATEMENT OF CHANGES IN NET DEBT  
YEAR ENDED MARCH 31, 2016

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	(Note 13) <u>Budget</u>	<u>2016</u>	<u>2015</u>
<b>Operating surplus (deficit)</b>	\$ -	\$ (261,525)	\$ 503,761
Repayment to Government of Canada	-	(1,396)	(2,916)
Repayment to Government of Nova Scotia	-	(1,396)	(2,916)
	<u>-</u>	<u>(264,317)</u>	<u>497,929</u>
<b>Change in tangible capital assets</b>			
Acquisition of tangible capital assets	(652,000)	(159,699)	(643,300)
Amortization of tangible capital assets	-	342,418	264,805
	<u>(652,000)</u>	<u>182,719</u>	<u>(378,495)</u>
<b>Decrease (increase) in tangible capital assets</b>			
<b>Change in other non-financial assets</b>			
Use (acquisition) of prepaid expense	-	(100,649)	90,558
	<u>-</u>	<u>(28,437)</u>	<u>79,118</u>
Net remeasurement gain (loss) (page 5)	-	(28,437)	79,118
	<u>-</u>	<u>(28,437)</u>	<u>79,118</u>
Decrease (increase) in net financial debt	(652,000)	(210,684)	289,110
	<u>(652,000)</u>	<u>(210,684)</u>	<u>289,110</u>
Net financial assets (debt), beginning of the year	42,394	42,394	(246,716)
	<u>42,394</u>	<u>42,394</u>	<u>(246,716)</u>
<b>Net financial assets (debt), end of the year</b>	<u>\$ (609,606)</u>	<u>\$ (168,290)</u>	<u>\$ 42,394</u>

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD****STATEMENT OF CASH FLOWS  
YEAR ENDED MARCH 31, 2016**

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	<u>2016</u>	<u>2015</u>
<b>Operating Activities</b>		
Operating surplus (deficit)	\$ (261,525)	\$ 503,761
Amortization of tangible capital assets	342,418	264,805
Loss on disposal of investments	-	5,905
Repayment to Government of Canada	(1,396)	(2,916)
Repayment to Government of Nova Scotia	(1,396)	(2,916)
Increase in supplementary employee retirement plan obligation	76,866	61,304
Increase in post-retirement health and retiring allowance obligation	<u>119,528</u>	<u>156,974</u>
	274,495	986,917
Net change in non-cash working capital balances related to operations (note 8)	<u>(466,633)</u>	<u>107,747</u>
	<u>(192,138)</u>	<u>1,094,664</u>

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<b>Investing Activities</b>		
Decrease (increase) in accrued interest on investments	2,137	(144)
Purchase of investments	(420,597)	(775,781)
Proceeds on disposal of investments	<u>370,205</u>	<u>609,380</u>
	<u>(48,255)</u>	<u>(166,545)</u>

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<b>Capital Activities</b>		
Purchase of		
Furniture and equipment	(5,860)	(2,609)
Computer equipment	(144,564)	(196,839)
Computer software	(9,275)	(413,458)
Equipment	<u>-</u>	<u>(30,395)</u>
	<u>(159,699)</u>	<u>(643,301)</u>

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<b>Increase (decrease) in cash and cash equivalents during year</b>	<b>(400,092)</b>	<b>284,818</b>
<b>Cash and cash equivalents, beginning of year</b>	<b><u>2,738,447</u></b>	<b><u>2,453,629</u></b>
<b>Cash and cash equivalents, end of year</b>	<b><u>\$ 2,338,355</u></b>	<b><u>\$ 2,738,447</u></b>

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**Represented by:**

Cash	\$ 2,327,578	\$ 2,736,615
Investment cash	<u>10,777</u>	<u>1,832</u>
	<u>\$ 2,338,355</u>	<u>\$ 2,738,447</u>

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016

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### 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 50% 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.

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### 2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles as recommended by 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 carrying amount of the asset exceeds the sum of the undiscounted cash flows 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. The impairment test involves comparing the fair value of the assets with their carrying amount. When the carrying amount exceeds the fair value, an impairment loss is recognized in an amount equal to the excess.

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016

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### 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.

(f) Use of estimates (continued)

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. Investment income is recorded as earned.

(h) Supplementary employee retirement plan obligation

The projected benefit 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.

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016

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### 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 June 30, 2015. 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.

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### 3. Investments

	<u>2016</u>	<u>2015</u>
Investments, at cost	\$ 2,438,150	\$ 2,387,758
Accrued investment income	23,688	25,825
Unrealized gain on investments	74,951	103,388
Investment cash	<u>10,777</u>	<u>1,832</u>

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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Investments, at fair market value	<u>\$ 2,547,566</u>	<u>\$ 2,518,803</u>
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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016

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### 4. Payable to governments

	<u>2016</u>	<u>2015</u>
Federal government - cost recovery funds	\$ 955,233	\$ 891,094
Provincial government - cost recovery funds	<u>955,233</u>	<u>891,094</u>
	<u>\$ 1,910,466</u>	<u>\$ 1,782,188</u>

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### 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 March 31, 2015 and was extrapolated to March 31, 2016. 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>2016</u>	<u>2015</u>
<u>Components of Supplementary Employee Retirement Plan Cost</u>		
Current service cost	\$ 28,688	\$ 33,908
Interest cost	34,298	30,574
Amortization of net actuarial losses	<u>41,637</u>	<u>24,264</u>
Supplementary Employee Retirement Plan Cost	<u>\$ 104,623</u>	<u>\$ 88,746</u>
 <u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>4.10%</u>	4.30%
Rate of compensation increase	<u>2.25%</u>	<u>2.50%</u>
 <u>Weighted-Average Assumptions for Disclosure</u>		
Discount rate	<u>4.10%</u>	<u>4.10%</u>
Rate of compensation increase	<u>2.25%</u>	<u>2.25%</u>

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016

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### 5. Pension obligations (continued)

#### Change in Accrued Benefit Obligation

Accrued benefit obligation at the end of the prior year	\$ 836,077	\$ 707,781
Current service cost	28,688	33,908
Interest cost	34,298	30,574
Benefits paid	(27,757)	(27,442)
Actuarial loss	-	91,256

Accrued benefit obligation at the end of the year	<u>\$ 871,306</u>	<u>\$ 836,077</u>
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#### Reconciliation of Funded Status to Accrued Benefit Liability

Benefit obligation at end of year	\$ 871,306	\$ 836,077
Unamortized net actuarial loss	<u>(117,021)</u>	<u>(158,658)</u>

Accrued benefit liability	<u>\$ 754,285</u>	<u>\$ 677,419</u>
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#### (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% (2015 - 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% (2015 - 10.9%) on the part of their salary that is in excess of the YMPE. The Board has recognized contributions of \$390,693 in 2016 (2015 - \$363,025). There is no further liability with respect to past service at March 31, 2016.

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### 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 June 30, 2015. 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, 2015 and was extrapolated to March 31, 2016. 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.

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016

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

	<u>2016</u>	<u>2015</u>
<u>Components of Post-Retirement Health and Retiring Allowance Cost</u>		
Current service cost (employer portion)	\$ 61,925	\$ 96,231
Interest cost	64,765	73,371
Actuarial loss	<u>1,242</u>	<u>20,700</u>
Post-Retirement Health and Retiring Allowance Cost	<u>\$ 127,932</u>	<u>\$ 190,302</u>
<u>Weighted-Average Assumptions for Expense</u>		
Discount rate	<u>4.10%</u>	<u>4.30%</u>
Rate of compensation increase	<u>2.25%</u>	<u>2.50%</u>
Initial weighted average health care trend rate	<u>7.00%</u>	<u>6.33%</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>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>7.00%</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	\$ 1,624,530	\$ 1,674,840
Current service cost (employer portion)	61,925	96,231
Interest cost	64,765	73,371
Curtailment	(81,968)	-
Benefits paid	(27,708)	(33,327)
Actuarial loss (gain)	<u>-</u>	<u>(186,585)</u>
Accrued benefit obligation at the end of the year	<u>\$ 1,641,544</u>	<u>\$ 1,624,530</u>
<u>Reconciliation of Funded Status to Accrued Benefit Liability</u>		
Benefit obligation at the end of year	\$ 1,641,544	\$ 1,624,530
Unamortized net actuarial loss	<u>59,308</u>	<u>(43,206)</u>
Accrued benefit liability	<u>\$ 1,700,852</u>	<u>\$ 1,581,324</u>

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**7. Net investment income**

	<u>2016</u>	<u>2015</u>
Investment income	\$ 73,167	\$ 78,077
Gain (loss) on disposal of investments	-	(5,905)
Portfolio management fees	<u>(14,926)</u>	<u>(14,089)</u>
	<u>\$ 58,241</u>	<u>\$ 58,083</u>

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016

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

	<u>2016</u>	<u>2015</u>
<b>Increase (decrease) in cash from changes in:</b>		
Receivables	\$ (37,854)	\$ 17,552
Prepaid expenses	(100,649)	90,558
Payables and accruals	(408,907)	252,196
Payable to governments	128,277	(300,059)
Deferred grants	<u>(47,500)</u>	<u>47,500</u>
	<u>\$ (466,633)</u>	<u>\$ 107,747</u>

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### 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:

2017	\$	305,342
2018	\$	305,342
2019	\$	127,966
2020	\$	111,604
2021	\$	105,670

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### 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.

(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.

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# CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

## NOTES TO FINANCIAL STATEMENTS MARCH 31, 2016

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### 10. Financial instruments (continued)

(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.

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### 11. Contingencies

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

- (a) An application was submitted by Shin Han F&P Inc. to the Supreme Court of Nova Scotia during the 2013 fiscal year for an order quashing the Board's decision to cancel an exploration license due to the license holder's failure to post the required work deposit. After the Court ruled in the Board's favour, an appeal was submitted. An appeal hearing occurred on October 6, 2014 and in December 2014, the Nova Scotia Court of Appeal dismissed the appeal. An application to leave to appeal to the Supreme Court of Canada was then made in February 2015 and was denied in September 2015.
- (b) An application was submitted by Geophysical Service Incorporated (GSI) to the Supreme Court of Nova Scotia during the 2013 fiscal year for a declaratory judgment stating that the Board has no authority to request, hold, or distribute information the applicant obtained from conducting seismic surveys in the Nova Scotia offshore area. GSI claims injunctive relief and an order preserving its right to claim damages. A hearing was held in November 2013 and an order was issued by the Court in October 2014 dismissing the application. An appeal was then filed and the proceeding remains ongoing as the parties seek direction and ruling on the next phase of the appeal process.
- (c) An application was submitted by GSI to the Federal Court of Canada requesting an injunction against the Board for an alleged copyright infringement through the use of seismic survey data. The temporary and permanent injunctions would require that the information be removed from current and future publications. The Court denied the injunction application in May 2014, at which time the Board filed a motion requesting that the copyright certificate be struck. Shortly thereafter, a notice of discontinuance was filed to stop the application against the Board.

A second claim is an action filed in the Federal Court of Canada in relation to an alleged copyright infringement prior to 2013. 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. GSI filed the claim on the express condition that it would be held in abeyance pending the resolution of the above noted injunction application, which has been discontinued. The Board has requested that this second claim also be discontinued.

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

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

**NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2016**

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**12. Subsequent event**

Subsequent to year end, the Board implemented new Cost Recoveries Guidelines which are effective April 1, 2016. The new guidelines will apply to cost recoveries beginning in 2017 fiscal year and have had no impact on these financial statements.

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**13. 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.

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**CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD**

SCHEDULE OF TANGIBLE CAPITAL ASSETS  
YEAR ENDED MARCH 31, 2016

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**COST**

	<u>Opening</u>	<u>Additions</u>	<u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 639,095	\$ -	\$ -	\$ 639,095
Furniture and fixtures	447,704	5,860	-	453,564
Computer equipment	1,426,794	144,564	-	1,571,358
Computer software	1,273,916	9,275	-	1,283,191
Equipment	<u>198,430</u>	<u>-</u>	<u>-</u>	<u>198,430</u>
	<u>\$ 3,985,939</u>	<u>\$ 159,699</u>	<u>\$ -</u>	<u>\$ 4,145,638</u>

**ACCUMULATED AMORTIZATION**

	<u>Opening</u>	<u>Amortization</u>	<u>Disposals</u>	<u>Closing</u>
Leasehold improvements	\$ 582,199	\$ 18,453	\$ -	\$ 600,652
Furniture and fixtures	442,668	2,791	-	445,459
Computer equipment	1,223,735	122,307	-	1,346,042
Computer software	857,762	191,268	-	1,049,030
Equipment	<u>171,834</u>	<u>7,599</u>	<u>-</u>	<u>179,433</u>
	<u>\$ 3,278,198</u>	<u>\$ 342,418</u>	<u>\$ -</u>	<u>\$ 3,620,616</u>

**NET BOOK VALUE**

	<u>2016</u>	<u>2015</u>
Leasehold improvements	\$ 38,443	\$ 56,896
Furniture and fixtures	8,105	5,035
Computer equipment	225,316	203,060
Computer software	234,161	416,154
Equipment	<u>18,997</u>	<u>26,595</u>
	<u>\$ 525,022</u>	<u>\$ 707,740</u>

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## CANADA-NOVA SCOTIA OFFSHORE PETROLEUM BOARD

### SCHEDULE OF EXPENSES YEAR ENDED MARCH 31, 2016

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	(Note 13) <u>Budget</u>	<u>2016</u>	<u>2015</u>
<b>Cost recoveries refunded to government</b>			
Government of Canada	\$ 2,005,602	\$ 2,006,250	\$ 1,970,614
Government of Nova Scotia	<u>2,005,602</u>	<u>2,006,250</u>	<u>1,970,614</u>
Total cost recoveries refunded to government	<u>\$ 4,011,204</u>	<u>\$ 4,012,500</u>	<u>\$ 3,941,228</u>
<b>Regulation of petroleum activities</b>			
Personnel, consulting and Board members	\$ 5,605,000	\$ 5,734,465	\$ 5,124,684
General office and support	1,498,500	1,348,391	1,151,382
Office and laboratory premise costs	656,500	679,128	666,781
Supplementary employee retirement plan cost	75,000	104,623	88,746
Post-retirement health and retiring allowance cost	180,000	147,236	190,302
Diving certification	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>
Total regulation of petroleum activities	<u>\$ 8,025,000</u>	<u>\$ 8,023,843</u>	<u>\$ 7,231,895</u>



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