CANADA-NEWFOUNDLAND and LABRADOR
OFFSHORE PETROLEUM BOARD

Annual Report 2007/08

Canada-Newfoundland and Labrador Offshore Petroleum Board

Fifth Floor, TD Place

140 Water Street

St. John's, NL

Canada A1C 6H6

(709) 778-1400 phone

(709) 778-1473 fax

www.cnlopb.nl.ca

Core Storage and Research Centre

30 Duffy Place

St. John's, NL

Canada A1B 4M5

(709) 778-1500 phone

Photo Credits: Robert Young, Husky Energy

Annual Report 2007/08

June 4, 2008

The Honourable Gary Lunn
Minister of Natural Resources Canada
Government of Canada

The Honourable Kathy Dunderdale
Minister of Natural Resources
Government of Newfoundland and Labrador

Dear Ministers:

Pursuant to Section 29 of the legislation implementing the Atlantic Accord, I am pleased to present the annual report, together with the financial statements, of the Canada-Newfoundland and Labrador Offshore Petroleum Board for the fiscal year ending March 31, 2008.

Respectfully submitted,

Max Ruelokke, P.Eng.
Chairman and Chief Executive Officer

Board Members

Max Ruelokke, P.Eng.	Chairman and Chief Executive Officer, Chief Conservation Officer (A)
Fred Way	Vice-Chairman
Herbert Clarke	Member
Lorne Spracklin	Member
Halcum H. Stanley	Member
Joan Whelan	Member
Vacant	Member

Senior Staff

John P. Andrews, LL.B	Manager, Legal and Land and Corporate Secretary (709) 778-1458
Michael Baker, CHRP	Manager, Support Services (709) 778-1464
David G. Burley	Manager, Environmental Affairs (709) 778-1403
Vacant	Manager, Resource Management (709) 778-1428
Dave Hawkins, P. Geo.	Manager, Exploration (709) 778-1421
Sean Kelly, APR	Manager, Public Relations (709) 778-1418
Howard Pike, P.Eng.	Manager, Operations and Safety and Chief Safety Officer (709) 778-1412
Frank Smyth, P.Eng.	Manager, Industrial Benefits, Policy and Regulatory Coordination (709) 778-1439

Table of Contents

Letter of Transmittal Page 1
Board and Senior Staff Page 2
Table of Contents Page 3
Message from the Chair and CEO Page 4
Organizational Chart Page 7
Mandate: Role and Objectives Page 8
Highlights for 2007/08
- Safety of Offshore Workers Page 10
- Protection of the Environment Page 14
- Management of Resources Page 18
- Industrial Benefits Page 30

Financial Statements Page 36

ISBN 978-1-897101-40-7

Message from *the chairman and chief executive officer*

Report from the Board

The report which follows provides highlights of C-NLOPB activity during 2007/08 and offers a glimpse into the future of the Newfoundland and Labrador offshore oil and gas industry.

Message from the Chairman and Chief Executive Officer

It is my pleasure to present the 2007/08 Annual Report of the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB).

2007/08 was an exciting year for the C-NLOPB as we embarked on an era of change and refinement. One of our objectives is to improve effectiveness and efficiency. One of the ways this is being accomplished is through the streamlining and consolidation of Authorizations and Approvals issued annually by the C-NLOPB. This will enable our staff to spend more time learning and evaluating best practices and technology in order to keep current on industry trends. We will continue to pursue similar initiatives throughout our mandate.

As the Chairman and Chief Executive Officer of the Board, I would like to commend the companies operating offshore and their employees for their efforts to improve safety offshore. Although the legislation does not prioritize the Board's mandate, we consider safety of workers and our safety oversight role to be our highest priority.

I am grateful as well for the support and commitment of time and expertise of my colleagues, namely Fred Way, Herb Clarke, Lorne Spracklin, Hal Stanley and Joan Whelan. The Board also wishes to express its appreciation and best wishes to Mr. Andy Wells, who tendered his resignation as a Board member in March 2008 to become the Chair and CEO of the Province's Public Utilities Board.

The Board has 61 dedicated and committed employees who perform extremely well in challenging circumstances. Board staff participate often in national and international regulatory committees because of their expertise in offshore oil and gas regulation. The Board is fortunate to have such expertise. I know I speak for all Board members in commending the staff of the C-NLOPB for their superb performance and continued hard work.

The Report which follows provides highlights of C-NLOPB activity during 2007/08 and offers a glimpse into the future of the Newfoundland and Labrador offshore oil and gas industry. More information about the C-NLOPB can be obtained from our website at www.cnlopb.nl.ca.

Max Ruelokke P.Eng.

Organization and Structure

The C-NLOPB was created in 1986 through the Atlantic Accord for the purpose of regulating the oil and gas industry offshore Newfoundland and Labrador. Pursuant to the legislation, the C-NLOPB has four regulatory mandates: Safety, Environmental Protection, Resource Management and Industrial Benefits. The Board is comprised of seven persons; three appointed by the Federal Government, three appointed by the Provincial Government, and a Chair and CEO that is appointed jointly by the two governments. As of March 31, 2008, the Board had 61 permanent staff and an annual budget of $ 9.8 million. The Board regulates exploration licences, significant discovery licences, and production licenses covering an area of 7,365,000 hectares; that is an area of about two-thirds the size of the island portion of the Province of Newfoundland and Labrador.

Board Members

C-NLOPB Board Members (seated left to right): Herbert Clarke, Fred Way, Max Ruelokke, Joan Whelan, Halcum Stanley, Lorne Spracklin

Organization and Structure

Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB)

Government of Canada
Minister of Natural Resources

Government of Newfoundland and Labrador
Minister of Natural Resources

Appointed Board Members

Chair and CEO
Max Ruelokke
Jointly appointed by Government of Newfoundland and Labrador and Government of Canada

6 Board Members
3 Appointed by Government of Canada - Halcum Stanley, Herbert Clarke and Lorne Spracklin
3 Appointed by Government of Newfoundland and Labrador - Fred Way, Joan Whelan and one vacancy

- Environmental Affairs
- Operations & Safety
- Exploration
- Resource Management
- Industrial Benefits, Policy & Regulatory Coordination
- Legal & Land
- Support Services
- Public Relations

Mandate: Role and Objectives

To interpret and apply the provisions of the Atlantic Accord and the Atlantic Accord Implementation Acts to all activities of operators in the Newfoundland and Labrador Offshore Area; and, to oversee operator compliance with those statutory provisions.

Role

In the implementation of its mandate, the role of the C-NLOPB is to facilitate the exploration for and development of the hydrocarbon resources in the Newfoundland and Labrador Offshore Area in a manner that conforms to the statutory provisions for:

- worker safety;
- environmental protection and safety;
- effective management of land tenure;
- maximum hydrocarbon recovery and value;
- Canada/Newfoundland and Labrador benefits.

While the legislation does not prioritize these mandates, worker safety and environmental protection will be paramount in all Board decisions.

Objectives

Safety

- To verify that operators have appropriate safety plans in place.
- To verify, through audits and inspections, that operators follow their safety plans and applicable statutory requirements.
- To verify, through compliance actions, that deviations from approved plans and applicable statutory requirements are corrected.

Environment

- To verify that operators assess and provide for effects of the environment on the safety of their operations.
- To verify that operators perform an environmental assessment pursuant to Canadian regulations, of the effects of their operations on the environment, and prepare a plan and provide for mitigation where appropriate.
- To verify, through compliance actions, that operators comply with their environmental plans.

Resource Management

- To effectively and efficiently administer land tenure.
- To oversee production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans.
- To build a knowledge base for the Newfoundland and Labrador Offshore Area through the acquisition and curation of data from exploration and production activity.

Benefits

- To verify operators have an approved Canada/Newfoundland and Labrador Benefits Plan that addresses their statutory obligations.

The C-NLOPB Does Not

- Have responsibility for safety of workers or the environment; worker safety and environmental protection are the responsibility of operators.
- Manage reservoirs or production; that is the role of the operator within the context of an approved Development Plan.
- Guarantee the participation of Canadian and Newfoundland and Labrador workers or businesses.
- Have any role, beyond the provision of required data and information to government, in the establishment or administration of the fiscal regime (royalties/taxes) for any offshore activity.

2007 Highlights

safety of offshore workers

Safety First

In addition to verifying that operators have appropriate safety plans in place, the C-NLOPB requires operators to have processes in place to identify and correct all hazards before they pose a risk to individuals or to the integrity of their facilities.

The Board's mandate with respect to safety:

- To verify that operators have appropriate safety plans in place.
- To verify, through audits and inspections, that operators follow their safety plans and applicable statutory requirements.
- To verify, through compliance actions, that deviations from approved plans and applicable statutory requirements are corrected.

In addition to verifying that operators have appropriate safety plans in place, the C-NLOPB requires operators to have processes in place to identify and correct all hazards before they pose a risk to individuals or to the integrity of their facilities. The equipment and the installation must be designed, operated and maintained to prevent major accidents, the procedures must be adequate and the personnel must be trained and competent in performing their duties.

Safety Assessments

Prior to allowing installations or vessels to operate in the Newfoundland and Labrador Offshore Area, a systematic and comprehensive assessment of safety plans and other information submitted in support of applications is conducted against the legislation and guidance for completeness and adequacy. During 2007/08, the C-NLOPB completed 14 Safety Assessments.

Audits and Inspections

In 2007, the C-NLOPB changed its auditing process from focused quarterly audits to an annual Safety Audit covering the operator's entire safety management system. Safety Officers still visit each installation every quarter to conduct a Safety Inspection.

During 2007/08, the C-NLOPB conducted two Safety Audits, four Pre-Approval Audits and 13 Safety Inspections. A Safety Audit was completed onboard the Terra Nova

FPSO in June/July 2007 and an Integrated Safety and Environmental Audit was completed onboard the Hibernia Platform in February/March 2008.

Investigations and Compliance

As part of daily operations, Safety Officers review incident investigation reports from operators.

During offshore visits, Safety Officers verify that all incidents are reported and investigated, that incident investigation procedures are followed and that corrective actions are implemented. During 2007/08, staff reviewed 123 incident reports from operators. Twenty-six of these incidents resulted in a reportable injury. None of the injuries were major and the resulting Reportable Injury Frequency Rate for the period was 7.64 per million hours worked. Based on the severity of the incidents that occurred, Safety Officers were not required to conduct investigation for the purposes of prosecution.

During 2007/08, the C-NLOPB's Incident Reporting and Investigation Guidelines were updated to include standardized criteria for the reporting of incidents and injuries. At the end of the fiscal year, the draft guidelines were sent to industry for consultation. Following implementation of these guidelines, the C-NLOPB will be able to produce reports on incidents, as well as injuries.

Regulatory Deviations

The Chief Safety Officer and/or the Chief Conservation Officer may authorize deviations from the regulations, where those Officers are satisfied that an equivalent level of safety, protection of the environment and conservation will be achieved by the applicant's proposal. During 2007/08, the C-NLOPB processed 53 applications (i.e. regulatory query forms or RQFs) for deviations from the regulations. Of these 53 RQFs, 44 were approved and nine were rejected.

2007 Highlights
protection of the environment

Environmental Protection

Operators must report routine and planned releases, as well as all spills and unauthorized discharges for all offshore installations and activities.

The Board's mandate with respect to environmental protection is as follows:

- To verify that operators assess and provide for effects of the environment on the safety of their operations.
- To verify that operators perform an environmental assessment pursuant to Canadian regulations, of the effects of their operations on the environment, and prepare a plan and provide for mitigation where appropriate.
- To verify, through compliance actions, that operators comply with their environmental plans.

Audits and Inspections

During the reporting period, a Comprehensive Environmental Compliance Audit was conducted on the MODU (Mobile Offshore Drilling Unit) GSF Grand Banks on the White Rose field. The audit resulted in five observations of non-conformance with submitted plans. Each observation was addressed by Husky and monitored by Conservation Officers to ensure that appropriate actions were taken.

Environmental Affairs and the Operations and Safety Department conducted an integrated audit of the Hibernia Platform in February/March 2008.

Investigations and Compliance

Operators must report routine and planned releases, as well as all spills and unauthorized discharges for all offshore installations and activities. The C-NLOPB reviews these reports and investigates as required.

Of the 32 petroleum spills reported in 2007/08, 26 were one litre or less in volume. The median spill volume was 0.1 litres. A summary of spill information for the 2007/08 fiscal year is provided in Table 1 below.

Beginning January 1, 2008, the Board required all operators to meet a 30 day weighted average discharge limit of 30 mg/L oil-in-water content in produced water. This replaces the 40 mg/L limit that applied to facilities that started operating prior to 2002.

Table 1
Summary of Spill Information 2007/08

Component	Litres	Percentage of Annual Total	Number of Incidents
Synthetic Based Mud	1089.00	80.7	1
Crude Oil	140.46	10.41	4
Hydraulic & Lubricating Oil	11.85	8.3	12
Diesel & Jet Fuel	2.00	0.1	1
Other Petroleum	6.93	0.5	14

On October 19, 2007, Husky Energy pleaded guilty to two of three counts in connection with an October 2004 spill of 96.6m^3 of synthetic based mud (SBM). One count was dropped. The court imposed a penalty of $50,000, comprised of a fine of $10,000 for each count, and $30,000 to the Environmental Damages Fund.

Environmental Assessment

The C-NLOPB is the lead agency for environmental assessment of proposed offshore exploration and production activities under both the Accord legislation and the Canadian Environmental Assessment Act (CEAA). During 2007/08, staff completed eight environmental assessments, one of which was initiated during 2007/08 and the remainder of which were initiated earlier. Five environmental assessments were ongoing as of March 31, 2008.

The C-NLOPB initiated a Strategic Environmental Assessment (SEA) for the Labrador Shelf in January 2007 and formed a multi-stakeholder working group co-chaired by representatives from the C-NLOPB and the Nunatsiavut Government. During the reporting period, the C-NLOPB finalized the Scoping Document for the SEA, and contracted Sikumiut Environmental Management Ltd. to prepare the SEA report. In the Fall of 2007, the C-NLOPB, along with a representative of the Nunatsiavut Government and Sikumiut, held community consultation sessions in the coastal communities of Labrador that border the SEA Area. A draft SEA report was released for public comment in March 2008.

During the reporting period, the C-NLOPB amended the 2005 Western Newfoundland and Labrador Offshore Area Strategic Environmental Assessment to extend the geographic coverage of the 2005 SEA to include additional lands southwest of the original 2005 SEA area. The report was completed and published in November 2007.

Environmental Effects Monitoring (EEM)

Husky submitted its 2006 White Rose EEM survey report in March 2007. Sediments showed evidence of hydrocarbon contamination in sediments out to 6 km from drill centres. Between 1 and 5 km from drill centres, effects were noted on the total abundance, dominance and community composition of benthic invertebrates. No contamination was observed in fish tissue in the area, no effects on fish health were measured, and no evidence of taint was observed. The C-NLOPB reviewed the report and provided comments to Husky regarding proposed modifications to the EEM design.

To determine the effects of a January 2007 spill of 74 m^3 of synthetic based mud, the C-NLOPB required Chevron to survey the seabed around the F-66 well using a remotely operated vehicle (ROV). The survey, conducted in April 2007, included both video recording and seabed sampling, and detected hydrocarbons in sediments out to 28 m south of the wellhead. Visual inspection showed evidence of cuttings 50 to 55 m south-southwest of the wellhead.

Managing Our Resources

Any person wishing to undertake any work or activity respecting petroleum operations in the Newfoundland and Labrador Offshore Area must obtain an operating licence.

The Board's mandate with respect to resource management encompasses the whole system, from the regulation of exploration through the land sale/tenure process to production activities. The Board's mandate in the area is as follows:

- To enable effective and efficient administration of land tenure.
- To oversee the production activities for consistency with maximum recovery, good oilfield practice, production accounting and approved plans.
- To build a knowledge base for the Newfoundland and Labrador Offshore Area through the acquisition and curation of data from exploration and production activity.

Land Rights and Licence Issuance

Land Holdings

The C-NLOPB issues land rights in the form of Exploration Licences (ELs), Significant Discovery Licences (SDLs) and Production Licences (PLs). As of March 31, 2008, there were 37 ELs in the Newfoundland and Labrador Offshore Area with total work commitments in excess of $731 million. As of March 31, 2008, there were 48 SDLs in the Newfoundland and Labrador Offshore Area. The Board has issued eight PLs.

One new EL (1105) was issued in January 2008 in the Western Newfoundland and Labrador Offshore Region. Two Licences (1069 and 1070) were extended by fundamental decision of the Board. Three ELs were entirely surrendered or forfeited during the 2007/08 reporting period. Two new PLs were issued during the reporting period.

The approximate locations of all current licences are shown in Figures 1 and 2. Detailed information and maps respecting individual licences are published on the Board's website.

Operating Licences

Any person wishing to undertake any work or activity respecting petroleum operations in the Newfoundland and Labrador Offshore Area must obtain an operating licence. During the 2007/08 fiscal year, the Board issued 20 operating licences.

Figure 1
Land Holdings (March 31, 2008)
Offshore Newfoundland and Labrador

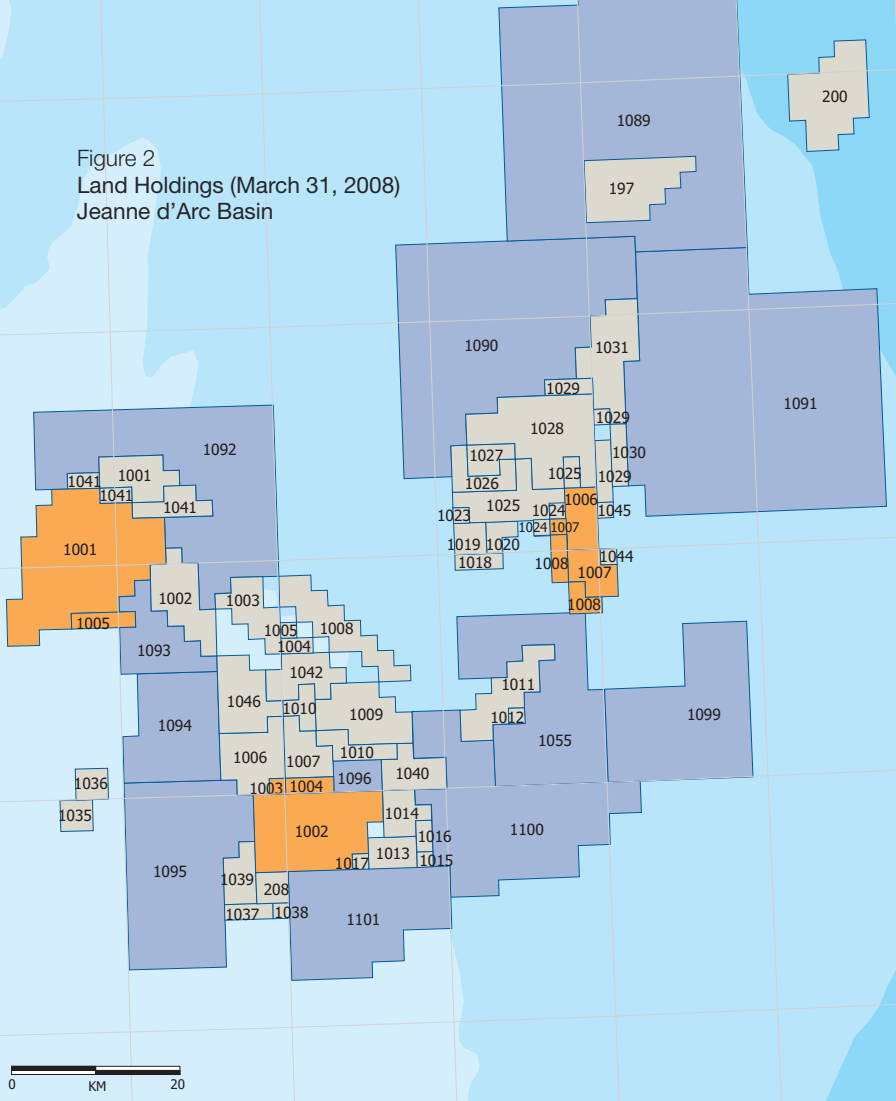
Significant Discovery licences*:

184	*Gudrid*	*Petro-Canada*
185A	*Bjarni*	*Petro-Canada*
185B	*North Bjarni*	*Petro-Canada*
187	*Snorri*	*Petro-Canada*
197	*South Tempest*	*ExxonMobil*
200	*North Dana*	*ExxonMobil*
203	*Hopedale*	*Husky Oil*
208	*Terra Nova*	*Petro-Canada*
1001	*Nautilus*	*ExxonMobil*
1002	*Mara*	*ExxonMobil*
1003	*South Mara*	*ExxonMobil*
1004	*South Mara*	*Petro-Canada*
1005	*South Mara*	*ExxonMobil*
1006	*Hebron*	*ExxonMobil*
1007	*Hebron*	*ExxonMobil*
1008	*North Ben Nevis*	*Husky Oil*
1009	*Ben Nevis*	*Petro-Canada*
1010	*West Ben Nevis*	*Petro-Canada*
1011	*Fortune*	*Husky Oil*
1012	*Fortune*	*Husky Oil*
1013	*Springdale*	*Imperial Oil*
1014	*Springdale*	*Imperial Oil*
1015	*Springdale*	*Imperial Oil*
1016	*Springdale*	*Imperial Oil*
1017	*Springdale*	*Husky Oil*
1018	*White Rose*	*Husky Oil*
1019	*White Rose*	*Husky Oil*
1020	*White Rose*	*Husky Oil*
1023	*White Rose*	*Husky Oil*
1024	*White Rose*	*Husky Oil*
1025	*White Rose*	*Husky Oil*
1026	*White Rose*	*Husky Oil*
1027	*White Rose*	*Husky Oil*
1028	*White Rose*	*Husky Oil*
1029	*White Rose*	*Husky Oil*
1030	*White Rose*	*Husky Oil*
1031	*Trave*	*Husky Oil*
1035	*East Rankin*	*Petro-Canada*
1036	*East Rankin*	*Petro-Canada*
1037	*King's Cove*	*Petro-Canada*
1038	*King's Cove*	*Petro-Canada*
1039	*King's Cove*	*Petro-Canada*
1040	*West Bonne Bay*	*Norsk Hydro*
1041	*Nautilus*	*Chevron*
1042	*Ben Nevis*	*Husky Oil*
1043	*White Rose*	*Husky Oil*
1044	*White Rose*	*Husky Oil*
1045	*White Rose*	*Husky Oil*
1046	*Hebron*	*Husky Oil*

**Interest Holders Representation*

Call For Bids No.NL07-2

Figure 2
Land Holdings (March 31, 2008)
Jeanne d'Arc Basin



Production Licences*:

1001	Hibernia	ExxonMobil
1002	Terra Nova	Petro-Canada
1003	Terra Nova	Petro-Canada
1004	Terra Nova	Petro-Canada
1005	Hibernia	ExxonMobil
1006	White Rose	Husky Oil
1007	White Rose	Husky Oil
1008	North Amethyst	Husky Oil

Exploration Licences*:

B.G. Capital	Chevron	ConocoPhillips	Corridor	ENEGI	ExxonMobil	Husky Oil	Imperial	StatoilHydro	NWEST Energy	Petro-Canada	Ptarmigan
1102	1073	1981	1105	1070	1074	1055	1088	1049	1097	1092	1069
	1075	1082			1078	1089		1100	1098	1095	
	1076	1083			1079	1090		1101	1103		
	1077	1084			1080	1091			1104		
		1085			1093	1094					
		1086				1096					
		1087				1099					

-47°.00'
-46°.30'
-46°.00'
-49°.00'
-48°.30'
-48°.00'
-47°.30'
-47°.00'
-46°.30'
-46°.00'

Call for Bids/Call for Nominations

In its 2007 Call for Bids, the Board made five parcels available for exploration, comprising 51,780 hectares in the Western Newfoundland and Labrador Offshore Region (one parcel) and 939,678 hectares in the Labrador Offshore area (four parcels). The Call for Western Newfoundland and Labrador Offshore Region resulted in a successful bid with a work expenditure bid totaling $1,521,000. An EL has been issued to the successful bidder, Corridor Resources Inc. The Call for the Labrador Offshore Region is scheduled to close on August 1, 2008.

In October 2007, the C-NLOPB issued a Call for Nomination of lands for the 2008 land sale. As of March 31, 2008, the Board had not announced a Call for Bids.

Registry Office

The Board operates a registry to record exploration, significant discovery and production licences and other information related to these interests for public review. Further, the Board publishes on its website uncertified copies of interests, instruments and abstracts currently on file to facilitate further public access to these records.

Funds Collected

Under the Accord Implementation Acts, the Board is responsible for the collection of certain fees, forfeitures and rentals. In 2007/08, $1,001,435.00 was collected and remitted to the Receiver General for Canada. Some of these revenues are for deposit to the Newfoundland and Labrador Offshore Petroleum Resources Revenue Fund. Since its inception in 1986, the Board has collected $157,617,686.44 on behalf of the Crown.

Exploration

Exploration Commitments

As of March 31, 2008, there were $731 million worth of exploration commitments to be undertaken by interest owners.

Geophysical/Geological Programs

During the reporting period, Petro-Canada acquired an exclusive 3D survey covering 520 km^2 in the North Mara area of the Jeanne d'Arc Basin. The survey covered several exploration and significant discovery licences adjacent to the Hibernia Field.

Geophysical Services Inc. was authorized to conduct its fifth annual non-exclusive 2D seismic survey across the Labrador Shelf. In total 1,072 km of data were acquired using the vessel M/V GSI Pacific. TGS NOPEC Geophysical Company was authorized to conduct a non-exclusive 2D seismic survey in the Northern area of the Labrador Shelf. A portion of this program was authorized in conjunction with the National Energy Board, but due to timing constraints, no data was acquired in the Newfoundland and Labrador offshore area.

The Board approved five wellsite surveys for the Jeanne d'Arc Basin, four by Husky Oil (Triton, Emerald, North Trave and North Amethyst) and one by Petro-Canada (North Mara Prospect). The Board also approved Husky Oil's seabed survey over the White Rose C-30 wellsite and a flowline survey in the White Rose area.

The Board approved a second Controlled Source Electromagnetics (CSEM) geophysical program for ExxonMobil consisting of 1,029 line kilometres of data in the Orphan Basin.

In total, these programs account for 520 km^2 of 3D seismic, 2,685 km of 2D data and 1,029 km of CSEM data recorded in the offshore during 2007/08. Since 1964, approximately 1.92 million km of seismic data has been recorded in the Newfoundland and Labrador Offshore Area.

Drilling Activity

In 2007/08, staff reviewed applications seeking approvals to drill three delineation, six development and three exploration wells.

Permission was granted to Chevron and its partners to terminate the drilling of Great Barasway F-66 exploration well located in the Orphan Basin on April 22, 2007. The Eirik Raude, which drilled this well, sailed to Marystown for refit before proceeding to the Gulf of Mexico. ExxonMobil had planned to drill a second well in this basin during the 2008 drilling season; however, the company reported to the Board that

the rig will not be returning to the Orphan Basin in 2008. As of March 31, 2008, ExxonMobil is planning to drill a second well in 2009 pending the selection of an alternative drilling unit.

The C-NLOPB and the Provincial Government have been working cooperatively to regulate drilling of onshore to offshore wells. Shoal Point Energy, which has farmed-in and is the current operator for EL 1070, continues the drilling of an onshore to offshore well near the abandoned Shoal Point K-39 location. Tekoil and Gas Corporation continued planning for an onshore to offshore exploration well located near Lark Harbour, Western Newfoundland.

A consortium of StatoilHydro, Husky Energy and Petro-Canada has informed the Board that it is bringing the Henry Goodrich semi-submersible drill rig back to the Grand Banks areas in mid-2008 to embark on a multi-well/multi-operator drilling program. The consortium is using the rig for exploration, delineation and development drilling over a two, to two and a half year period. They have confirmed they will drill the Mizzen exploration well this summer to kick off the program. Other wells are planned, including an exploration well on both the Primrose and North Mara prospects, further delineation of the West Avalon Pool at White Rose and two development wells in the Terra Nova field.

Resource Assessments

Resource assessments for offshore basins continued throughout the year. The C-NLOPB is currently conducting a Hydrocarbon Resource Assessment of the Hopedale Basin in conjunction with the Geological Survey of Canada. Three previous assessments have been completed in the Jeanne d'Arc and Flemish Pass Basins and have been released.

During 2007/08, 15 applications for authorization to conduct exploratory related work in the Newfoundland and Labrador Offshore Area were reviewed. These applications included 13 geophysical programs with fieldwork and two geophysical programs without fieldwork.

Data Acquisition and Research (Core Storage and Research Centre)

The Core Storage and Research Center (CSRC) archives core, cuttings, fluid samples, petrographic and biostratigraphic slides and other geological material derived from the drilling of wells in the Newfoundland and Labrador Offshore Area. The facility is used primarily by industry (60%), universities (32%) and government (8%).

Research conducted this year through the CSRC has involved all offshore areas including the North and South Grand Banks, the Northeast Newfoundland Shelf, the Labrador Shelf and Western Newfoundland.

As the CSRC storage space is nearing capacity, preliminary work began on a plan to upgrade the facility. This improvement will include an expansion of the warehouse section to increase sample storage capacity and to provide extra core viewing space to improve service delivery.

Digital Petroleum Data Management

Significant work progressed during 2007/08 towards the implementation of a digital petroleum data management system. In January 2008, through a competitive bidding process, the Board selected Landmark, a product service line of Halliburton's Drilling and Evaluation Division, to provide the hardware and software for managing the continuously increasing volume of digital petroleum-related data generated from activity in the Newfoundland and Labrador Offshore Area.

Resource Management

Resource Recovery and Prevention of Waste

The C-NLOPB works to ensure that the hydrocarbon fields are produced with proper regard for efficient, maximized recovery of the resource and prevention of waste.

Hibernia

The C-NLOPB estimates oil reserves at Hibernia to be 1.24 billion barrels, with 582.1 MMbbls produced as of March 31, 2008. Total production for 2007/08 was 51.4 MMbbls. Hibernia has continued to experience production decline in the main reservoir due to increased water production. During the past fiscal year, Board staff processed 24 Hibernia well intervention authorizations (AWOs), with 5 of these applications requiring extensions, and three approvals to drill new wells (ADWs).

Terra Nova

The C-NLOPB estimates oil reserves at Terra Nova to be 354 MMbbls. As of March 31, 2008, 230.6 MMbbls have been produced. Total production for 2007/08 at Terra Nova reached 42.3 MMbbls, which was higher than expected due to higher field reliability and productivity. However, the field is experiencing overall production decline in the main reservoir due to increased water production. The Terra Nova FPSO also encountered several operational challenges in 2007/08 which impacted production.

In April 2007, Petro-Canada submitted a report to the Board regarding contingency plans for any well integrity or well intervention issues occurring while a drilling unit is not available. These plans were required as the Henry Goodrich drilling rig contract terminated during August 2007. Staff reviewed this report and found it to be acceptable. Also, in accordance with Decision Report 2005.01, Petro-Canada submitted a report to the Board regarding completion of drilling operations at the Terra Nova I-66 Far East South delineation well. The Board reviewed this report in January 2008.

During the past fiscal year, Board staff processed three Terra Nova well intervention authorizations (AWOs), with one authorization requiring an extension. No approvals were requested or granted for the drilling of new wells.

White Rose

The C-NLOPB had originally estimated oil reserves at White Rose to be 283 MMbbls. However, Board approval of the South White Rose Extension (SWRX) amendment application and subsequent ratification by the Federal and Provincial Governments on September 7, 2007 has resulted in a revised oil reserves estimate of 305 MMbbls.

As of March 31, 2008, 85.8 MMbbls have been produced and the remaining oil reserves amount to 219.2 MMbbls. Total oil production at White Rose for the reporting period was 40.1 MMbbls.

During the past fiscal year, five applications to drill a well (ADWs), and two Development Plan Amendments for the White Rose field were processed. To date, eight production wells, nine water injection wells and two gas injection wells are present in the field. Three delineation wells were drilled and completed in the West and North Avalon pools during 2007: White Rose C-30, White Rose C-30Z and White Rose K-03.

In March 2007, Husky Energy conducted production capacity testing up to 140,000 b/d and provided the performance test results to the Board. Technical staff reviewed these results, and permission for increased production was granted to Husky on May 31, 2007.

North Amethyst

The North Amethyst satellite field is adjacent to the current White Rose development and reserves for this area are estimated at 68 MMbbls.

In May 2007, the Board received an application for Commercial Discovery Declaration for the North Amethyst field from Husky Energy. Staff reviewed the application and the Commercial Discovery Declaration was finalized in October 2007. The Board approved the Development Plan Application for the North Amethyst field, and an amendment to the White Rose Development Plan regarding the tie-in of North Amethyst to the Sea Rose FPSO. As of March 31, 2008, these fundamental decisions were with the Provincial and Federal Governments for approval.

Table 2
Petroleum Reserves[1] and Resources[2] Newfoundland and Labrador Offshore Area

Field	Oil		Gas		NGLs[3]	
	$10^6 m^3$	million bbls	$10^9 m^3$	billion cu. ft.	$10^6 m^3$	million bbls
Grand Banks						
Hibernia	197.8	1,244	50.6	1,794	32.2	202
Terra Nova	56.3	354	1.3	45	0.5	3
Hebron	92.4	581	-	-	-	-
White Rose	48.4	305	85.3	3,023	15.3	96
Ben Nevis	18.1	114	12.1	429	4.7	30
West Bonne Bay	5.7	36	-	-	-	-
North Amethyst	10.8	68	8.9	315		
West Ben Nevis	5.7	36	-	-	-	-
Mara	3.6	23	-	-	-	-
North Ben Nevis	2.9	18	3.3	116	0.7	4
Springdale	2.2	14	6.7	238	-	-
Nautilus	2.1	13	-	-	-	-
King's Cove	1.6	10	-	-	-	-
South Tempest	1.3	8	-	-	-	-
East Rankin	1.1	7	-	-	-	-
Fortune	0.9	6	-	-	-	-
South Mara	0.6	4	4.1	144	1.2	8
North Dana	-	-	13.3	472	1.8	11
Trave	-	-	0.8	30	0.2	1
Sub-Total	**451.5**	**2,840**	**186.4**	**6,606**	**56.6**	**355**

Table 2 (continued)
Petroleum Reserves[1] and Resources[2] Newfoundland and Labrador Offshore Area

Field	Oil		Gas		NGLs[3]	
	$10^6 m^3$	million bbls	$10^9 m^3$	billion cu. ft.	$10^6 m^3$	million bbls
Labrador Shelf						
North Bjarni	-	-	63.3	2,247	13.1	82
Gudrid	-	-	26.0	924	1.0	6
Bjarni	-	-	24.3	863	5.0	31
Hopedale	-	-	3.0	105	0.4	2
Snorri	-	-	3.0	105	0.4	2
Sub-Total	**0.0**	**0**	**119.6**	**4,244**	**19.9**	**123**
Total	**451.4**	**2,840**	**306.0**	**10,850**	**76.5**	**478**
Produced[4]	**142.8**	**898**	**0.0**	**0**	**0.0**	**0**
Remaining	**308.7**	**1,942**	**306.0**	**10,850**	**76.5**	**478**

1 "Reserves" are volumes of hydrocarbons proven by drilling, testing and interpretation of geological, geophysical and engineering data, that are considered to be recoverable using current technology and under present and anticipated economic conditions. Oil reported for Hibernia, Terra Nova and White Rose fields are classified as reserves.

2 "Resources" are volumes of hydrocarbons, expressed at 50% probability, assessed to be technically recoverable that have not been delineated and have unknown economic viability. Gas, NGLs[3], and oil in undeveloped fields are currently classified as resources.

3 "Natural Gas Liquids" (NGLs) are derived from natural gas, which is the portion of petroleum that exists in either the gaseous phase or in solution in crude oil in natural underground reservoirs.

4 Produced volumes as of March 31, 2008. Produced oil reserves also include a small quantity of natural gas liquids.

** NGL estimates are not updated.*

Table 3
Changes to Petroleum and Resources - Newfoundland and Labrador Offshore Area

Field	Oil				Gas			
	2006/07		2007/08		2006/07		2007/08	
	10^6m^3	million bbls	10^6m^3	million bbls	10^9m^3	billion cu.ft	10^9m^3	billion cu. ft.
White Rose	45.0	283.0	48.4	305.0	76.7	2719.0	85.3	3023.0
North Amethyst	0.0	0.0	10.8	68.0	0.0	0.0	8.9	315.0
Total	45.0	283.0	59.2	372.9	76.7	2719.0	94.2	3338.0
Increase 2007/08			14.2	89.0			17.5	619.0

2007 Highlights
industrial benefits

Industrial Benefits

Throughout the past year, the C-NLOPB monitored Hibernia, Terra Nova and White Rose operations activities as well as activities associated with exploration work in the Newfoundland and Labrador Offshore Area.

Benefits Administration

During 2007, expenditures related to work in the Newfoundland and Labrador Offshore Area amounted to $1.4 billion. Since 1966, cumulative expenditures total $23 billion. As of December 31, 2007, 2,851 persons were working in direct support of petroleum related activity in the Newfoundland and Labrador Offshore Area. Throughout the past year, the C-NLOPB monitored Hibernia, Terra Nova and White Rose operations activities as well as activities associated with exploration and pre-development work in the Newfoundland and Labrador Offshore Area. As well, Husky Oil submitted Development Application documents, including a Benefits Plan for the North Amethyst Tie-back Project in August 2007. The Board approved the Benefits Plan on February 28, 2008.

Details of the expenditures associated with the Hibernia, Terra Nova and White Rose developments are summarized below. These also include the expenditures made in Newfoundland and Labrador and elsewhere in Canada, as well as employment benefits achieved by these projects.

During the year, the C-NLOPB reviewed and approved exploration benefits plans for geoscientific exploration programs in the Orphan Basin, Jeanne d'Arc Basin, and offshore Labrador. During 2007, $122.7 million was spent on these programs, generating more than 1,400 person-months of employment.

Policy and Regulatory Coordination

During 2007/08, the Board continued to be fully engaged in governments' Frontier and Offshore Regulatory Renewal Initiative (FORRI). Board staff are heavily involved in this initiative to change the approach to regulation of Oil and Gas activities to a goal oriented regulatory regime. The new goal oriented Drilling and Production Regulations are expected to be promulgated at the end of the calendar year 2008 or early in 2009. The Board is leading the development of joint guidance associated with the new goal oriented Drilling and Production Regulations across the three regulatory boards in Canada: Canada-Newfoundland and Labrador Offshore Petroleum Board, Canada-Nova Scotia Offshore Petroleum Board (C-NSOPB) and the National Energy Board (NEB). The C-NLOPB has acquired additional technical report writing resources to support this exercise.

The Board's mandate with respect to industrial benefits is as follows:

- To verify operators have an approved Canada/Newfoundland and Labrador Benefits Plan that addresses their statutory obligations.

The C-NLOPB also supported governments' assessment of its approach to changing the remaining frontier and offshore regulations to a goal oriented regime. The effort by government to develop a regulatory model, which will see one regulation developed addressing all areas of frontier and offshore regulatory management, is being done in conjunction with Board staff. The Board will continue to participate at a senior level in this development process.

Economic Impact of the Oil Industry

In 2007, hydrocarbon production from the Newfoundland and Labrador Offshore Area accounted for 42% of Canada's total light crude production with a value of over $10 billion. The sector directly accounted for 35% of the province's nominal Gross Domestic Product (GDP). Since production commenced in 1997, provincial GDP has grown by about 60%, with over half of the growth attributed directly to the oil and gas sector. The sector represented 27% of total private capital investment in the province, with more than $900 million in capital expenditures in 2007.

Work expenditure commitments by operators currently total more than $731 million in future exploration activities. Ongoing production activities represent a $1.2 billion per year industry, of which 53% of annual expenditures occur in Newfoundland and Labrador and a further 22% in the rest of Canada.

The oil and gas sector directly employed 2,851 persons at the end of 2007, which was almost 1.3% of total employment in the province. Indirectly, through spin-off effects, the industry accounted for almost 3.8% of total employment.

Tables 4, 5 and 6 summarize the participation of Newfoundland and Labrador residents and other Canadians in the operating phase work force at Hibernia, Terra Nova and White Rose respectively. A Newfoundland and Labrador resident is a Canadian (or landed immigrant) who has resided in the Province for the preceding six-month period prior to time of hire.

Hibernia

HMDC reported expenditures of $407 million for the fiscal year 2007/08, with 82% Canadian content including 56% Newfoundland and Labrador content. As of March 31, 2008, total direct employment in the province in support of the Hibernia project was 994 persons, including tanker operations. Of this amount, 93% of the workers were Newfoundland and Labrador residents at the time of hire, and 97% were Canadian residents.

Table 4
Hibernia Operations Phase Employment (as of March 31, 2008)

Location	Residency			
	Newfoundland and Labrador	Other Canadian	Non-Canadian	Total
Platform Operations	391	16	14	421
Tankers Operations	107	5	0	112
Onshore & Support	428	20	13	461
Total	926	41	27	994

Table 5
Terra Nova Operations Phase Employment (as of March 31, 2008)

Location	Residency			
	Newfoundland and Labrador	Other Canadian	Non-Canadian	Total
Platform Operations	202	10	0	212
Tankers Operations	56	0	0	56
Onshore & Support	348	26	4	378
Total	606	36	4	646

Terra Nova

Petro-Canada reported expenditures of $322 million for the fiscal year 2007/08, with 72% Canadian content including 57% Newfoundland and Labrador content. As of March 31, 2008, total employment in support of the Terra Nova project was 646 persons, including tanker operations. At the time of hire, 94% of this total were Newfoundland and Labrador residents and 99% were Canadian residents.

White Rose

Husky Oil reported expenditures of $445 million for the fiscal year 2007/08, with 69% Canadian content including 44% Newfoundland and Labrador content. As of March 31, 2008, total employment in support of the White Rose project and associated tie-backs was 1,141 persons, including tanker operations. At the time of hire, 88% of this total were Newfoundland and Labrador residents and 95% were Canadian residents.

Table 6
White Rose Operations Phase Employment (as of March 31, 2008)

Location	Residency			
	Newfoundland and Labrador	Other Canadian	Non-Canadian	Total
Platform Operations	411	36	16	463
Tankers Operations	140	8	2	150
Onshore & Support	370	26	19	415
Tie-Backs	79	10	24	113
Total	1,000	80	61	1,141

During 2007/08, Husky continued its commitment to ensure that disadvantaged individuals and groups have access to employment and training, and have opportunities to participate in the supply of goods and services for the project. Husky and its major contractors continue to facilitate and implement various initiatives consistent with the intent of the White Rose Diversity Plan.

financial statements

Contents

Auditors' Report	Page 38
Statements of Revenue and Expenditures	Page 39
Statement of Financial Position	Page 40
Statement of Cash Flows	Page 41
Notes to the Financial Statements	Page 42

Grant Thornton LLP
187 Kenmount Road
St. John's, NL
A1B 3P9
T (709) 722-5960
F (709) 722-7892
www.GrantThornton.ca

Auditors' Report

To the Members of
Canada-Newfoundland and Labrador Offshore Petroleum Board

We have audited the statement of financial position of Canada-Newfoundland and Labrador Offshore Petroleum Board at March 31, 2008 and the statements of revenue and expenditures and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador

May 8, 2008

Grant Thornton LLP
Chartered Accountants

Canada-Newfoundland and Labrador Offshore Petroleum Board
Statements of Revenue and Expenditures

Year Ended March 31	2008	2007
Revenue		
Operating grants		
Government of Canada	**$ 4,898,389**	$ 4,059,661
Government of Newfoundland and Labrador	**4,898,389**	4,059,661
	9,796,778	8,119,322
Add:		
Costs recovered from industry	**7,048,133**	6,089,490
Amortization of deferred capital grants	**321,541**	298,973
Interest and other	**186,813**	102,286
	17,353,265	14,610,071
Less:		
Cost recoveries refunded to government	**(7,048,133)**	(6,089,490)
Deferred capital grants	**(374,718)**	(190,025)
Net revenue	**9,930,414**	8,330,556
Expenditures		
Personnel	**7,291,186**	6,309,527
Maintenance and support	**420,080**	395,896
Premises	**563,906**	565,937
Travel	**209,328**	114,846
Amortization of capital assets	**321,541**	311,462
General	**1,124,373**	632,888
	9,930,414	8,330,556
Excess of revenue over expenditures	**$ -**	$ -

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board

Statement of Financial Position

March 31	**2008**	2007
Assets		
Current		
Cash and cash equivalents	**$ 3,480,860**	$ 1,151,702
Receivables	**1,372,985**	3,027,969
Prepaids	**208,850**	139,077
	5,062,695	4,318,748
Capital assets (Note 3)	**1,269,656**	1,216,479
	$ 6,332,351	$ 5,535,227
Liabilities		
Current		
Payables and accruals	**$ 2,748,372**	$ 2,959,068
Deferred revenue (Note 4)	**1,100,225**	380,680
	3,848,597	3,339,748
Deferred capital grants	**1,269,654**	1,216,479
Accrued employee future benefit obligation (Note 5)	**1,214,100**	979,000
	$ 6,332,351	$ 5,535,227

Commitments and Contingency (Notes 7 and 8)

On behalf of the Board

Member Member

See accompanying notes to the financial statements.

Canada-Newfoundland and Labrador Offshore Petroleum Board
Statement of Cash Flows

Year Ended March 31	2008	2007
Increase (decrease) in cash and cash equivalents		
Operating		
Excess of revenue over expenditures	**$ -**	$ -
Amortization of deferred capital grants	**(321,541)**	(298,973)
Amortization of capital assets	**321,541**	311,462
Accrued employee future benefit obligation	**235,100**	223,200
	235,100	235,689
Change in non-cash operating working capital (Note 6)	**2,094,058**	(1,856,688)
	2,329,158	(1,620,999)
Investing		
Purchase of capital assets	**(374,718)**	(202,515)
Deferral of capital grants	**374,718**	190,025
	-	(12,490)
Net increase (decrease) in cash and cash equivalents	**2,329,158**	(1,633,489)
Cash and cash equivalents		
Beginning of year	**1,151,702**	2,785,191
End of year	**$ 3,480,860**	$ 1,151,702

See accompanying notes to the financial statements.

1. Purpose of organization

The Canada-Newfoundland and Labrador Offshore Petroleum Board was formed in 1985 to administer the relevant provisions of the Canada-Newfoundland Atlantic Accord Implementation Acts as enacted by the Parliament of Canada and the Legislature of Newfoundland and Labrador. The Board is a non-profit organization and is, therefore, exempt from income tax under Section 149 of the Income Tax Act.

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles, the more significant of which are as follows:

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenditures during the year. Actual results could differ from these estimates.

Revenue recognition

The deferred method of accounting is used for contributions. Revenue is recognized in the period in which the related expenses are incurred.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks.

Capital assets

Capital assets are recorded at cost, less accumulated amortization. Amortization is recorded using the declining balance method at a rate of 4% per annum for building, and the straight-line method over five years for leasehold improvements, over four years for furniture and fixtures and over three years for computer equipment. Impairment of long-lived assets Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the value of the assets may not be recoverable, as measured by comparing their net book value to the estimated undiscounted cash flows generated by their use. Impaired assets are recorded at fair value, determined principally using discounted future cash flows expected from their use and eventual disposition.

Canada-Newfoundland and Labrador Offshore Petroleum Board
Notes to the Financial Statements
March 31, 2008

2. Summary of significant accounting policies (cont'd.)

Deferred revenue

Operating grants received from government in excess of Board expenditures, net of other revenue, are recorded as deferred revenue.

Deferred capital grants

Federal and provincial grants received for annual capital expenditures are deferred and recognized into revenue on a basis consistent with the capital asset amortization charge.

Employee future benefits

The Board contributes 50% of the premiums for medical benefits (including a life insurance benefit of double the employee's pension) and 100% of the dental premiums for retired employees. These retirement benefits are recorded on an accrual basis based on an actuary's estimate. The transitional obligation is amortized on a straight-line basis over the average remaining service life to full eligibility (12 years). The excess of the net actuarial gain (loss) over 10% of the greater of the benefit obligations and the fair value of plan assets is amortized over the average remaining service life (14 years).

Accounting standards and policies adopted during the year

(i) Accounting changes

In July 2006, the Canadian Institute of Chartered Accountants ("CICA") issued Section 1506 of the CICA Handbook, "Accounting Changes", which describes the criteria for changing accounting policies, along with the accounting and disclosure for changes in accounting policies, changes in accounting estimates and correction of errors. These changes came into effect as of January 1, 2007 and are applicable for the company's year ended March 31, 2008.

2. Summary of significant accounting policies (cont'd.)

(ii) Financial instruments

On April 1, 2007, the organization implemented the CICA Handbook Sections 3855, "Financial Instruments - Recognition and Measurement" and 3861, "Financial Instruments - Disclosure and Presentation". These standards have been applied without restatement of prior years and there was no transitional adjustments required.

CICA Section 3855, "Financial Instruments - Recognition and Measurement", requires the organization to revalue all of its financial assets and liabilities at fair value on the initial date of implementation and at each subsequent financial reporting date.

This standard also requires the organization to classify financial assets and liabilities according to their characteristics and management's choices and intentions related thereto for the purposes of ongoing measurements. Classification choices for financial assets include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings; b) held to maturity - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired; c) available-for-sale - measured at fair value with changes in fair value recognized in other comprehensive income for the current period until realized through disposal or impairment; and d) loans and receivables - recorded at amortized cost with gains and losses recognized in net earnings in the period that the asset is no longer recognized or impaired.

Classification choices for financial liabilities include: a) held for trading - measured at fair value with changes in fair value recorded in net earnings and b) other - measured at amortized cost with gains and losses recognized in net earnings in the period that the liability is no longer recognized. Subsequent measurement for these assets and liabilities are based on either fair value or amortized cost using the effective interest method, depending upon their classification. Any financial asset or liability can be classified as held for trading as long as its fair value is reliably determinable.

Canada-Newfoundland and Labrador Offshore Petroleum Board
Notes to the Financial Statements
March 31, 2008

2. Summary of significant accounting policies (cont'd.)

In accordance with the new standard, the organization's financial assets and liabilities are classified and measured as follows:

Asset/Liability	Classification	Measurement
Cash and cash equivalents	Held for trading	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost

Other balance sheet accounts, such as prepaids, property, plant and equipment, deferred revenue and accrued employee future benefit obligation are not within the scope of the new accounting standards as they are not financial instruments.

The fair value of a financial instrument is the estimated amount that the organization would receive or pay to terminate the instrument agreement at the reporting date. To estimate the fair value of each type of financial instrument various market value data were used as appropriate. The fair values of cash approximated its carrying value.

Future accounting policies

Financial Instruments – Disclosure

CICA Section 3862 "Financial Instruments – Disclosure" and CICA Section 3863 "Financial Instruments – Presentation" replaces CICA Section 3861, "Financial Instruments – Disclosure and Presentation". CICA Section 3862 requires increased disclosures regarding the risks associated with financial instruments such as credit risk, liquidity risk and market risks and the techniques used to identify, monitor and manage these risks. CICA Section 3863 carries forward standards for presentation of financial instruments and non-financial derivatives and provides additional guidance for the classification of financial instruments, from the perspective of the issuer, between liabilities and equity. Theses standards are effective for financial statements relating to fiscal years beginning on or after October 1, 2007.

The organization is currently reviewing these standards and will be adopting these changes in accounting policies effective April 1, 2008.

	2008	2007

3. Capital assets

	Cost	Accumulated Depreciation	**Net Book Value**	Net Book Value
Land and parking lot	$ 134,106	$ -	**$ 134,106**	$ 134,106
Building	1,338,809	722,396	**616,413**	642,097
Leasehold improvements	357,380	143,666	**213,714**	99,341
Furniture and fixtures	330,887	244,014	**86,873**	125,338
Computer equipment	950,695	732,145	**218,550**	215,597
	$ 3,111,877	$ 1,842,221	**$ 1,269,656**	$ 1,216,479

4. Deferred revenue

Government of Canada – Security project funding	**$ 112,003**	$ -
Government of Canada	**494,111**	190,340
Government of Newfoundland and Labrador	**494,111**	190,340
	$ 1,100,225	$ 380,680

Canada-Newfoundland and Labrador Offshore Petroleum Board
Notes to the Financial Statements
March 31, 2008

	2008	2007
5. Employee future benefits		
The Board provides for coverage under the group life and group health plans upon retirement from active service for its employees. The following information for these plans is based upon an actuarial valuation completed as at March 31:		
Accrued benefit obligation		
Balance, beginning of year	**$ 1,601,100**	$ 1,434,500
Current service cost	**110,100**	105,900
Interest cost	**88,500**	79,600
Benefits paid	**(20,100)**	(18,900)
Actuarial gain	**(356,300)**	-
Balance, end of year	**$ 1,423,300**	$ 1,601,100
Plans assets	**$ -**	$ -
Reconciliation of funded status		
Funded status - deficit	**$ (1,423,300)**	$ (1,601,100)
Unamortized transitional obligation	**453,100**	509,700
Unamortized net actuarial (gain) loss	**(243,900)**	112,400
Accrued benefit liability	**$ (1,214,100)**	$ (979,000)
Net benefit expense		
Current service cost	**$ 110,100**	$ 105,900
Interest cost	**88,500**	79,600
Amortization of transitional obligation	**56,600**	56,600
	$ 255,200	$ 242,100

	2008	2007
Significant actuarial assumptions used in calculating the accrued benefit liability and expense for these plans were as follows:		
Discount rate	**6.0%**	5.2%
Rate of increase in compensation levels	**4.0%**	4.0%
Dental inflation rate	**4.0%**	4.0%
Medical inflation rate	**10.0%**	8.0 %
	decreasing gradually and uniformly to 4% over 4 years	decreasing gradually and uniformly 4% over 4 years

6. Supplemental cash flow information

Change in non-cash operating working capital		
Receivables	**$ 1,654,982**	$ (1,260,397)
Prepaids	**(69,773)**	23,707
Payables and accruals	**(210,696)**	(887,575)
Deferred revenue	**719,545**	267,577
	$ 2,094,058	$ (1,856,688)

Canada-Newfoundland and Labrador Offshore Petroleum Board
Notes to the Financial Statements
March 31, 2008

7. Commitments

The Board is committed under terms of a premises lease to make minimum annual rental payments in each of the next three years as follows:

March 31, 2009	$ 506,414
March 31, 2010	$ 520,993
March 31, 2011	$ 43,520

8. Contingency

A claim has been filed against the Board and five other defendants for an unspecified amount. The outcome of this claim is not determinable at this time, consequently no amount has been reflected in the financial statements.

Fifth Floor, TD Place

140 Water Street

St. John's, NL

Canada A1C 6H6

(709) 778-1400 phone

(709) 778-1473 fax

www.cnlopb.nl.ca

Design and Production by Prime Communications Inc.