

ANNUAL REPORT 2012-13

CANADA-NEWFOUNDLAND
and LABRADOR
**OFFSHORE
PETROLEUM
BOARD**



**CANADA-NEWFOUNDLAND AND LABRADOR
OFFSHORE PETROLEUM BOARD**

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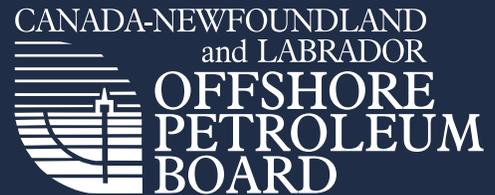
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PHOTO CREDITS

Husky Energy; Robert Young; Suncor; Cougar Helicopters; HMDC; Greg Locke.

ANNUAL REPORT 2012-13



June 28, 2013

The Honourable Joe Oliver, P.C., M.P.
Minister of Natural Resources Canada
Government of Canada

The Honourable Thomas Marshall, Q.C., MHA
Minister of Natural Resources and Minister Responsible for the Forestry
and Agrifoods Agency, and Attorney General
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, 2013.

Respectfully submitted,

Scott Tessier
Chair and Chief Executive Officer



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BOARD MEMBERS

Scott Tessier
Chair and Chief
Executive Officer

Ed Williams
Vice-Chair

Reg Anstey
Member

Lidija Cicnjak-Chubbs
Member (June 11, 2013)

Ed Drover
Member

Cynthia Hickman
Member (June 11, 2013)

Conrad Sullivan
Member

SENIOR STAFF

John P. Andrews, LL.B.
Manager, Legal and
Land and Corporate Secretary

Michael Baker, CHRP
Manager, Support Services

Jeffrey M. Bugden, P. Eng.
Manager, Industrial Benefits,
Policy and Regulatory Coordination

David G. Burley
Manager, Environmental Affairs

Craig Rowe, M.Sc., P.Geo
Manager, Exploration (Interim)

Daniel B. Chicoyne, MSS
Manager, Safety and
Chief Safety Officer

Sean Kelly, APR, FCPRS
Manager, Public Relations

Jeff O' Keefe, P. Eng., P. Geo
Manager, Resource Management
and Chief Conservation Officer

Howard Pike, P. Eng
Manager, Operations

A MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE OFFICER



“TRANSPARENCY, OPENNESS AND ACCOUNTABILITY ARE IMPORTANT PRINCIPLES FOR REGULATORY AGENCIES. THE C-NLOPB IS COMMITTED TO THESE PRINCIPLES...”

I am pleased to submit the first annual report of the Canada-Newfoundland and Labrador Offshore Petroleum Board since I became Chair and Chief Executive Officer on February 25, 2013.

The report provides an overview of C-NLOPB accomplishments during 2012-13, and I am pleased to take this opportunity to offer some thoughts about the direction the C-NLOPB will take in the months ahead.

First, the safety of offshore workers remains paramount throughout the C-NLOPB. Significant progress has been made in offshore safety and we will continue to strive for further improvements. The C-NLOPB looks forward to implementing the new occupational health and safety legislation currently before the federal and provincial legislatures. We will continue to deliver on the

recommendations of the Offshore Helicopter Safety Inquiry. As well, our semi-annual Safety Forums will continue to play an important role in promoting offshore safety and encouraging dialogue in this area. Further, we will work with Operators and offshore workers to improve safety culture on offshore installations.

Environmental protection is our other top priority. The C-NLOPB is acting on the February 2013 Report of the Commissioner of the Environment and Sustainable Development. We are working closely with industry and governments to strengthen policies and procedures around emergency response and environmental assessment.

Transparency, openness and accountability are important principles for regulatory agencies. The C-NLOPB is committed to these principles and we will work to make more information available to the public throughout our operations.

I wish to express my deep appreciation to fellow Board members, Ed Williams (Vice-Chair), Reg Anstey, Ed Drover and Conrad

Sullivan for their unwavering support and commitment. I would like to thank Max Ruelokke, Senator David Wells and Reg Bowers for their contribution and commitment to the C-NLOPB during their service with the Board. I would also like to welcome Lidija Cicnjak-Chubbs and Cynthia Hickman who were both appointed to the Board on June 11, 2013. I am looking forward to working with them.

The C-NLOPB is fortunate to have great staff that demonstrate a high level of capability and professionalism every day. I want to thank all staff for diligently delivering their duties and responsibilities.

I look forward to working with governments, offshore operators and workers, other regulatory agencies in Canada and abroad, and other stakeholders during my term. I am confident that we will continue to help the offshore industry operate safely and in an environmentally responsible manner.

A handwritten signature in black ink, appearing to read 'Scott Tessier', written in a cursive style.

Scott Tessier,
Chair and Chief Executive Officer



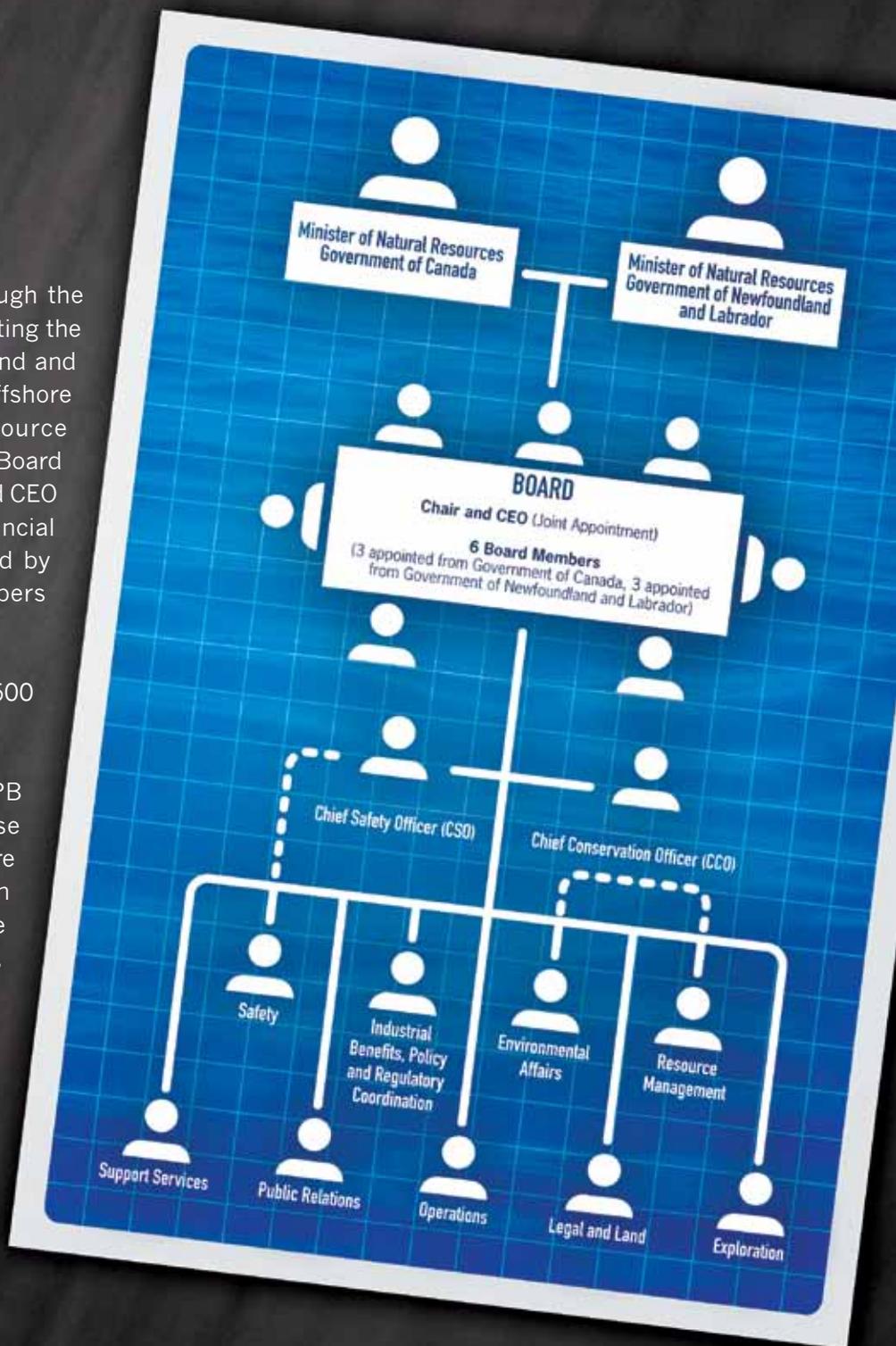
C-NLOPB Board (L-R): Ed Drover, Ed Williams (Vice-Chair), Scott Tessier (Chair and CEO), Reg Anstey, Conrad Sullivan

C-NLOPB OVERVIEW

The C-NLOPB was created in 1986 through the *Atlantic Accord* for the purposes of regulating the oil and gas industry offshore Newfoundland and Labrador and has four key mandates: Offshore Safety, Environmental Protection, Resource Management and Industrial Benefits. The Board is comprised of seven persons; a Chair and CEO appointed jointly by the federal and provincial governments, three members appointed by the federal government and three members appointed by the provincial government.

The C-NLOPB had a budget of \$15,271,600 for fiscal year 2012-13.

At the end of the fiscal year the C-NLOPB had a staff of 76. Seventy-three of these employees have degrees or diplomas, 66 are graduates of post-secondary institutions in Newfoundland and Labrador and 34 have professional designations in engineering, geoscience, safety, finance and public relations.



MANDATE: ROLE AND OBJECTIVES

MANDATE: 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;
- effective management of land tenure;
- maximum hydrocarbon recovery and value; and,
- Canada/Newfoundland and Labrador benefits.

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



New Employees (L-R): (back) Paul Alexander, Brian Fushell, Stephanie Lewis, Sherry Rex, Tony Kensell, (front) Mike Stoyles, Ashley Bavis, Sara Norris, Marshall Conway

OBJECTIVES OFFSHORE 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.

ENVIRONMENTAL PROTECTION

- 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 samples and data from exploration and production activity.

INDUSTRIAL BENEFITS

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

THE C-NLOPB DOES NOT

- Guarantee the safety of workers or the environment; worker safety and protection of the environment are the obligations 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.

A MESSAGE FROM THE CHIEF SAFETY OFFICER



It has been another busy year for the C-NLOPB Safety Department. We have conducted a significant number of audits and inspections of offshore facilities, conducted pre-audits of diving, construction and support vessels and mobile drilling units such as the *West Aquarius* and the *Stena Carron*. Safety Officers made 25 trips offshore and also visited Operators' facilities in St. John's to verify information about offshore facilities and the people who operate them.

All these activities are performed by the Safety Department to verify that operations taking place offshore are being conducted in the safest manner possible and in keeping with expectations set out in applicable regulations, guidance, safety plans and various other publications.

Though part of our job in the Safety Department is conducting accident and incident investigation, we prefer to take a proactive approach and prevent accidents and incidents by looking at root causes and trends from incidents. We also look at indicators such as, Audit/Inspection

Non-Conformances, Certificate of Fitness limitations/qualifications, Joint Occupational Health and Safety (JOHS) Committee Minutes, Daily Operation Reports, Safety Critical Equipment impairments and maintenance backlog, to help us predict potential threats to safety, either short term or long term. These factors help us determine if there are areas that require more focus on attention.

Of course, it is impossible to guarantee that accidents will not occur, but that should not deter us from pursuing a goal of "zero accidents". The way in which this goal is attained is by strengthening the safety culture both onshore and offshore, reducing risks to as low as is reasonably practicable and by learning from past incidents.

This year, the Board held its third Safety Forum, which focused on the theme of Safety Culture. The Safety Forum provides an opportunity for the regulator, Operators, offshore workers, governments and stakeholders to collectively discuss safety issues affecting the industry

overall. Again, we were delighted with the response to the Safety Forum and with the participation of those who attended. The Board receives valuable input from participants which assists us in the performance of our duties and responsibilities.

Over the past two years, the Board has made significant investments in the Safety Department in terms of staff development and the availability of consultant expertise, training and research. These investments have paid off as the Board has become a world leader in areas such as offshore helicopter passenger safety and safe deepwater drilling operations. In the years ahead, the Board will continue to seek out and utilize expertise in our analysis of complex safety issues.

Safety is Everyone's Business.

A handwritten signature in black ink, appearing to read "Daniel B. Chicoyne". The signature is stylized and cursive.

Daniel B. Chicoyne, MSS
Chief Safety Officer

SAFETY OF OFFSHORE WORKERS

THE C-NLOPB WILL NOT AUTHORIZE ANY OFFSHORE ACTIVITY UNTIL AN OPERATOR HAS DEMONSTRATED THAT THE NECESSARY SAFETY MEASURES ARE IN PLACE.

SAFETY PLANS

Prior to being issued an authorization in relation to work or activity in the Offshore Area, an Operator must submit a safety plan that demonstrates to the C-NLOPB that the Operator has taken all reasonable and practicable steps to achieve the required level of safety for the proposed work. The safety plan must articulate the management system and protocols that the Operator will employ to ensure that the equipment to be used is fit for the proposed work, the processes are appropriate and the personnel are properly trained and competent to conduct the work. In this respect, the safety plan must identify the hazards and assess the risks associated with the activity. It must identify the measures taken to avoid, prevent, reduce and manage that risk. It must summarize and reference the management system. It must set out the procedures, practices, resources, sequence of key safety related activities and monitoring measures necessary to ensure the safety of personnel. It must also fulfill the duties set forth in the legislation and regulations for the specific work or activity.

SAFETY ASSESSMENTS

When an Operator applies for an authorization to work in the Offshore Area, the *Accord Implementation Acts* require that the Board consider the safety of the work or activity, in consultation with the Chief Safety Officer prior to issuance of the authorization for the proposed work or activity. This systematic and comprehensive assessment of the Operator's application includes the review of safety plans and other safety-related information submitted in support of the authorization. Audits and inspections may also be conducted.

During 2012-13, the C-NLOPB completed 11 safety assessments which included a review of safety plans for the following:

- Husky Energy's Wellsite Survey (assessed under their existing Operations Authorization (OA)) for the White Rose Field;
- MultiKlient Invest AS's (MKI) Geophysical Program Authorization (GPA) for the Orphan and Flemish Pass Basins;
- Statoil Canada's GPA for the Flemish Pass Basin;
- Hibernia Management and Development Company's (HMDC) construction program (assessed under their existing OA) for the Hibernia Field;
- Statoil Canada's Wellsite Survey (assessed under their existing OA) for the Jeanne d'Arc Basin;
- Suncor Energy's Diving and Construction Program Authorization for the Terra Nova Field;

TABLE 1: AUDITS AND INSPECTIONS COMPLETED BY THE C-NLOPB

| Operator | Installation/Vessel | Type |
|----------------|------------------------------|--|
| HMDC | <i>Deep Pioneer</i> | Pre-Approval Safety Audit |
| HMDC | Hibernia GBS | Safety Audit (Materials Handling) |
| HMDC | Hibernia GBS | Follow-up on Safety Complaint |
| HMDC | Hibernia GBS | Safety Inspection |
| HMDC | Hibernia GBS | Safety Inspection |
| Husky Energy | <i>Cristobol Colon</i> | Pre-Approval Safety Audit |
| Husky Energy | <i>DP Reel</i> | Pre-Approval Safety Audit |
| Husky Energy | <i>M/V Maersk Challenger</i> | Pre-Approval Safety Audit |
| Husky Energy | <i>MODU GSF Grand Banks</i> | Safety Audit (Marine Operations) |
| Husky Energy | <i>MODU GSF Grand Banks</i> | Safety Inspection |
| Husky Energy | <i>MODU Henry Goodrich</i> | Safety Audit (Marine Operations) |
| Husky Energy | <i>MODU Henry Goodrich</i> | Safety Audit (Shipyard Scope, Training and Competency) |
| Husky Energy | <i>SeaRose FPSO</i> | Observation of Disconnect |
| Husky Energy | <i>SeaRose FPSO</i> | Off-station Program Safety Inspection |
| Husky Energy | <i>SeaRose FPSO</i> | Observation of Disconnect Demonstration |
| Husky Energy | <i>SeaRose FPSO</i> | Safety Inspection |
| Statoil Canada | <i>M/V Geo Carribean</i> | Pre-Approval Safety Audit |
| Statoil Canada | <i>M/V Maersk Challenger</i> | Safety Inspection |
| Statoil Canada | <i>MODU West Aquarius</i> | Pre-Approval Safety Audit |
| Statoil Canada | <i>MODU West Aquarius</i> | Safety Inspection |
| Suncor Energy | <i>Seven Havila</i> | Pre-Approval Safety Audit |
| Suncor Energy | <i>Terra Nova FPSO</i> | Safety Inspection |
| Suncor Energy | <i>Terra Nova FPSO</i> | Observation of Disconnect |
| Suncor Energy | <i>Terra Nova FPSO</i> | Off-station Program Safety Inspection |
| Suncor Energy | <i>Terra Nova FPSO</i> | Safety Inspection |

- Suncor Energy's Wellsite Survey (assessed under their existing OA) for the Terra Nova Field;
- Husky Energy's Geotechnical Program Authorization for the White Rose Field;
- Husky Energy's OA (Construction) for the White Rose Field;
- HMDC's OA (Drilling and Production) for the Hibernia Field; and
- Statoil Canada's Operations Authorization (Drilling and Production) for the Flemish Pass Basin.

COMPLIANCE AND ENFORCEMENT

Safety Officers have authority to enter any place used in respect of authorized work or activity for the purpose of carrying out investigations, issuing orders, investigating work refusals and conducting safety inspections and safety audits. In respect to an application for a work authorization, Safety Officers may conduct a safety audit of the proposed installations or vessels. This is referred to as a pre-approval safety audit. During the course of an authorization, Safety Officers conduct safety inspections and safety audits. During 2012-13, the C-NLOPB completed the audits and inspections listed in Table 1.

Offshore workers have the right to refuse work they believe is unsafe

until either satisfied with the remedial action taken by the employer, or a Safety Officer has investigated the matter and has rendered a decision. Where a worker has exercised his or her right to refuse and the matter is not remedied by the worker's supervisor to the satisfaction of the worker, the matter shall be brought to the attention of the Offshore JOHS Committee and reported to the Chief Safety Officer (CSO). If the committee is unable to resolve the matter, it is then investigated by a Safety Officer who has the authority to order a resolution. In 2012-13, there was one work refusal that required investigation by a Safety Officer.

MONITORING

Following authorization of an Operator's work activity, the Safety Department conducts monitoring activities that include the review of Operators': daily reports, incident reports, complaints, the installation's Offshore JOHS Committee meeting minutes and training exemptions against the Canadian Association of Petroleum Producers (CAPP) Training and Qualifications Standard Practice.

The Operator is required to report and investigate all incidents as described in the C-NLOPB Incident Reporting and Investigation Guidelines. An incident refers to any event that caused, or under slightly different circumstances would likely have caused harm to personnel or the



environment or imminent threat to the safety of an installation, vessel or aircraft. It also includes any event that impairs the function of any equipment or system critical to the safety of personnel, the installation, vessel or aircraft. Operator's efforts are expected to be directed toward the prevention of all incidents. Safety Officers review submitted incident investigation reports and, during inspections and audits, verify that incidents are properly reported and investigated, that incident investigation procedures have been followed and that corrective actions have been implemented. During 2012-13, the C-NLOPB reviewed 158 incident reports from Operators.

To ensure consistent reporting of all incidents that occur during the course of an Operator's activity, the guideline specifies several distinct and defined health, safety and environmental incident classifications. For each incident that is submitted, Operators must specify all actual and potential consequences associated with the incident.



During the reporting period, offshore workers worked 5,215,799 hours in the Offshore Area. Lost-time injuries in the offshore area have decreased: there were zero in calendar year 2012, compared to a rate of eight per million hours worked across all industries in the province (according to the NL Workplace Health, Safety and Compensation Commission rate of workplace injuries resulting in lost-time compensation claims).

FIGURE 1: LOST TIME INJURY FREQUENCY RATES PER 1,000,000 HOURS WORKED



Note: Figure 1 provides a comparison, by calendar year, of the Newfoundland and Labrador provincial average Lost Time Injury (LTI) rate with the Offshore LTI rate.

Source for all-industry rate: Workplace Health, Safety and Compensation Commission (WHSCC) of Newfoundland and Labrador, rate of workplace injuries resulting in lost-time compensation claims.



SAFETY COMPLAINTS

The Safety Department has a process to deal with all health and safety related complaints. Any person who has a complaint related to safety in offshore petroleum operations may contact one of the Safety Officers by telephone, in writing or in person. Anonymous complaints may also be submitted. A Safety Officer is assigned to assess each complaint, conducts a review of the facts surrounding the event, takes or recommends action as necessary and responds to the complainant once the review is complete. The outcomes of anonymous complaints are reported to the relevant facility's JOHS Committee. During 2012-13, the C-NLOPB resolved one complaint that had remained open as of the end of 2011-12 and processed seven new complaints, three of which are still under review as of the end of the reporting period.

SECURITY OF OFFSHORE FACILITIES

The Board's Security Advisor has established liaison with Transport Canada Marine Security Inspector, company security officers, locally based other government departments, and the Maritime Security Operations Centre (MSOC). The Board's work has led to an increased awareness in offshore security. In keeping with open lines of communication, the Board has established a semi-annual meeting with company security officers to discuss security issues of mutual concern. During 2013-14, the C-NLOPB will complete security audits of offshore facilities and work with other offshore providers to increase their awareness of security in the offshore industry.

DIVING AND CONSTRUCTION ACTIVITY

The C-NLOPB received three applications in 2012-13 for authorization to conduct diving and construction programs in the Offshore Area. Suncor Energy was authorized to conduct a diving program with the dive vessels *Seven Havila* and *Seven Eagle* and the construction vessel *Seven Pacific* in support of its subsea flowline/riser replacement program.

HMDC was authorized to conduct a construction program using the *HAM 318* marine vessel to dredge an excavated drill centre in the Hibernia Field.

Husky Energy was authorized to conduct a construction program using the *Cristobol Colon* marine vessel to dredge an excavated drill centre in the White Rose Field.

SAFETY RELATED GUIDANCE

During 2012-13, the C-NLOPB and CNSOPB issued an update to the Incident Reporting Guidelines to reflect the latest changes to regulations and guidelines, to update the criteria for reporting and classification of incidents and to provide guidance for the submission and completion of incident investigation reports.

INTERNATIONAL REGULATORS FORUM

In September, the International Regulators Forum (IRF) held a three-day meeting in Rio de Janeiro, Brazil. Members held an open dialogue about recent incidents and crucial offshore safety issues, and confirmed their priorities on measuring safety performance, safety culture, fitness to operate, development and adoption of global standards and improvements on blowout preventers and well integrity.

OFFSHORE HELICOPTER SAFETY INQUIRY RECOMMENDATION IMPLEMENTATION

Work continued during 2012-13 on the implementation of recommendations from the Offshore Helicopter Safety Inquiry (OHSI). At the conclusion of the reporting period, 14 of the 29 recommendations had been fully implemented with work on the

remaining 15 well underway and at various stages of implementation.

In June 2012, Cougar Helicopters' new, dedicated First Response hangar was commissioned. The hangar is now the base for the dedicated First Response helicopter that has been in service since 2010, enabling launch of the helicopter within the 20 minute timeframe recommended by the OHSI. A launch demo was conducted for the C-NLOPB's CSO and the multi-stakeholder Helicopter Operations Safety Committee soon after the hangar's opening.

C-NLOPB SAFETY FORUM

The C-NLOPB continues to hold a semi-annual Safety Forum. The purpose of the Safety Forum is to provide an opportunity for Offshore Area stakeholders to exchange information so that safety issues can be proactively identified and addressed, to highlight areas of particular concern, and to assist the C-NLOPB in setting goals. Topics presented and discussed at the 2012-13 Safety Forums included Safety Culture, Human Factors, System Safety, Fatigue Management, Helicopter Safety (including updates on numerous safety enhancement initiatives), Night Flights, and an update from the Joint Rescue Coordination Centre on Search and Rescue.

Forum agendas included presentations, round-table discussions and open-mic sessions. For each open-mic session questions were directed at a panel that consisted of the C-NLOPB's Chair and Chief Executive Officer, CSO and the speakers of the day.

OFFSHORE JOINT OCCUPATIONAL HEALTH AND SAFETY COMMITTEE SESSIONS

In addition to reviewing the Offshore JOHS Committee meeting minutes and meeting with the committees during offshore inspections and audits, the C-NLOPB holds semi-annual Offshore JOHS Committee sessions. The purpose of these sessions is to engage committee members from each installation operating in the Offshore Area on current occupational health and safety topics and best practices. In 2012-13, the schedule for these former annual sessions was adjusted to coincide with the semi-annual C-NLOPB Safety Forum taking place each spring and fall. Discussion topics included Safety Culture, roles and responsibilities of committees, a discussion of risk management priorities and a presentation of an ongoing safety initiative at Husky Energy.

PROTECTION OF THE ENVIRONMENT

OPERATIONS CANNOT BE AUTHORIZED PRIOR TO COMPLETION OF AN ENVIRONMENTAL ASSESSMENT (EA) AND A DETAILED REVIEW OF THE OPERATOR'S PROPOSED MITIGATION MEASURES.

ENVIRONMENTAL PROTECTION PLANS

Before an Operator is issued an authorization for drilling or production activity in the Offshore Area, the Operator is required to submit an Environmental Protection Plan (EPP) that demonstrates to the C-NLOPB that the Operator has taken every reasonable effort to protect the environment during its proposed activity. The EPP is an Operator's plan for all project personnel including contractors, and describes the responsibilities, expectations and methodologies for environmental protection associated with an authorized work or activity.

An effective EPP incorporates the following elements:

- the means to comply with requirements of relevant legislation (statutes and regulations);
- any environmental protection measures identified as part of an EA; and
- the environmental commitments made as part of an application for exploratory drilling or a development application.

During the 2012-13 reporting period, four EPPs were reviewed as part of the OA process. These were for:

- Statoil Canada's offshore exploratory drilling program in the Flemish Pass/North Central Ridge Area;
- HMDC's application for renewal of its OA for the Hibernia Field;
- Chevron Canada's offshore exploratory drilling program in the Orphan Basin; and
- Suncor Energy's amendment of its EPP for the Terra Nova Field.

OIL SPILL RESPONSE PLANNING

The C-NLOPB continued to work with Operators during the fiscal year to review and improve oil spill response plans.

During 2012-13, the C-NLOPB supported a study through the Environmental Studies Research Funds (ESRF) of the biodegradation of natural and chemically dispersed Grand Banks crude oils. The study, led by Fisheries and Oceans Canada's Centre for Offshore Oil, Gas and Energy Research, will seek to apply lessons learned in monitoring Macondo crude in the Gulf of Mexico to potential spills of crude oils produced in the Offshore Area.

The experience of the Macondo Blowout in the Gulf of Mexico prompted a number of major oil companies to organize the Subsea Well Response Project (SWRP) to develop an effective and rapidly deployable toolkit for responding

to a subsea well control incident. Oil Spill Response Limited (OSRL) and SWRP have worked together to develop a rapidly deployable subsea well incident intervention system that includes equipment for capping an uncontrolled well subsea, and for the subsea application of dispersant. The equipment will be transportable by air or sea from four strategic storage locations – Northern Europe, South America, Africa and Asia-Pacific. Offshore Operators in C-NLOPB jurisdiction will have access to this equipment through member agreements with OSRL.

ENVIRONMENTAL ASSESSMENT

The C-NLOPB is the lead agency for the EA of proposed exploration and production activities in the Offshore Area under the *Atlantic Accord* and the *Atlantic Accord Implementation Acts*. The C-NLOPB assesses the environmental impacts of certain petroleum exploration and production works or activities proposed for the Offshore Area. The *Canadian Environmental Assessment Act* (S.C. 1992, c.37) (CEAA) was repealed when the *Canadian Environmental Assessment Act, 2012* (CEAA, 2012) came into force, causing many exploratory activities to no longer require federal assessment. However, pursuant to subsection 124 (1) of CEAA, 2012, a screening of a project commenced under CEAA must, if the project is

a designated project, be continued and completed as if CEAA had not been repealed. The Minister of the Environment designated two of the active exploration project EAs: the Corridor Resources Inc. Exploration Well on the Old Harry Prospect – EL 1105; and the Husky Energy White Rose Extension project, to continue as a screening under CEAA. EAs that were ongoing pursuant to CEAA prior to July 6, 2012, other than designated projects, were continued as all other applicable legislation, regulatory and constitutional requirements must still be fulfilled. The C-NLOPB will continue to assess the potential environmental effects of projects and activities not covered by the CEAA, 2012. The C-NLOPB must consider the potential environmental effects of activities that are proposed for authorization. These can include seismic surveys, controlled source electromagnetic surveys and aeromagnetic surveys.

During 2012-13, the C-NLOPB completed screenings for the following projects in accordance with the CEAA:

- MKI's 2012-17 Northeast Newfoundland Slope Seismic Program; and
- Husky Energy's Jeanne d'Arc Basin/Flemish Pass Regional Seismic Program, 2012-20.

Eight EAs were active as of March 31, 2013:

- Corridor Resources' Exploration Well on the Old Harry Prospect, EL 1105;
- Western Geco Canada's Jeanne d'Arc Basin Seismic Program, 2012-15;
- Husky Energy White Rose Extension Project;
- Ptarmigan Energy Inc. Geophysical Program for Anticosti Basin Offshore Western Newfoundland and Labrador EL 1120, EL 1128 and EL 1127, 2012-18;
- HMDC's 2D/3D/4D Seismic projects for the Hibernia Field, 2013 to the remaining life of the field;
- GX Technology Canada Ltd. 2D Seismic, Gravity and Magnetic Survey for the Labrador Shelf Area, 2013-15; and
- ARKeX North Flemish Pass Gravity Gradient Survey 2013-17.
- Black Spruce Exploration Corp. and Shoal Point Energy Ltd. Western Newfoundland Drilling Program, 2013 to 2019.

Two EAs were on hold as of March 31, 2013, pending further actions or submissions by the Proponent:

- ConocoPhillips Canada's 3D and 2D Seismic Program in the Laurentian Subbasin; and

- Deer Lake Oil and Gas' Western Newfoundland and Labrador 2D Seismic.

Ptarmigan Resources Ltd. withdrew the EA for a 2D/3D Seismic Program in the western portion of the Offshore Area.

ENVIRONMENTAL ASSESSMENT OF A PROPOSED EXPLORATION WELL ON LICENCE EL 1105 (OLD HARRY)

At the end of the reporting period the Environmental Affairs Department was awaiting submission of Corridor Resources' full response to the EA report review comments. In the meantime, Corridor Resources submitted additional information during the reporting period concerning its oil spill trajectory modeling for the EA, in response to comments that were provided by Environment Canada.

STRATEGIC ENVIRONMENTAL ASSESSMENT

Strategic Environmental Assessment (SEA) is a broad-based approach to EA that examines the environmental effects that may be associated with a plan, program or policy proposal and that allows for the incorporation of environmental considerations at the earliest stages of program planning. SEA typically involves a

broader-scale EA that considers the larger ecological setting, rather than a project-specific EA that focuses on site-specific issues with defined boundaries. As of 2002, the C-NLOPB began conducting a SEA of portions of the Offshore Area that may have the potential for offshore oil and gas exploration activity, but that were not subject to recent SEAs nor to recent and substantial site-specific assessments.

The C-NLOPB initiated the update for the Western Newfoundland and Labrador SEA during the reporting period. A 17-person Working Group consisting of non-governmental organizations and federal and provincial government agencies from the Atlantic Provinces and Quebec was formed. Following review of the technical proposals by the Working Group, AMEC Environment & Infrastructure was selected. Public and stakeholder consultations were conducted in the Atlantic Provinces and Quebec.

COMPLIANCE AND ENFORCEMENT

Operators must report all pollution incidents (petroleum spills, unauthorized and/or unplanned discharges and releases and problems with effluent quality) for all offshore installations. The C-NLOPB reviews these reports and investigates as required.

The investigation by the C-NLOPB into the spill of 26,400 litres of synthetic-based drilling mud (SBM) from the *MODU Henry Goodrich* which occurred on March 28, 2011, at the Suncor Energy operated Ballicaters M-96Z exploration well, continued in the 2012-13 fiscal year. The investigation report was submitted to the Public Prosecution Service of Canada in August 2011, and the C-NLOPB laid three charges against Suncor Energy in early April 2012. Suncor Energy pleaded guilty on October 5, 2012 to the charge of causing or permitting a spill into the Offshore Area contrary to the *Accord Implementation Acts*. The two charges made under the regulations were withdrawn as part of the guilty plea. A fine of \$30,000 was imposed under the *Accord Implementation Acts*. Suncor Energy was ordered to pay \$100,000 into court to be dispensed into the Environmental Damages Fund and to post a Notice relating to the offence and plea on the Suncor Energy website.

On June 6, 2012, it was reported to the C-NLOPB that fish harvesters in NAFO Zone 3K had observed the *MV Sanco Spirit*, the vessel operated

by Multi Klient Invest AS (MKI) to conduct a seismic program offshore Labrador, traversing an active fishing area with its streamer deployed. The C-NLOPB conducted an investigation into the reports and determined that MKI had deployed its streamer outside the Project Area described in its environmental assessment, and that MKI had not scheduled or planned its survey activities to avoid the fishing activity underway in NAFO zone 3K. As a result, the C-NLOPB issued a Notice of Non-Compliance on June 14, 2012 in respect of MKI's Geophysical Program Authorization and met with senior MKI managers to emphasize its concerns. In response to the Notice, MKI submitted a report to the C-NLOPB describing the corrective measures it had put in place to prevent re-occurrence. Upon further discussion with MKI and review of the report, the C-NLOPB determined that MKI's proposed measures were acceptable.

Of the seven petroleum spills reported in 2012-13, four were one litre or less. A summary of spill information for the 2012-13 fiscal year is provided in Table 2.

ENVIRONMENTAL EFFECTS MONITORING

Environmental Effects Monitoring (EEM) is used to determine the effects of ongoing industrial activity on the natural environment. In the Offshore Area, EEM has been undertaken for development drilling and production operations because of the greater variety and volume of their regulated discharges, such as produced water and the length of time they operate in the Offshore Area. EEM surveys are initiated during the first full year of offshore development drilling and are executed annually for at least two additional years, becoming biennial thereafter. The C-NLOPB, along with federal and provincial environment and fisheries departments, review the design of each EEM program and the detailed reports from each survey. Completed EEM reports are available in hard copy from the C-NLOPB, with more recent reports available through the C-NLOPB website.

Husky Energy submitted the revised and finalized 2010 White Rose Environmental Effects Monitoring Program report in December 2012 after receiving comments from the C-NLOPB and reviewing agencies.

Comments by the C-NLOPB and advisory agencies on the Hibernia Production Phase Environmental Effects Monitoring Program – Year Seven (2009) Report and HMDC's proposed revisions to its EEM

Table 2: Summary of Spill Information

| Component | Litres | % of Annual Total | # of Incidents |
|-----------------------------|--------|-------------------|----------------|
| Synthetic Based Mud | 27.70 | 77.28 | 1 |
| Crude Oil | 0.0023 | 0.0064 | 1 |
| Hydraulic & Lubricating Oil | 3.6 | 10.04 | 1 |
| Diesel and Jet | 0.020 | 0.056 | 1 |
| Other Petroleum | 4.52 | 12.62 | 3 |

program design, to incorporate the Southern Extension Drill Centre, were forwarded to HMDC just prior to the beginning of the reporting period. Fisheries and Oceans Canada (DFO) indicated that its review comments had not been satisfactorily addressed and HMDC was notified of this fact on April 18, 2012. A meeting was held on June 1, 2012 between HMDC and DFO to discuss the outstanding issues. This matter is ongoing as of the end of the reporting period.

Suncor Energy submitted the proposed water quality monitoring revision to the Terra Nova EEM program design. The revision was sufficient to meet the intent of the OA condition. The revised and finalized 2010 Terra Nova Environmental Effects Monitoring Program – Year Seven Report was submitted by Suncor Energy in December 2012 after receiving comments from the C-NLOPB and advisory agencies.

REPORT OF THE COMMISSIONER OF THE ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

During 2012-13 the Commissioner of the Environment and Sustainable Development (CESD) of the office of the Auditor General of Canada conducted an audit of the C-NLOPB and of the CNSOPB. The focus of the audit was the Boards' management of environmental risk and impacts associated with offshore oil and gas activities. The CESD's audit team visited the Boards' offices, examined a substantial volume of written information, and interviewed Board staff.

The Commissioner's report and the Boards' response were released on February 5, 2013. While the Commissioner's report noted the

application of good practices by the Boards in a number of respects it also contained eleven recommendations for improvements, principally in the areas of environmental assessment and environmental emergency response. The Boards agreed, or agreed in principle, with all of the CESD recommendations, and at the end of the reporting period were proceeding to implement responses to the recommendations in cooperation with other government departments.



OFFSHORE OPERATIONS:

DRILLING ACTIVITY

The C-NLOPB will not issue a well approval until the Operator has demonstrated that the drilling of the well will be conducted safely, without pollution and without waste, in compliance with the Drilling and Production Regulations. During the 2012-13 fiscal year in the Offshore Area, there were 16 applications for an Approval to Drill a Well (ADW) processed. In addition to having plans for relief well drilling, Operators must now have access to rapidly deployable subsea well incident intervention system such as the Subsea Well Response Project and OSRL system to drill in the Newfoundland and Labrador Offshore Area.

HIBERNIA MANAGEMENT AND DEVELOPMENT COMPANY

During the reporting period, five existing wells were plugged and abandoned then sidetracked, drilled and completed. During the reporting period, drilling operations were also conducted on one additional well at the end of the 2012-13 fiscal year.

HUSKY ENERGY

Husky Energy drilled and completed four wells during the fiscal year. Three were development wells; two were producers and one was a water injector. The fourth well was an exploration well. At the end of the reporting period, Husky Energy was drilling its fifth well, a producer in the North Amethyst Field.

In August 2012, drilling activity was suspended as Husky Energy undertook a Safety Stand-down involving the *Henry Goodrich*. The MODU was towed to Conception Bay South to conduct repairs and undertake a thorough inspection of the rig. In early January 2013, the Henry Goodrich returned to the North Amethyst Field and resumed activities.

SUNCOR ENERGY

During 2012-13, Suncor Energy drilled and suspended one development well.

DRAGON LANCE MANAGEMENT CORPORATION

Dragon Lance Management Corporation sidetracked an onshore to offshore exploration well in the Western Region of the Newfoundland Offshore Area. This well was suspended in July 2012 and remains suspended at the end of the reporting period.

WELL OPERATIONS COMMITTEE

In light of recent industry events involving well operations failures, there is an increasing onus to review current operational risks, to rationalize and apply lessons-learned from other operating regions, and to take appropriate actions to reduce known operating risks. While there

has been and continues to be a significant amount of oversight and administration related to well operations in the Offshore Area, there is an increased need for the improving communication and the exchange of information between the stakeholders involved in well operations in the Offshore Area. The C-NLOPB has established a committee dedicated to discussion of current issues and challenges in the context of improving safety and effectiveness of well construction and operation.

CERTIFICATES OF FITNESS

During 2012-13, the activities of the Certifying Authority were monitored by the Operations Department for the following installations operating in the Offshore Area:

REGULATORY QUERIES

The CSO and/or the CCO may authorize deviations from the regulations where those officers are satisfied that the applicant for the deviation will achieve an equivalent level of safety, protection of the environment and resource conservation to that provided by the regulation. During 2012-13, the C-NLOPB received 161 applications for deviations from the regulations. Decisions were made on 136 regulatory deviations which were posted to the C-NLOPB website. From these applications, 133 were approved, three were rejected, three withdrawn, and four were not considered deviations from the regulations. Thirty-seven applications were under review as of March 31, 2012.

Table 3: Certificates of Fitness

| Installation/Vessel Name | Installation/Vessel Type | Certifying Authority |
|--------------------------|--------------------------|---------------------------------------|
| Hibernia | Production | Lloyd's Register North America Inc |
| <i>SeaRose FPSO</i> | Production | Det Norske Veritas Classification A/S |
| <i>Terra Nova FPSO</i> | Production | Lloyd's Register North America Inc |
| <i>Henry Goodrich</i> | Drilling | Det Norske Veritas Classification A/S |
| <i>GSF Grand Banks</i> | Drilling | Det Norske Veritas Classification A/S |
| <i>Seven Eagle</i> | Diving | Det Norske Veritas Classification A/S |
| <i>Seven Havila</i> | Diving | Det Norske Veritas Classification A/S |
| <i>West Aquarius</i> | Drilling | Det Norske Veritas Classification A/S |

RIGHTS MANAGEMENT

STATUS OF LICENCES

The C-NLOPB issues land rights in the form of exploration licences (ELs), significant discovery licences (SDLs) and production licences (PLs). Six ELs and one PL were issued in the 2012-13 fiscal year. One EL was relinquished in the 2012-13 fiscal year. As of March 31, 2013, there were 38 ELs, 52 SDLs and 11 PLs in the Offshore Area.

CALLS FOR BIDS

Call for Bids NL12-01 (Area “C” – Laurentian Subbasin) closed on November 1, 2012. Successful bids were received on five of the six parcels offered, totaling \$97,000,000 in work expenditure commitments. Call for Bids NL12-02 (Area “C” - Flemish Pass) closed on November 1, 2012. A successful bid was received for the EL parcel offered, totaling \$19,875,875 in work expenditure commitments. These successful bids represent the expenditures that the bidders commit to make in exploring the parcels during period one of a nine-year EL.

OPERATING LICENCES

Any person wishing to undertake petroleum related work or activity in the Offshore Area must obtain an Operating Licence (OL). Table 4 shows the 19 OLs issued by the C-NLOPB during the 2012-13 fiscal year.



EXPLORATION COMMITMENTS

As of March 31, 2013, there was \$1,164,662,340 in exploration commitments to be undertaken by interest owners, secured by deposits valued at \$291,267,085.

REGISTRY OFFICE

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

FUNDS COLLECTED

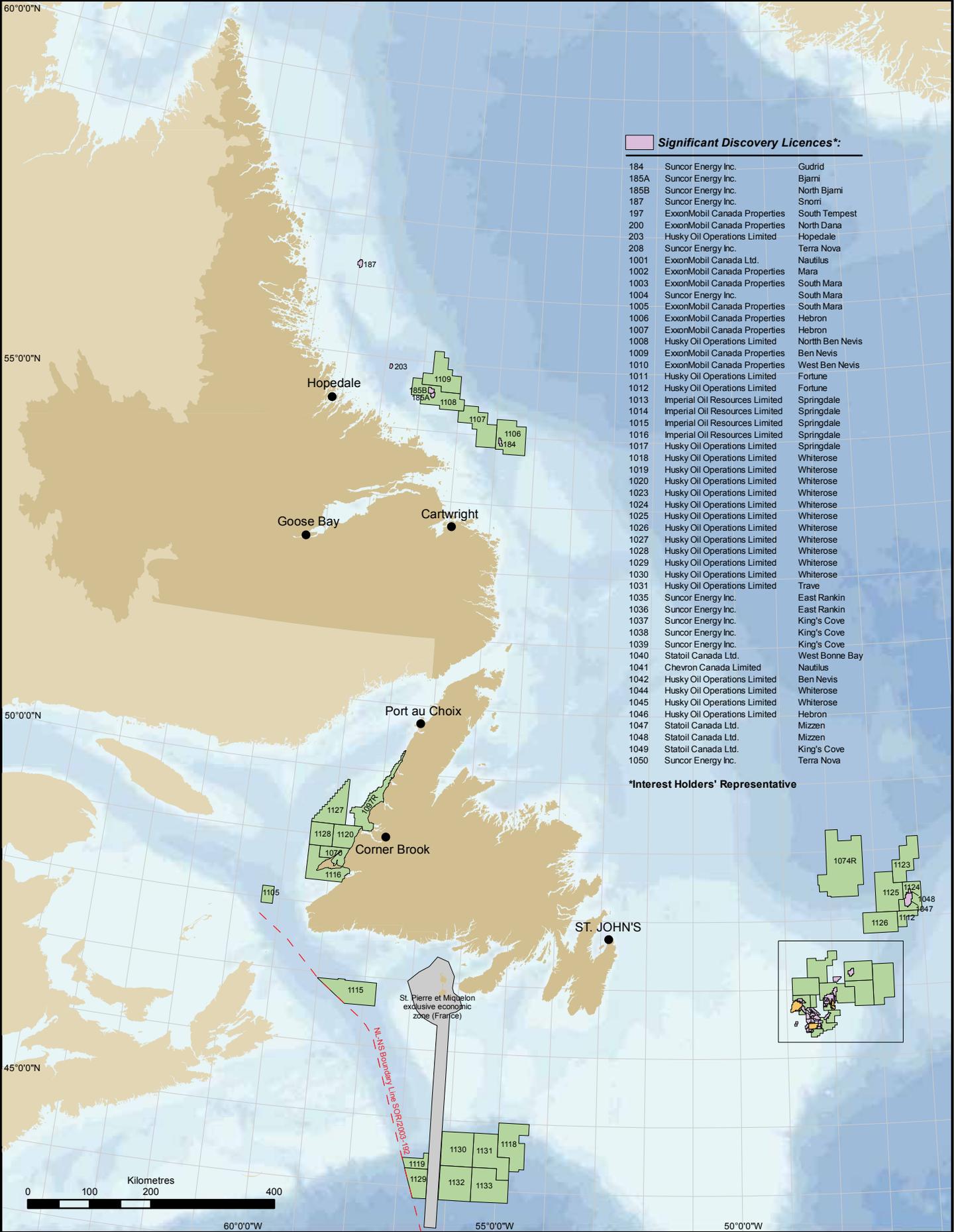
Under the *Accord Implementation Acts*, the C-NLOPB is responsible for the collection of certain fees, forfeitures and rentals. In 2012-13, \$4,384,254.06 was collected and remitted to the Receiver General for Canada (see Table 5). Some of these funds are for deposit to the Newfoundland and Labrador Offshore Petroleum Resources Revenue Fund. Since its inception, the C-NLOPB has collected \$191,146,126.39 on behalf of the Crown.

Table 4: Operating Licences Issued 2012-13

| Fiscal Year (April 1, 2012 - March 31, 2013) | |
|--|--|
| 1.OL 1201 | Imperial Oil Resources Ventures Limited |
| 2.OL 1202 | Imperial Oil Resources Limited |
| 3.OL 1203 | Ptarmigan Energy Inc. |
| 4.OL 1204 | Chevron Canada Limited |
| 5.OL 1205 | Chevron Canada Limited as Managing Partner for Chevron Canada Resources |
| 6.OL 1206 | Husky Oil Operations Limited |
| 7.OL 1207 | Schlumberger Canada Ltd., as Managing Partner of WesternGeco Canada |
| 8.OL 1208 | Exxonmobil Canada Ltd. |
| 9.OL 1209 | Exxonmobil Canada Ltd., as Managing Partner for Exxonmobil Canada Properties |
| 10.OL 1210 | Encana Corporation |
| 11.OL 1211 | Hibernia Management and Development Company Ltd. |
| 12.OL 1212 | Corridor Resources Inc. |
| 13.OL 1213 | Suncor Energy Inc. |
| 14.OL 1214 | Statoil Canada Ltd. |
| 15.OL 1215 | Shell Canada Limited |
| 16.OL 1216 | ConocoPhillips Canada Resources Corp. |
| 17.OL 1217 | Dragon Lance Management Corporation |
| 18.OL 1218 | MultiKlient Invest AS |
| 19.OL 1219 | Shoal Point Energy Ltd. |

Table 5: Funds Collected on Behalf of the Receiver General for Canada

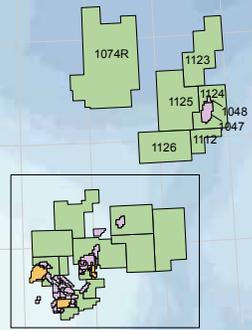
| Fiscal Year 2012-13 | |
|---------------------------------|-----------------------|
| Rentals | \$279,000.00 |
| Forfeitures (Security Deposits) | \$91,369.06 |
| Operating Licences | \$400.00 |
| Registry Fees | \$13,285.00 |
| Access to Information Requests | \$200.00 |
| Forfeitures (Drilling Deposits) | \$4,000,000.00 |
| Total | \$4,384,254.06 |

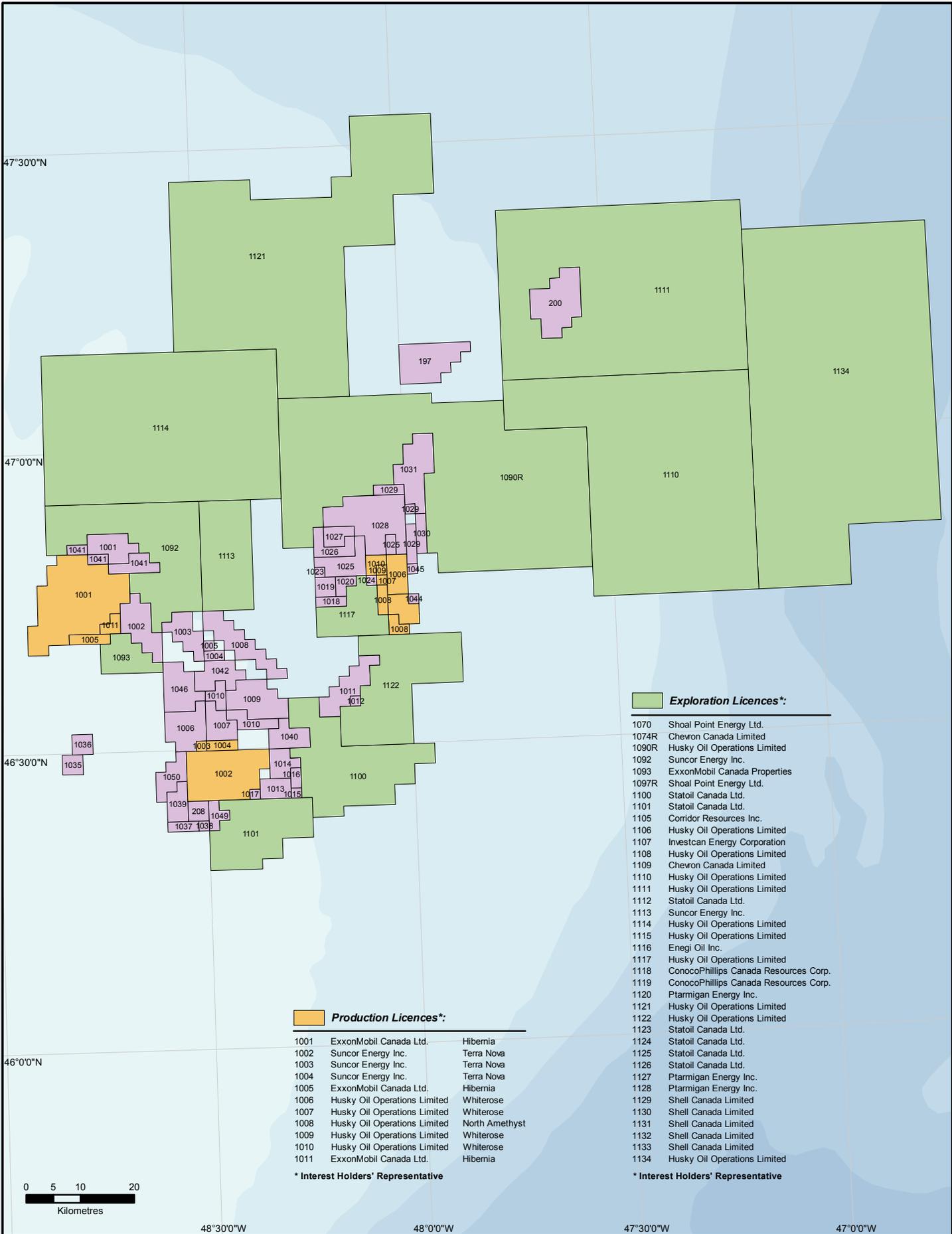


Significant Discovery Licences*:

| | | |
|------|--------------------------------|-----------------|
| 184 | Suncor Energy Inc. | Gudrid |
| 185A | Suncor Energy Inc. | Bjarni |
| 185B | Suncor Energy Inc. | North Bjarni |
| 187 | Suncor Energy Inc. | Snorri |
| 197 | ExxonMobil Canada Properties | South Tempest |
| 200 | ExxonMobil Canada Properties | North Dana |
| 203 | Husky Oil Operations Limited | Hopedale |
| 208 | Suncor Energy Inc. | Terra Nova |
| 1001 | ExxonMobil Canada Ltd. | Nautilus |
| 1002 | ExxonMobil Canada Properties | Mara |
| 1003 | ExxonMobil Canada Properties | South Mara |
| 1004 | Suncor Energy Inc. | South Mara |
| 1005 | ExxonMobil Canada Properties | South Mara |
| 1006 | ExxonMobil Canada Properties | Hebron |
| 1007 | ExxonMobil Canada Properties | Hebron |
| 1008 | Husky Oil Operations Limited | North Ben Nevis |
| 1009 | ExxonMobil Canada Properties | Ben Nevis |
| 1010 | ExxonMobil Canada Properties | West Ben Nevis |
| 1011 | Husky Oil Operations Limited | Fortune |
| 1012 | Husky Oil Operations Limited | Fortune |
| 1013 | Imperial Oil Resources Limited | Springdale |
| 1014 | Imperial Oil Resources Limited | Springdale |
| 1015 | Imperial Oil Resources Limited | Springdale |
| 1016 | Imperial Oil Resources Limited | Springdale |
| 1017 | Husky Oil Operations Limited | Springdale |
| 1018 | Husky Oil Operations Limited | Whiterose |
| 1019 | Husky Oil Operations Limited | Whiterose |
| 1020 | Husky Oil Operations Limited | Whiterose |
| 1023 | Husky Oil Operations Limited | Whiterose |
| 1024 | Husky Oil Operations Limited | Whiterose |
| 1025 | Husky Oil Operations Limited | Whiterose |
| 1026 | Husky Oil Operations Limited | Whiterose |
| 1027 | Husky Oil Operations Limited | Whiterose |
| 1028 | Husky Oil Operations Limited | Whiterose |
| 1029 | Husky Oil Operations Limited | Whiterose |
| 1030 | Husky Oil Operations Limited | Whiterose |
| 1031 | Husky Oil Operations Limited | Trave |
| 1035 | Suncor Energy Inc. | East Rankin |
| 1036 | Suncor Energy Inc. | East Rankin |
| 1037 | Suncor Energy Inc. | King's Cove |
| 1038 | Suncor Energy Inc. | King's Cove |
| 1039 | Suncor Energy Inc. | King's Cove |
| 1040 | Statoil Canada Ltd. | West Bonne Bay |
| 1041 | Chevron Canada Limited | Nautilus |
| 1042 | Husky Oil Operations Limited | Ben Nevis |
| 1044 | Husky Oil Operations Limited | Whiterose |
| 1045 | Husky Oil Operations Limited | Whiterose |
| 1046 | Husky Oil Operations Limited | Hebron |
| 1047 | Statoil Canada Ltd. | Mizzen |
| 1048 | Statoil Canada Ltd. | Mizzen |
| 1049 | Statoil Canada Ltd. | King's Cove |
| 1050 | Suncor Energy Inc. | Terra Nova |

***Interest Holders' Representative**





Exploration Licences*:

| | |
|-------|---------------------------------------|
| 1070 | Shoal Point Energy Ltd. |
| 1074R | Chevron Canada Limited |
| 1090R | Husky Oil Operations Limited |
| 1092 | Suncor Energy Inc. |
| 1093 | ExxonMobil Canada Properties |
| 1097R | Shoal Point Energy Ltd. |
| 1100 | Statoil Canada Ltd. |
| 1101 | Statoil Canada Ltd. |
| 1105 | Corridor Resources Inc. |
| 1106 | Husky Oil Operations Limited |
| 1107 | Investcan Energy Corporation |
| 1108 | Husky Oil Operations Limited |
| 1109 | Chevron Canada Limited |
| 1110 | Husky Oil Operations Limited |
| 1111 | Husky Oil Operations Limited |
| 1112 | Statoil Canada Ltd. |
| 1113 | Suncor Energy Inc. |
| 1114 | Husky Oil Operations Limited |
| 1115 | Husky Oil Operations Limited |
| 1116 | Eneji Oil Inc. |
| 1117 | Husky Oil Operations Limited |
| 1118 | ConocoPhillips Canada Resources Corp. |
| 1119 | ConocoPhillips Canada Resources Corp. |
| 1120 | Ptarmigan Energy Inc. |
| 1121 | Husky Oil Operations Limited |
| 1122 | Husky Oil Operations Limited |
| 1123 | Statoil Canada Ltd. |
| 1124 | Statoil Canada Ltd. |
| 1125 | Statoil Canada Ltd. |
| 1126 | Statoil Canada Ltd. |
| 1127 | Ptarmigan Energy Inc. |
| 1128 | Ptarmigan Energy Inc. |
| 1129 | Shell Canada Limited |
| 1130 | Shell Canada Limited |
| 1131 | Shell Canada Limited |
| 1132 | Shell Canada Limited |
| 1133 | Shell Canada Limited |
| 1134 | Husky Oil Operations Limited |

Production Licences*:

| | | |
|------|------------------------------|----------------|
| 1001 | ExxonMobil Canada Ltd. | Hibernia |
| 1002 | Suncor Energy Inc. | Terra Nova |
| 1003 | Suncor Energy Inc. | Terra Nova |
| 1004 | Suncor Energy Inc. | Terra Nova |
| 1005 | ExxonMobil Canada Ltd. | Hibernia |
| 1006 | Husky Oil Operations Limited | Whiterose |
| 1007 | Husky Oil Operations Limited | Whiterose |
| 1008 | Husky Oil Operations Limited | North Amethyst |
| 1009 | Husky Oil Operations Limited | Whiterose |
| 1010 | Husky Oil Operations Limited | Whiterose |
| 1011 | ExxonMobil Canada Ltd. | Hibernia |

* Interest Holders' Representative

* Interest Holders' Representative



MANAGEMENT OF RESOURCES

DATA STORAGE AND RESEARCH

The C-NLOPB's Core Storage and Research Centre (CSRC) archives core, cuttings, fluid samples, petrographic slides, biostratigraphic slides, and other geological material from wells drilled in the Offshore Area.

Currently there are approximately 8,000 metres (m) of core, 7,500 sidewall core samples, 5,000 boxes of cuttings samples, 200 fluid samples and 40,000 geological slides from over 370 wells available at the CSRC. The CSRC provides access to materials, once released to the public, in accordance with legislation and regulations.

The CSRC was recently upgraded to better serve the general public. The facility has two core examination rooms and a conference room available. In the examination rooms, one can observe a variety of materials, upon request. During the reporting period the CSRC was utilized for 78 days for material viewing. Of those days, 63 per cent were used by industry, 24 per cent by educational institutions and 13 per cent by governments.

During the reporting period, the CSRC received 179 boxes of cuttings and 278 m of core.

Table 6: Geophysical Programs Approved and Conducted

| Operator | Program | Area | Coverage (CMP km)* |
|----------------|-------------------------|--------------------|--------------------|
| Husky Energy | High-Resolution Seismic | Jeanne d'Arc Basin | 139 km |
| Husky Energy | High-Resolution Seismic | Jeanne d'Arc Basin | 171 km |
| Husky Energy | High-Resolution Seismic | Jeanne d'Arc Basin | 278 km |
| Husky Energy | High-Resolution Seismic | Jeanne d'Arc Basin | 203 km |
| Husky Energy | High-Resolution Seismic | Jeanne d'Arc Basin | 150 km |
| Statoil Canada | High-Resolution Seismic | Jeanne d'Arc Basin | 193 km |
| Suncor Energy | High-Resolution Seismic | Jeanne d'Arc Basin | 98 km |
| MKI | 2D Seismic | Labrador Shel | 11 572 km |
| MKI | 2D Seismic | Northeast NL Slope | 7957 km |
| Statoil Canada | 3D Seismic | Flemish Pass Basin | 230 945 km |

*CMP km = Common Midpoint Kilometres

GEOPHYSICAL / GEOLOGICAL PROGRAMS

The C-NLOPB reviewed and authorized 10 geophysical applications to conduct exploration-related work in the Offshore Area in 2012-13.

During the reporting period, the C-NLOPB approved seven 2D High Resolution (wellsite) surveys over prospects on the Grand Banks in the Jeanne d'Arc Basin, all completed using the *M/V Maersk Challenger*. Husky Energy was authorized to conduct five wellsite surveys and Statoil Canada and Suncor Energy conducted one each. In total 1,232 km of 2D High-Resolution seismic data was acquired.

Three exploration seismic programs were recorded during the reporting period. MKI acquired two 2D seismic surveys using the vessel *M/V Sanco Spirit*. One program, a continuation of the dataset acquired in 2011-12, collected 11,572 km of 2D seismic data across the Labrador Shelf. The other program resulted in 7,957 km of 2D seismic data collected on the Northeast Newfoundland Slope. A 3D seismic survey was conducted in the Flemish Pass Basin in 2012 by Statoil Canada. This survey collected 230,945 km of 3D seismic data utilizing the *M/V Geo Caribbean*.

The geophysical programs conducted in 2012-13 account for 20,761 km of 2D seismic and 230,945 km of 3D seismic data recorded in the Offshore Area. The 2012-13 field season was the second largest in terms of the amount of 3D data collected. Since 1964, 2.4 million km of seismic data has been recorded in the Offshore Area.

In addition, the CSRC approved 10 geological studies/programs during the reporting period. These studies use the materials stored and managed at the CSRC.

Table 7: Geological Programs Approved and Conducted

| Company | Program Type | Area |
|-----------------------------------|--------------------------------|--------------------|
| Chemostrat Limited | Chemostratigraphic Analysis | Northeast NL Shelf |
| Chevron Energy Technology Company | Biostratigraphy | North Grand Banks |
| Chevron North America | Fluid Sample Analysis | North Grand Banks |
| Husky Energy | Special Core Analysis | North Grand Banks |
| Husky Energy | Sieve Analysis | North Grand Banks |
| Nalcor Energy | Biostratigraphy | Labrador Shelf |
| Statoil Canada | Reservoir Quality | North Grand Banks |
| Statoil Canada | Geochemical Analysis | North Grand Banks |
| Suncor Energy | Biostratigraphy | North Grand Banks |
| Suncor Energy | Apatite Fission Track Analysis | North Grand Banks |

RESOURCE ASSESSMENT AND PRODUCTION

The C-NLOPB's most recent reserve/resource estimates and production totals are provided in Table 8.

NOTES FOR TABLE 8:

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, White Rose (South Avalon Pool and Southern Extension) and North Amethyst fields are classified as reserves.

² Resources are volumes of hydrocarbons, expressed at 50 per cent probability, assessed to be technically recoverable that have not been delineated and have unknown economic viability. The classification of resources includes gas, NGLs, and oil in pools and fields that have not yet been developed or approved by the C-NLOPB.

³ MMbbls = million barrels.

⁴ Produced oil reserve volumes as of March 31, 2013. This also includes a small quantity of NGLs.

⁵ BCF = billion cubic feet.

⁶ 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. *NGL estimates have not been updated since 2006.

⁷ White Rose reserves include the South Avalon Pool, the Southern Extension Pool and the West White Rose Pilot Project. White Rose resources include the West Avalon Pool, minus the Pilot Project; North Avalon Pool and Hibernia Reservoir.

⁸ Terra Nova resources include the West Flank.

⁹ North Amethyst resources are based on the November 2011 Development Plan Amendment to allow development of the Hibernia reservoir which is still under review.

Table 8: Resource Assessment and Production

| Petroleum Reserves ¹ and Resources ² - Newfoundland and Labrador Offshore Area | | | | |
|--|---|---------------------------------|-------------------|------------|
| Field | Oil | Gas | NGLs ⁶ | |
| | Initial Estimate MMbbls ³ | Produced ⁴ MMbbls | BCF ⁵ | MMbbls |
| Grand Banks | | | | |
| Reserves | | | | |
| Hibernia | 1395 | 840 | | |
| Hebron | 707 | 0 | | |
| Terra Nova | 506 | 339 | | |
| White Rose ⁷ | 232 | 178 | | |
| North Amethyst | 68 | 25 | | |
| Subtotal | 2908 | 1382 | | |
| Resources | | | | |
| Hibernia | - | | 1984 | 225 |
| Terra Nova ⁸ | 86 | | 53 | 4 |
| White Rose ⁷ | 73 | | 3023 | 96 |
| North Amethyst ⁹ | 8 | | 315 | - |
| Mizzen | 102 | | - | - |
| Ben Nevis | 252 | | 429 | 30 |
| West Ben Nevis | 36 | | - | - |
| West Bonne Bay | 36 | | - | - |
| Mara | 23 | | - | - |
| North Ben Nevis | 18 | | 116 | 4 |
| Springdale | 14 | | 238 | - |
| Nautilus | 13 | | - | - |
| King's Cove | 10 | | - | - |
| South Tempest | 8 | | - | - |
| East Rankin | 7 | | - | - |
| Fortune | 6 | | - | - |
| South Mara | 4 | | 144 | 8 |
| North Dana | - | | 472 | 11 |
| Trave | - | | 30 | 1 |
| Subtotal | 696 | | 6804 | 379 |
| Labrador Shelf | | | | |
| Resources | | | | |
| North Bjarni | - | | 2247 | 82 |
| Gudrid | - | | 924 | 6 |
| Bjarni | - | | 863 | 31 |
| Hopedale | - | | 105 | 2 |
| Snorri | - | | 105 | 2 |
| Subtotal | 0 | | 4244 | 123 |
| Total | 3604 | | 11 048 | 502 |
| Produced | | 1382 | 0 | 0 |
| Remaining | 2222 | | 11 048 | 502 |



HIBERNIA

The Hibernia Field, discovered in 1979, consists of two principal reservoirs: Hibernia and Ben Nevis/Avalon. This field is operated by HMDC and is produced using the Hibernia Gravity Based Structure (GBS). Total oil production for 2012-13 was 47.27 million barrels (MMbbls) with a daily average of 129,563 barrels (bbls). The C-NLOPB estimates oil reserves and resources at the Hibernia Field to be 1395 MMbbls of which 839.61 MMbbls had been produced as of March 31, 2013.

TERRA NOVA

The Terra Nova Field, discovered in 1984 and operated by Suncor Energy, consists of one reservoir: the Jeanne d'Arc. Total production for 2012-13 at the Terra Nova Field was 7.11 MMbbls. The *Terra Nova FPSO* produced an average of 19,627 bbls/day during the past fiscal year.

During 2012-13, the C-NLOPB conducted a reassessment of reserves at the Terra Nova Field, and updated its estimate of oil reserves to 506 MMbbls. As of March 31, 2013, there had been 338.98 MMbbls produced.

Table 9: Hibernia

| Hibernia Field Production Statistics | | 2012-13 | Cumulative to March 31, 2013 |
|--------------------------------------|--------|---------|------------------------------|
| Production | | | |
| Oil | MMbbls | 47.27 | 839.61 |
| Gas | Bscf | 85.26 | 1267.90 |
| Water | MMbbls | 34.47 | 381.75 |
| Gas Disposition | | | |
| Flared | Bscf | 2.82 | 83.59 |
| Fuel | Bscf | 5.08 | 81.24 |
| Injected | Bscf | 77.34 | 1103.08 |
| Water Injected | MMbbls | 71 | 1154 |

Conversion factors:
 1 m3 oil = 6.2898106 bbls
 1 m3 gas = 35.49370 cu. ft.

Table 10: Terra Nova

| Terra Nova Production Statistics | | 2012-13 | Cumulative to March 31, 2013 |
|----------------------------------|--------|---------|------------------------------|
| Production | | | |
| Oil | MMbbls | 7.11 | 338.98 |
| Gas | Bscf | 18.02 | 482.77 |
| Water | MMbbls | 12.32 | 184.29 |
| Gas Disposition | | | |
| Flared | Bscf | 1.30 | 50.22 |
| Fuel | Bscf | 2.37 | 44.16 |
| Injected | Bscf | 14.35 | 387.83 |
| Lift | Bscf | 5.36 | 54.74 |
| Water Injected | MMbbls | 17 | 495 |

Table 11: White Rose

| White Rose Field Production Statistics | | | | |
|--|--------|---------|------------------------------|--|
| | | 2012-13 | Cumulative to March 31, 2013 | |
| Production | | | | |
| Oil | MMbbls | 9.11 | 177.69 | |
| Gas | Bscf | 8.96 | 151.86 | |
| Water | MMbbls | 12.97 | 79.20 | |
| Gas Disposition | | | | |
| Flared | Bscf | 0.94 | 27.85 | |
| Fuel | Bscf | 1.90 | 20.04 | |
| Injected | Bscf | 6.12 | 103.98 | |
| Lift | Bscf | 10.38 | 44.40 | |
| Water Injected | | | | |
| | MMbbls | 27 | 349 | |

Table 12: North Amethyst

| North Amethyst Production Statistics | | | | |
|--------------------------------------|--------|---------|------------------------------|--|
| | | 2012-13 | Cumulative to March 31, 2013 | |
| Production | | | | |
| Oil | MMbbls | 6.54 | 25.41 | |
| Gas | Bscf | 4.20 | 16.59 | |
| Water | MMbbls | 6.42 | 10.92 | |
| Gas Disposition | | | | |
| Flared | Bscf | 0.47 | 1.73 | |
| Fuel | Bscf | 0.90 | 3.05 | |
| Injected | Bscf | 2.84 | 11.81 | |
| Lift | Bscf | 3.07 | 3.43 | |
| Water Injected | | | | |
| | MMbbls | 17 | 49 | |

Note: North Amethyst gas injection goes into White Rose storage area.

WHITE ROSE

The White Rose Field, discovered in 1984 and operated by Husky Energy, has one principal reservoir: the Ben Nevis/Avalon. Total oil production at the White Rose Field for the reporting period was 9.11 MMbbls. The White Rose Field averaged 25,061 bbls/day. The C-NLOPB estimates oil reserves and resources at the White Rose Field to be 305 MMbbls, which includes the main White Rose Field, the South White Rose Extension (SWRX) and the West White Rose and North Avalon Pools. Of this, 177.69 MMbbls have been produced as of March 31, 2013.

During 2012-13, the C-NLOPB received a Development Plan Amendment application for oil production from the South Avalon Terrace and South White Rose Extension area by gas injection. This application is currently under review.

NORTH AMETHYST

The North Amethyst Field, discovered in 2006, is a satellite field adjacent to the White Rose development, operated by Husky Energy and produced using the *SeaRose FPSO*. Reserves in the North Amethyst Field are contained in a single reservoir, the Ben Nevis/Avalon, and are estimated by the C-NLOPB at 68 MMbbls. Of this, 25.41 MMbbls have been produced as of March 31, 2013. Total production at the

North Amethyst Field for 2012-13 was 6.54 MMbbls and average daily production was 17, 910 bbls/day.

During 2011-12, the C-NLOPB received an application for a Development Plan Amendment to allow development of the Hibernia reservoir at North Amethyst. This application is currently under review.

HEBRON

The Hebron asset, discovered in 1981, consists of three fields; Hebron, Ben Nevis and West Ben Nevis. These undeveloped fields are located north of the Terra Nova Field. A Development Plan was filed with the C-NLOPB during 2011-12 and was approved in April 2012. First oil is expected from the Hebron Field in 2017. Total reserves for the Hebron Field are estimated at 707 MMbbls.

MIZZEN

Mizzen is a hydrocarbon discovery in the Flemish Pass Basin. As a result of recent delineation drilling, resources for the Mizzen O-16 SDL have been estimated at 102 MMbbls.



INDUSTRIAL BENEFITS, POLICY AND REGULATORY COORDINATION

BENEFITS ADMINISTRATION

In 2012-13, the industrial benefits activities associated with offshore exploration and production continued to be monitored for compliance with the approved benefits plan provisions in relation to contracting and employment, supply of goods and services, diversity, research and development (R&D) and education and training (E&T). Compliance with the benefits agreements between the Government of Newfoundland and Labrador and the Operators of the White Rose Extension project, Hibernia Southern Extension project and Hebron project, continued to be monitored.

The analysis of the Hebron Benefits Plan, together with an assessment of the socio-economic impact statement for the project and the diversity plan was completed by staff. The report containing staff's analysis of these documents, together with its recommendations for approval, was published on the Board's website May 31, 2012. The analysis also took account of the recommendations arising from the Hebron Public Review Commission which are also addressed in the staff analysis report. This culminated in the Board's approval of the Benefits Plan on April 27, 2012, subject to three conditions:

- Provide an update to the human resource requirements for the construction phase that takes into account the front end engineering design and develop a plan to deal with any projected labour shortage;
- Provide more detailed information to the service and supply sector respecting the goods and services and contracting and sub-contracting opportunities associated with the construction of the topsides and GBS as well as the other major aspects of the project; and

- Take a pro-active approach in consulting with the service and supply sector in ensuring that bid packages are scaled appropriately.

The project operator has since responded to these conditions and has also taken steps to address several matters identified by staff for follow-up as part of its ongoing monitoring of the implementation of the Hebron Benefits Plan.

Throughout the year, staff also reviewed and assessed benefits plans for various exploration and constructions activities including seismic programs offshore Labrador and in the Flemish Pass and construction and diving programs associated with production project wellsite surveys.

EXPENDITURE AND EMPLOYMENT DATA

During 2012, Operators reported expenditures of \$2.89 billion related to work in the Offshore Area. Since 1966, cumulative expenditures total \$33.92 billion.

As of December 31, 2012, 7,374 persons were working in direct support of petroleum-related activity in the Offshore Area.

During 2012, \$164.7 million was spent on exploration programs generating more than 1,613 person-months of employment. On-going

production activities accounted for expenditures of \$1.68 billion in 2012, of which 53 per cent of annual expenditures occurred in Newfoundland and Labrador and a further 18 per cent in the rest of Canada.

Tables 13, 14, 15 and 16 summarize the participation of Newfoundland and Labrador residents and other Canadians in the production phase at Hibernia, Terra Nova, White Rose/North Amethyst, and Hebron projects respectively.

HIBERNIA

HMDC reported expenditures of \$718 million for the 2012-13 fiscal year, with 69 per cent Canadian content including 49 per cent Newfoundland and Labrador content. As of March 31, 2013, total employment in the province in support of the Hibernia project was 1,558 persons; 93 per cent of the workers were Newfoundland and Labrador residents at the time of hire, and five per cent were other Canadians.



Table 13: Hibernia Operations Phase Employment

| As of March 31, 2013 | | | | |
|----------------------|-------------------------|-----------------|---------------|-------------|
| Location | Residency | | | Total |
| | Newfoundland & Labrador | Other Canadians | Non-Canadians | |
| Onshore Operations | 755 | 44 | 32 | 831 |
| Offshore Operations | 686 | 33 | 8 | 727 |
| Total | 1441 | 77 | 40 | 1558 |

TERRA NOVA

Suncor Energy reported expenditures of \$723 million for the fiscal year 2012-13, with 71 per cent Canadian content including 55 per cent Newfoundland and Labrador content. As of March 31, 2013, total employment in support of the Terra Nova project was 1,180 persons. At the time of hire, 85 per cent were Newfoundland and Labrador residents and five per cent were other Canadians.

WHITE ROSE/NORTH AMETHYST

Husky Energy reported expenditures of \$815 million for the fiscal year 2012-13, with 82 per cent Canadian content including 53 per cent Newfoundland and Labrador content. As of March 31, 2013, total employment in support of the White Rose project was 1,957 persons. At the time of hire, 87 per cent were Newfoundland and Labrador residents and seven per cent were other Canadians.

HEBRON

ExxonMobil reported expenditures of \$864 million for the fiscal year 2012-13, with 48 per cent Canadian content including 36 per cent Newfoundland and Labrador content. As of March 31, 2013, total employment in support of the Hebron project was 3,366 persons. At the time of hire, 59 per cent were Newfoundland and Labrador residents and four per cent were other Canadians.

Table 14: Terra Nova Operations Phase Employment

| As of March 31, 2013 | | | | |
|----------------------|-------------------------|-----------------|---------------|-------------|
| Location | Residency | | | Total |
| | Newfoundland & Labrador | Other Canadians | Non-Canadians | |
| Onshore Operations | 558 | 32 | 30 | 620 |
| Offshore Operations | 449 | 26 | 85 | 560 |
| Total | 1007 | 58 | 115 | 1180 |

Table 15: White Rose/North Amethyst Operations Phase Employment

| As of March 31, 2013 | | | | |
|----------------------|-------------------------|-----------------|---------------|-------------|
| Location | Residency | | | Total |
| | Newfoundland & Labrador | Other Canadians | Non-Canadians | |
| Onshore Operations | 892 | 81 | 97 | 1070 |
| Offshore Operations | 813 | 53 | 21 | 887 |
| Total | 1705 | 134 | 118 | 1957 |

Table 16: Hebron Development Phase Employment

| As of March 31, 2013 | | | | |
|----------------------|-------------------------|-----------------|---------------|-------------|
| Location | Residency | | | Total |
| | Newfoundland & Labrador | Other Canadians | Non-Canadians | |
| Project Management | 133 | 12 | 169 | 314 |
| GBS Team | 1516 | 65 | 198 | 1779 |
| Topsides Team | 340 | 73 | 860 | 1273 |
| Total | 1989 | 150 | 1227 | 3366 |

RESEARCH AND DEVELOPMENT, EDUCATION AND TRAINING

The C-NLOPB continued to monitor industry's obligations to carry out R&D and E&T in the province. Expenditures for the 2011 calendar year were reviewed to determine eligibility with the C-NLOPB's guidelines. Based on a review of work expenditure reports, it was determined that approximately \$73 million was spent on R&D and E&T during 2011, bringing the total to approximately \$205 million since the C-NLOPB's guidelines came into effect on April 1, 2004. Expenditures for the 2012 calendar year are required to be reported by March 31, 2013 and will be presented in the 2013-14 annual report. A breakdown of 2011 expenditures for each project is provided in Table 17.

The C-NLOPB continued to advise Operators of their annual expenditure obligations using the benchmarks established in C-NLOPB guidelines. Reconciliation of expenditures versus obligations is undertaken prior to the renewal of an OA. This normally

Table 17: Project Expenditures (\$ millions)

| Projects | R&D | E&T | Total |
|---------------------------|----------------|----------------|----------------|
| Hibernia | \$20.69 | \$24.49 | \$45.18 |
| Terra Nova | \$9.46 | \$2.20 | \$11.66 |
| White Rose/North Amethyst | \$4.61 | \$5.63 | \$10.24 |
| Hebron | \$2.27 | \$3.87 | \$6.14 |
| Total | \$37.03 | \$36.19 | \$73.22 |

occurs every three years, which is the term of a typical authorization.

POLICY AND REGULATORY COORDINATION

The Policy and Regulatory Coordination Division provides administrative and policy support to the C-NLOPB by taking responsibility for the coordination of Development Plan Application (DPA) reviews and authorizations and approvals.

The Division also provides advice to Operators with respect to the filing of regulatory documents and interpretation of C-NLOPB policy. The Division is also responsible for providing government advice on regulatory development, establishment of memorandums of understanding and other initiatives as required.

During 2012-13, the Division coordinated the review and approval of the Hebron Project DPA. The review for Husky Energy's North Amethyst (Hibernia Formation) DPA is ongoing. Husky Energy's development plan amendment for the SWRX project was received on October 2, 2012 and Board staff is currently reviewing that application.

Four OAs, three GPAs, and one Diving Program Authorization (DVPA) were issued during the reporting period. Three wellsite survey approvals were also issued to Suncor Energy, Husky Energy and Statoil Canada, using the Maersk Challenger. A list of authorizations issued by the C-NLOPB during this time is provided in Table 18.

Table 18: Authorizations Issued by the C-NLOPB

| Authorization Type | Operator | Installation/Vessel |
|--|--------------------------------------|--|
| Diving Program Authorization | Suncor Energy Construction vessel | <i>DSV Seven Eagle/Havila, Seven Pacific</i> |
| Geophysical Program Authorization | Statoil Canada | <i>M/V Geo Caribbean</i> |
| Geophysical Program Authorization (Labrador) | MultiKlient Invest AS | <i>M/V Sanco Spirit</i> |
| Geophysical Program Authorization (Northeast NL Slope) | MultiKlient Invest AS | <i>M/V Sanco Spirit</i> |
| Operations Authorization | HMDC | <i>GBS</i> |
| Operations Authorization | Statoil Canada | <i>MODU West Aquarius</i> |
| Operations Authorization (Construction) | Husky Energy | <i>Christobol Colon</i> |
| Operations Authorization (Construction) | HMDC | <i>HAM 318</i> |

SUPPORT SERVICES

ACCESS TO INFORMATION

During 2012-13, the C-NLOPB received 402 requests for information from external parties through its Information Resources Centre. These requests primarily related to access to non-privileged offshore petroleum technical data provided to the C-NLOPB by Operators. These did not require formal applications under the *Access to Information Act*.

The C-NLOPB received 38 formal requests and 24 formal consultation requests under the *Access to Information Act* during 2012-13. The C-NLOPB has been named as a respondent in an appeal to the Federal court of Canada by a third party who is seeking to prevent the C-NLOPB from releasing documents to a requestor.

In 2010-11, as a result of an Access to Information Request, the C-NLOPB was a respondent to an appeal to the Federal Court of Canada by a third party who has sought to prevent the C-NLOPB from releasing documents to a requestor. This matter was heard during 2012-13 and the ruling was in favour of the C-NLOPB; the documents have been released.

SUPPORT FOR CESD AUDIT

During the year, the C-NLOPB cooperated with the Federal Auditor General's office during the conduct of the CESD audit of the C-NLOPB. Over 11.65GB of data and documents were provided to the auditors and C-NLOPB staff held

numerous meetings and interviews with the audit team over the course of the audit. The CESD's report was released on February 5, 2013.

OFFICE RENOVATIONS

The C-NLOPB's landlord, Fortis Properties, continued an extensive exterior renovation project to TD Place throughout 2012-13. Interior leasehold improvements were initiated during the fiscal year within the C-NLOPB's offices under the landlord's lease obligations.





Grant Thornton

FINANCIAL STATEMENTS

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

MARCH 31, 2013

STATEMENT OF RESPONSIBILITY

The accompanying financial statements are the responsibility of the management of the Canada-Newfoundland and Labrador Offshore Petroleum Board (the “Board”) and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants.

In carrying out its responsibilities, management maintains appropriate systems of internal and administrative controls designed to provide reasonable assurance that transactions are executed in accordance with proper authorization, that assets are properly accounted for and safeguarded, and that financial information produced is relevant and reliable.

The Audit 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 their approval of the finalized financial statements.

Grant Thornton LLP as the Board’s appointed external auditors, have audited the financial statements. The auditor’s report is addressed to the Directors of the Board and appears on the following page. Their opinion is based upon an examination conducted in accordance with Canadian generally accepted auditing standards, performing such tests and other procedures as they consider necessary to obtain reasonable assurance that the financial statements are free of material misstatement and present fairly the financial position and results of the Board in accordance with Canadian public sector accounting standards.

Chair

Director



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of Canada-Newfoundland and Labrador Offshore Petroleum Board, which comprise the statement of financial position as at March 31, 2013 and the statement of operations, statement of changes in accumulated surplus, statement of 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, the financial statements present fairly, in all material respects, the financial position of Canada-Newfoundland and Labrador Offshore Petroleum Board as at March 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

St. John's, Canada

May 29, 2013

Grant Thornton LLP
Chartered Accountants

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

STATEMENT OF FINANCIAL POSITION

March 31

2013

2012

Financial Assets

| | | |
|--------------------------|---------------------|---------------------|
| Cash and cash equivalent | \$ 7,246,649 | \$ 6,399,970 |
| Receivables | <u>405,368</u> | <u>940,955</u> |
| | <u>\$ 7,652,017</u> | <u>\$ 7,340,925</u> |

Liabilities

| | | |
|---|------------------|------------------|
| Payables and accruals (Note 3) | 5,003,901 | 5,286,031 |
| Accrued employee future benefit obligation (Note 4) | <u>4,746,400</u> | <u>4,225,700</u> |
| | <u>9,750,301</u> | <u>9,511,731</u> |

Net debt

\$ (2,098,284) \$ (2,170,806)

Non-financial assets

| | | |
|-----------------------------------|------------------|------------------|
| Prepays | \$ 385,284 | \$ 457,806 |
| Tangible capital assets (Page 50) | <u>3,219,732</u> | <u>3,492,243</u> |
| | <u>3,605,016</u> | <u>3,950,049</u> |

Accumulated surplus (Note 5)

\$ 1,506,732 \$ 1,779,243

Commitments (Note 7)

Contingency (Note 10)

On behalf of the Board



Chair



Director

See accompanying notes to the financial statements.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

STATEMENT OF OPERATIONS

| Year Ended March 31 | Actual 2013 | (Note 9) Budget 2013 | Actual 2012 |
|--|---------------------|----------------------------|---------------------|
| Revenue | | | |
| Operating grants | | | |
| Government of Canada | \$ 7,542,188 | \$ 7,635,800 | \$ 7,443,395 |
| Government of Newfoundland and Labrador | <u>7,542,188</u> | <u>7,635,800</u> | <u>7,443,395</u> |
| | 15,084,376 | 15,271,600 | 14,886,790 |
| Add: | | | |
| Costs recovered from industry | 11,313,282 | 11,453,700 | 11,165,093 |
| Interest and other | <u>91,555</u> | <u>36,519</u> | <u>91,763</u> |
| | 26,489,213 | 26,761,819 | 26,143,646 |
| Less: | | | |
| Costs recoveries refunded to governments | <u>(11,313,282)</u> | <u>(11,453,700)</u> | <u>(11,165,093)</u> |
| Net revenue | <u>15,175,931</u> | <u>15,308,119</u> | <u>14,978,553</u> |
| Expenses (Pages 51-53) | | | |
| Board | 3,275,132 | 2,788,071 | 2,136,225 |
| Environmental affairs | 884,868 | 879,530 | 752,745 |
| Exploration | 989,842 | 1,113,854 | 985,329 |
| Helicopter inquiry implementation | - | - | 1,302,158 |
| Industrial benefits, policy and regulatory co-ordination | 734,017 | 748,874 | 770,197 |
| Legal and land | 442,713 | 441,058 | 375,349 |
| Operations | 774,687 | 908,275 | 671,259 |
| Resource management | 2,075,613 | 2,175,819 | 2,005,221 |
| Safety | 1,646,194 | 1,659,829 | 922,021 |
| Support services | 4,854,099 | 5,286,809 | 5,063,874 |
| Offshore Helicopter Safety Inquiry (Note 8) | - | - | 477,506 |
| | <u>15,677,165</u> | <u>16,002,119</u> | <u>15,461,884</u> |
| Annual deficit before the following | <u>(501,234)</u> | <u>(694,000)</u> | <u>(483,331)</u> |
| Public Review Commissions | | | |
| Costs recovered | | | |
| Hebron Public Review | 112,831 | - | 1,487,466 |
| Old Harry Public Review | <u>230,984</u> | - | - |
| | <u>343,815</u> | - | <u>1,487,466</u> |
| Expenses (Page 53) | | | |
| Hebron Public Review | 112,831 | - | 1,487,466 |
| Old Harry Public Review | <u>2,261</u> | - | <u>460,168</u> |
| | <u>115,092</u> | - | <u>1,947,634</u> |
| Annual deficit | <u>\$ (272,511)</u> | <u>\$ (694,000)</u> | <u>\$ (943,499)</u> |

See accompanying notes to the financial statements.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

STATEMENT OF CHANGES IN ACCUMULATED SURPLUS

| Year Ended March 31 | Actual 2013 | (Note 9) Budget 2013 | Actual 2012 |
|--|---------------------|----------------------------|---------------------|
| Accumulated surplus, beginning of year | \$ 1,779,243 | \$ 1,779,243 | \$ 2,722,742 |
| Annual deficit | <u>(272,511)</u> | <u>(694,000)</u> | <u>(943,499)</u> |
| Accumulated surplus, end of year | <u>\$ 1,506,732</u> | <u>\$ 1,085,243</u> | <u>\$ 1,779,243</u> |

See accompanying notes to the financial statements.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

STATEMENT OF NET DEBT

| Year Ended March 31 | Actual 2013 | (Note 9) Budget 2013 | Actual 2012 |
|---|-----------------------|----------------------------|-----------------------|
| Annual deficit | \$ (272,511) | \$ (694,000) | \$ (943,499) |
| Acquisition of tangible capital assets | (438,125) | (336,000) | (129,471) |
| Amortization of tangible capital assets | 710,636 | 1,030,000 | 1,072,970 |
| Decrease (increase) in prepaids | <u>72,522</u> | <u>-</u> | <u>(28,534)</u> |
| Decrease (increase) in net debt | 72,522 | - | (28,534) |
| Net debt, beginning of year | <u>(2,170,806)</u> | <u>(2,170,806)</u> | <u>(2,142,272)</u> |
| Net debt, end of year | <u>\$ (2,098,284)</u> | <u>\$ (2,170,806)</u> | <u>\$ (2,170,806)</u> |

See accompanying notes to the financial statements.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

STATEMENT OF CASH FLOWS

| Year Ended March 31 | 2013 | 2012 |
|--|---------------------|---------------------|
| Increase (decrease) in cash and cash equivalents | | |
| Operating | | |
| Annual deficit | \$ (272,511) | \$ (943,499) |
| Amortization of capital assets | <u>710,636</u> | <u>1,072,970</u> |
| | 438,125 | 129,471 |
| Change in non-cash items | | |
| Accrued employee future benefit obligation | 520,700 | 343,800 |
| Receivables | 535,590 | 2,899,527 |
| Prepays | 72,522 | (28,534) |
| Payables and accruals | <u>(282,130)</u> | <u>(4,276,616)</u> |
| Cash provided by (used for) operating transactions | <u>1,284,807</u> | <u>(932,352)</u> |
| Capital | | |
| Cash used to acquire tangible capital assets | <u>(438,128)</u> | <u>(129,471)</u> |
| Increase (decrease) in cash and cash equivalents | 846,679 | (1,061,823) |
| Cash and cash equivalents, beginning of year | <u>6,399,970</u> | <u>7,461,793</u> |
| Cash and cash equivalents, end of year | <u>\$ 7,246,649</u> | <u>\$ 6,399,970</u> |

See accompanying notes to the financial statements.

1. Purpose of organization

The Canada-Newfoundland & 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.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles as recommended by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants and reflect the following significant accounting policies.

Use of estimates

In preparing the Board's financial statements in conformity with Canadian public sector accounting standards, management are required to make estimates and assumptions that affect the reported 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. Items requiring the use of significant estimates include the useful life of capital assets, estimated accrued severance, rates of amortization and impairment of assets. Estimates are based on 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. Actual results could differ from these estimates.

Revenue recognition

Operating grants are recognized when approved, less amounts repayable for expenses not incurred. Costs recovered from industry are recognized in the period in which the expenses are incurred and when collection is reasonable assured. Interest and other revenues are recognized as earned and when collection is reasonably assured.

Cash and cash equivalents

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

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

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 generally 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 annual deficit, provides the change in net debt for the year.

Tangible capital assets

Tangible capital assets are recorded at cost. Depreciation is provided annually at rates calculated to write off the assets over their estimated useful life as follows, except in the year of acquisition when one half of the rate is used.

| | |
|------------------------|------------------------|
| Building | 4%, declining balance |
| Leasehold improvements | 5 years, straight line |
| Furniture and fixtures | 4 years, straight line |
| Data management system | 3 years, straight line |
| Computer software | 1 year, straight line |
| Computer equipment | 3 years, straight line |

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 cashflows expected from their use and eventual disposition.

Capital grants

Federal and provincial grants received for annual capital expenditures are recognized as revenue in the year in which they are received.

Employee future benefits

The Board contributes 100% of the premiums for medical and dental benefits, and 50% for life for retired employees. These retirement benefits are recorded on an accrual basis based on an actuary's estimate. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period of the active members expected to receive benefits under the plan (13 years).

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

Financial instruments

The Board considers any contract creating a financial asset, liability or equity instrument as a financial instrument, except in certain limited circumstances. The Board accounts for the following as financial instruments:

- cash and cash equivalents;
- receivables; and
- payables and accruals.

A financial asset or liability is recognized when the Board becomes party to contractual provisions of the instrument.

The Board initially measures its financial assets and financial liabilities at fair value adjusted by, in the case of a financial instrument that will not be measured subsequently at fair value, the amount of transaction costs directly attributable to the instrument.

The Board subsequently measures its financial assets and financial liabilities at cost or amortized cost. Changes in fair value are recognized in annual surplus.

Financial assets measured at cost include cash and cash equivalents and receivables.

Financial liabilities measured at cost include payables and accruals.

The Board removes financial liabilities, or a portion of, when the obligation is discharged, cancelled or expires.

Financial assets measured at cost are tested for impairment when there are indicators of impairment. Previously recognized impairment losses are reversed to the extent of the improvement provided the asset is not carried at an amount, at the date of the reversal, greater than the amount that would have been the carrying amount had no impairment loss been recognized previously. The amounts of any write-downs or reversals are recognized in net annual surplus.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

3. Payables and accruals

| | <u>2013</u> | <u>2012</u> |
|---|---------------------|---------------------|
| Trade | \$ 2,081,145 | \$ 1,432,195 |
| Government of Canada | 1,461,378 | 1,926,918 |
| Government of Newfoundland and Labrador | <u>1,461,378</u> | <u>1,926,918</u> |
| | <u>\$ 5,003,901</u> | <u>\$ 5,286,031</u> |

4. Accrued employee future benefit obligation

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, 2011 and an extrapolation of those results to March 31, 2013.

| | <u>2013</u> | <u>2012</u> |
|---------------------------------------|-----------------------|-----------------------|
| Accrued benefit obligation | | |
| Balance, beginning of year | \$ 4,946,800 | \$ 3,588,600 |
| Current service cost | 375,500 | 262,500 |
| Interest cost | 153,100 | 152,600 |
| Benefits paid | (61,600) | (48,700) |
| Actuarial loss | <u>-</u> | <u>991,800</u> |
| Balance, end of year | <u>\$ 5,413,800</u> | <u>\$ 4,946,800</u> |
| Plan assets | <u>\$ -</u> | <u>\$ -</u> |
| Reconciliation of funded status | | |
| Funded status - deficit | \$ (5,413,800) | \$ (4,946,800) |
| Unamortized net actuarial loss | <u>667,400</u> | <u>721,100</u> |
| Accrued benefit liability | <u>\$ (4,746,400)</u> | <u>\$ (4,225,700)</u> |
| Net benefit expense | | |
| Current service cost | \$ 375,500 | \$ 262,500 |
| Amortization of actuarial loss (gain) | 53,700 | (22,600) |
| Interest cost | <u>153,100</u> | <u>152,600</u> |
| | <u>\$ 582,300</u> | <u>\$ 392,500</u> |

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

NOTES TO THE FINANCIAL STATEMENTS

March 31, 2013

4. Accrued employee future benefit obligation (cont'd.)

Significant actuarial assumptions used in calculating the accrued benefit liability and expense for these plans were as follows:

| | <u>2013</u> | <u>2012</u> |
|---|-------------|-------------|
| Discount rate | 3.00% | 3.00% |
| Rate of increase in compensation levels | 4.00% | 4.00% |
| Dental inflation rate | 4.50% | 4.50% |
| Medical inflation rate | 4.50% | 4.50% |

5. Accumulated surplus

| | <u>2013</u> | <u>2012</u> |
|--|---------------------|---------------------|
| Accumulated surplus, beginning of year | \$ 1,779,243 | \$ 2,722,742 |
| Capital funding received | 438,125 | 129,471 |
| Amortization of capital assets | <u>(710,636)</u> | <u>(1,072,970)</u> |
| Accumulated surplus, end of year | <u>\$ 1,506,732</u> | <u>\$ 1,779,243</u> |

6. Defined benefit Public Service Pension Plan

The Board participates in the Government of Newfoundland and Labrador's defined benefit Public Service Pension Plan ("the Plan"). The assets of the plan are held separately from those of the Board in an independently administered fund. Plan participation is mandatory for all full-time employees with greater than 3 calendar months of continuous employment.

Plan members must have at least 5 years of pensionable service to obtain a pension benefit. Normal retirement age under the Plan is 65 however early retirement options are available.

Members of the Plan are required to make contributions toward the funding of their pension benefits as follows:

- (i) 8.6% of earnings up to the Year's Basic Exemption, the portion of earnings upon which no CPP contributions are required;
- (ii) 6.8% of earnings in excess of the Year's Basic Exemption up to and including the Year's Maximum Pensionable Earnings ("YMPE"); and
- (iii) 8.6% of earnings in excess of the YMPE.

Pensions paid under the Plan are indexed annually. Indexing is applied at the rate of 60% of the increase in the Consumer Price Index (CPI), with the increase in the CPI capped at 2%. Indexing applies to benefits of pensioners who have attained age 65 prior to October 1 of each year.

6. Defined benefit Public Service Pension Plan (cont'd.)

The lifetime pension benefit is determined as 1.4% of the best five year average salary (up to the three year average YMPE) multiplied by the years of pensionable service, plus 2% of the best five year average salary (in excess of the average YMPE) multiplied by the years of pensionable service.

Employer contributions paid and expensed by the Board during the year totaled \$572,693 (2012 - \$530,536). Additional information about the plan surplus or deficit is not available.

7. Commitments

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

| | | |
|----------------|----|-----------|
| March 31, 2014 | \$ | 986,795 |
| March 31, 2015 | \$ | 986,795 |
| March 31, 2016 | \$ | 993,957 |
| March 31, 2017 | \$ | 1,072,742 |
| March 31, 2018 | \$ | 1,072,742 |

8. Offshore Helicopter Safety Inquiry Expenditures

On April 8, 2009, the Offshore Helicopter Safety Inquiry was established by the Board. The purpose of the Inquiry was to determine and recommend improvements for the safety of workers in the offshore industry of Newfoundland and Labrador with respect to helicopter transportation. The Inquiry office was decommissioned on October 28, 2011.

9. Budget figures

The reconciliation between the Board's approved financial plan and the PSAB budget figures used in these statements is disclosed in the Schedule of Reconciliation of the Financial Plan to the Budget.

10. Contingency

A claim has been initiated against the Board for unspecified compensatory damages and costs. The outcome of this claim is not determinable at this time, consequently no amount has been reflected in the financial statements.

11. Financial instruments

The Board's financial instruments consist of cash and cash equivalents, receivables and payables and accruals. The book value of cash and cash equivalents, receivables and payables and accruals approximate fair value due to their short term maturity date.

Risks and concentrations

The Board is exposed to various risks through its financial instruments. The following analysis provides a measure of the Board's risk exposure and concentrations at March 31, 2013.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Board is exposed to this risk mainly in respect of its payables and accruals in the amount of \$5,003,901 (2012 - \$5,286,031), which have a maturity of not later than one year. The Board reduces its exposure to liquidity risk by monitoring its cash flows and ensuring that it has sufficient cash available to meet its obligations and liabilities. In the opinion of management the liquidity risk exposure to the Board is low and not material.

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Board's credit risk is attributable to receivables in the amount of \$405,368 (2012 - \$940,955). Management believes that the credit risk concentration with respect to financial instruments included in receivables is remote.

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

SCHEDULE OF TANGIBLE CAPITAL ASSETS

Year Ended March 31, 2013

| | Land and Parking Lot | Buildings | Leasehold Improvements | Furniture and Fixtures | Data Management System | Computer Software | Computer Equipment | 2013 | 2012 |
|--|-------------------------|--------------|---------------------------|---------------------------|------------------------------|----------------------|-----------------------|--------------|--------------|
| Cost | | | | | | | | | |
| Cost, beginning of year | \$ 281,187 | \$ 3,317,089 | \$ 402,141 | \$ 776,211 | \$ 1,359,271 | \$ 668,182 | \$ 1,562,961 | \$ 8,367,042 | \$ 8,375,434 |
| Additions during the year | . | . | . | 31,703 | . | . | 406,422 | 438,125 | 129,471 |
| Disposals during the year | . | . | . | (3,262) | . | . | (45,307) | (48,569) | (137,863) |
| Cost, end of year | \$ 281,187 | \$ 3,317,089 | \$ 402,141 | \$ 804,652 | \$ 1,359,271 | \$ 668,182 | \$ 1,924,076 | \$ 8,756,598 | \$ 8,367,042 |
| Accumulated Amortization | | | | | | | | | |
| Accumulated amortization, beginning of year | \$. | \$ 931,897 | \$ 378,393 | \$ 564,107 | \$ 1,006,453 | \$ 668,182 | \$ 1,325,767 | \$ 4,874,799 | \$ 3,939,692 |
| Amortization | . | 95,408 | 19,538 | 99,860 | 289,681 | . | 206,149 | 710,636 | 1,072,970 |
| Reversal of accumulated depreciation relating to disposals | . | . | . | (3,262) | . | . | (45,307) | (48,569) | (137,863) |
| Accumulated amortization, end of year | . | 1,027,305 | 397,931 | 660,705 | 1,296,134 | 668,182 | 1,486,609 | 5,536,866 | 4,874,799 |
| Net book value of tangible capital assets | \$ 281,187 | \$ 2,289,784 | \$ 4,210 | \$ 143,947 | \$ 63,137 | \$. | \$ 437,467 | \$ 3,219,732 | \$ 3,492,243 |

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES

| March 31 | 2013 | 2012 |
|---|---------------------|---------------------|
| | <u>Actual</u> | <u>Actual</u> |
| Board | | |
| Consultants fees | \$ 1,140,993 | \$ 372,985 |
| Miscellaneous | 16,404 | 41,598 |
| Travel | 101,670 | 73,011 |
| Wages and benefits | <u>2,016,065</u> | <u>1,648,631</u> |
| | <u>\$ 3,275,132</u> | <u>\$ 2,136,225</u> |
| Environmental Affairs | | |
| Miscellaneous | \$ 2,275 | \$ 2,086 |
| Travel | 16,970 | 1,589 |
| Wages and benefits | <u>865,623</u> | <u>749,070</u> |
| | <u>\$ 884,868</u> | <u>\$ 752,745</u> |
| Exploration | | |
| Miscellaneous | \$ 2,836 | \$ 2,552 |
| Travel | 2,444 | 815 |
| Wages and benefits | <u>984,562</u> | <u>981,962</u> |
| | <u>\$ 989,842</u> | <u>\$ 985,329</u> |
| Helicopter Inquiry implementation | | |
| Computer software | \$ - | \$ 3,876 |
| Consultants fees | - | 633,540 |
| Miscellaneous | - | 677 |
| Travel | - | 99,251 |
| Wages and benefits | <u>-</u> | <u>564,814</u> |
| | <u>\$ -</u> | <u>\$ 1,302,158</u> |
| Industrial Benefits, Policy and Regulatory Co-ordination | | |
| Miscellaneous | \$ 3,470 | \$ 2,431 |
| Travel | 10,998 | 1,534 |
| Wages and benefits | <u>719,549</u> | <u>766,232</u> |
| | <u>\$ 734,017</u> | <u>\$ 770,197</u> |

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES (CONTINUED)

| March 31 | 2013 | 2012 |
|----------------------------------|---------------------|---------------------|
| Legal and Land | | |
| Miscellaneous | \$ 1,744 | \$ 1,746 |
| Travel | 11,789 | - |
| Wages and benefits | <u>429,180</u> | <u>373,603</u> |
| | <u>\$ 442,713</u> | <u>\$ 375,349</u> |
| Operations | | |
| Miscellaneous | \$ 3,331 | \$ 2,610 |
| Travel | 4,159 | 27,061 |
| Wages and benefits | <u>767,197</u> | <u>641,588</u> |
| | <u>\$ 774,687</u> | <u>\$ 671,259</u> |
| Resource Management | | |
| Miscellaneous | \$ 6,264 | \$ 8,404 |
| Travel | 11,179 | 13,200 |
| Wages and benefits | <u>2,058,170</u> | <u>1,983,617</u> |
| | <u>\$ 2,075,613</u> | <u>\$ 2,005,221</u> |
| Safety | | |
| Miscellaneous | \$ 5,052 | \$ 2,145 |
| Travel | 25,514 | 7,265 |
| Wages and benefits | <u>1,615,628</u> | <u>912,611</u> |
| | <u>\$ 1,646,194</u> | <u>\$ 922,021</u> |
| Support Services | | |
| Amortization of capital assets | \$ 710,636 | \$ 1,030,139 |
| Computer support and maintenance | 727,373 | 714,767 |
| General office and maintenance | 456,997 | 504,990 |
| Rent | 1,150,076 | 1,185,431 |
| Travel | - | 1,458 |
| Wages and benefits | <u>1,809,017</u> | <u>1,627,089</u> |
| | <u>\$ 4,854,099</u> | <u>\$ 5,063,874</u> |

CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

SCHEDULE OF EXPENSES (CONTINUED)

| March 31 | 2013 | 2012 |
|---|-----------------------------|-----------------------------|
| Offshore Helicopter Safety Inquiry | | |
| Administration | \$ - | \$ 98,044 |
| Audio Visual | - | 5,026 |
| Communications | - | 58,556 |
| Consultants fees | - | 1,065 |
| Information technology | - | 5,421 |
| Material and supplies | - | 12,242 |
| Premises | - | 41,153 |
| Professional services | - | 255,999 |
| Transcription services | - | - |
| Travel | - | - |
| | <u>\$ -</u> | <u>\$ 477,506</u> |
| Total expenses | <u>\$ 15,677,165</u> | <u>\$ 15,461,884</u> |
| Public Review Commissions | | |
| Hebron Public Review | | |
| Computer support and maintenance | \$ - | \$ 51,798 |
| Consultants fees | 96,992 | 1,275,508 |
| Miscellaneous | 583 | 63,314 |
| Public hearings | - | 45,682 |
| Rent | 15,256 | 51,164 |
| | <u>\$ 112,831</u> | <u>\$ 1,487,466</u> |
| Old Harry Public Review | | |
| Computer support and maintenance | \$ - | \$ 41,652 |
| Consultants fees | 2,261 | 232,687 |
| Miscellaneous | - | 19,425 |
| Public hearings | - | 145,288 |
| Rent | - | 13,285 |
| Travel | - | 7,831 |
| | <u>\$ 2,261</u> | <u>\$ 460,168</u> |
| Total expenses | <u>\$ 115,092</u> | <u>\$ 1,947,634</u> |

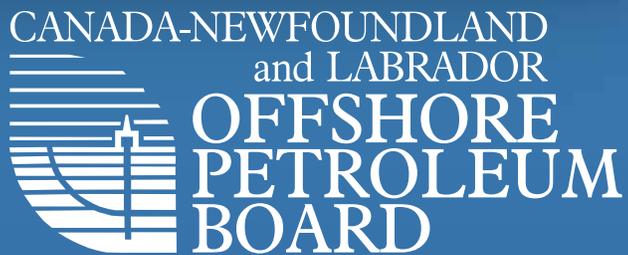
CANADA-NEWFOUNDLAND AND LABRADOR OFFSHORE PETROLEUM BOARD

SCHEDULE OF RECONCILIATION OF THE FINANCIAL PLAN TO THE BUDGET

Year Ended March 31, 2013

| | <u>Financial Plan</u> | <u>Amortization</u> | <u>PSAB Budget</u> |
|--|-----------------------|-----------------------|----------------------|
| Revenue | | | |
| Operating grants | | | |
| Government of Canada | \$ 7,635,800 | \$ - | \$ 7,635,800 |
| Government of Newfoundland and Labrador | 7,635,800 | - | 7,635,800 |
| Costs recovered from industry | 11,453,700 | - | 11,453,700 |
| Interest and other | <u>36,519</u> | <u>-</u> | <u>36,519</u> |
| | 26,761,819 | - | 26,761,819 |
| Less: | | | |
| Costs recovered from industry | <u>(11,453,700)</u> | <u>-</u> | <u>(11,453,700)</u> |
| Net revenue | <u>\$ 15,308,119</u> | <u>\$ -</u> | <u>\$ 15,308,119</u> |
| Expenses | | | |
| Board | \$ 2,788,071 | \$ - | \$ 2,788,071 |
| Environment affairs | 879,530 | - | 879,530 |
| Exploration | 1,113,854 | - | 1,113,854 |
| Industrial benefits, policy and regulatory co-ordination | 748,874 | - | 748,874 |
| Legal and land | 441,058 | - | 441,058 |
| Operations | 908,275 | - | 908,275 |
| Resource management | 2,175,819 | - | 2,175,819 |
| Safety | 1,659,829 | - | 1,659,829 |
| Support services | <u>4,256,809</u> | <u>1,030,000</u> | <u>5,286,809</u> |
| Total expenses | <u>\$ 14,972,119</u> | <u>\$ 1,030,000</u> | <u>\$ 16,002,119</u> |
| Surplus (deficit) | <u>\$ 336,000</u> | <u>\$ (1,030,000)</u> | <u>\$ (694,000)</u> |

ANNUAL REPORT 2012-13



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