

*Financial Statements of*

**FREEHOLD PETROLEUM &  
NATURAL GAS OWNERS ASSOCIATION**

*March 31, 2003*

## **Auditors' Report**

To the Members of  
**Freehold Petroleum &  
Natural Gas Owners Association:**

We have audited the balance sheet of **Freehold Petroleum & Natural Gas Owners Association** as at March 31, 2003 and the statements of operations and changes in members' equity and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at March 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta  
May 2, 2003

(signed) "Deloitte & Touche LLP"  
Chartered Accountants

**FREEHOLD PETROLEUM &  
NATURAL GAS OWNERS ASSOCIATION**

**Statement of Operations and Changes in Members' Equity  
Year Ended March 31, 2003**

	<b>2003</b>	2002
	\$	\$
<b>REVENUE</b>		
Membership dues	21,273	9,848
Interest	161	741
Technical service fees	7,771	1,104
Seminar fees	2,054	1,647
	<u>31,259</u>	<u>13,340</u>
<b>EXPENSES</b>		
Depreciation	1,147	-
Miscellaneous		
Bank service charges	176	226
Goods and Services Tax charged to expense annually	1,933	1,411
Other	615	-
Office expense		
Internet	745	706
Postage and delivery	1,892	2,096
Rent (Note 4)	3,000	3,210
Telephone	1,371	1,862
Supplies	1,438	300
Professional fees		
Legal and accounting	3,080	5,660
Web site development	1,420	260
Reporting to members	7,990	4,656
Seminar fees	2,210	400
Student salaries and benefits (Note 5)	7,580	5,275
Technical database subscription	1,000	4,500
	<u>35,597</u>	<u>30,562</u>
<b>DEFICIENCY OF REVENUE OVER EXPENSES</b>	<b>(4,338)</b>	<b>(17,222)</b>
<b>MEMBERS' EQUITY, BEGINNING OF YEAR</b>	<u><b>16,340</b></u>	<u>33,562</u>
<b>MEMBERS' EQUITY, END OF YEAR</b>	<u><u><b>12,002</b></u></u>	<u>16,340</u>

**FREEHOLD PETROLEUM &  
NATURAL GAS OWNERS ASSOCIATION**

**Balance Sheet  
March 31, 2003**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	<b>10,444</b>	135
Short-term investments	<b>10,232</b>	19,005
	<b>20,676</b>	19,140
Capital assets (Note 3)	<b>5,732</b>	-
	<b>26,408</b>	19,140
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	<b>7,231</b>	2,800
Deferred revenue	<b>7,175</b>	-
	<b>14,406</b>	2,800
<b>MEMBERS' EQUITY</b>		
Unrestricted	<b>12,002</b>	16,340
	<b>26,408</b>	19,140

**APPROVED BY THE BOARD**

..... **Director**

..... **Director**

**FREEHOLD PETROLEUM &  
NATURAL GAS OWNERS ASSOCIATION**

**Statement of Cash Flows  
Year Ended March 31, 2003**

	<b>2003</b>	<b>2002</b>
	<b>\$</b>	<b>\$</b>
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
Deficiency of revenue over expenses	<b>(4,338)</b>	(17,222)
Adjustment for depreciation	<b>1,147</b>	-
Changes in non-cash working capital items	<b>11,623</b>	1,089
	<b>8,432</b>	(16,133)
<b>INVESTING</b>		
Sale of short-term investments	<b>8,757</b>	11,644
Purchase of capital assets	<b>(6,880)</b>	-
	<b>1,877</b>	11,644
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>10,309</b>	(4,489)
<b>CASH, BEGINNING OF YEAR</b>	<b>135</b>	4,624
<b>CASH, END OF YEAR</b>	<b>10,444</b>	135

# FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

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## Notes to the Financial Statements Year Ended March 31, 2003

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### 1. DESCRIPTION OF BUSINESS

Freehold Petroleum & Natural Gas Owners Association (the "Association") was incorporated under the Canada Corporations Act on October 16, 1998 to provide education and information to individuals who own subsurface petroleum or natural gas in Canada ("freehold owners"). The Association provides a common voice for freehold owners in respect of matters which impact their ownership rights. As a not-for-profit organization, the Association does not pay income taxes on any excess of revenue over expenses.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### *Revenue recognition*

The Association recognizes revenue for membership fees on the accrual basis, based on its fiscal year end, and to which collectability is reasonably certain. The membership fees received in advance are deferred and recognized as revenue in the fiscal period to which it relates.

The Association recognizes revenue for technical service fees and seminar fees when it has delivered the service or seminar, and collectability is reasonably certain.

#### *Capital assets*

Computer equipment is recorded at cost and depreciated using the straight-line method over three years.

### 3. CAPITAL ASSETS

	<b>2003</b>		
	<b>Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Book Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Computer equipment	6,678	1,113	<b>5,565</b>
Miscellaneous equipment	202	35	<b>167</b>
	<b>6,880</b>	<b>1,148</b>	<b>5,732</b>

**Notes to the Financial Statements  
Year Ended March 31, 2003**

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**4. RELATED PARTY TRANSACTION**

Included in office expenses in the year is \$3,000 (2002 - \$3,210) of rent paid to Calterra Freehold Ventures Inc., a company of which one of the principals is a director of the Association.

These transactions are in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

**5. STUDENT SALARIES AND BENEFITS**

The Association hires university students during the summer months to assist with legal research, computer applications and general office duties. In 2002, the Association expended \$14,186 (2002 - \$5,275) on student salaries and required benefits. These expenses were offset by a grant from Human Resources Development Canada in the amount of \$6,608 (2002 - \$Nil), resulting in a net expense to the Association of \$7,580 (2002 - \$5,275).

**6. COMPARATIVE FIGURES**

Certain of the prior year's figures, provided for the purpose of comparison, have been reclassified to conform with the presentation adopted in the current year.