

FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

Financial Statements

Year Ended December 31, 2009

FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

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AUDITOR'S REPORT

To the Shareholders of Freehold Petroleum & Natural Gas Owners Association

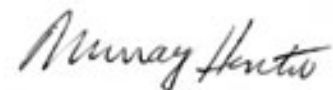
I have audited the balance sheet of Freehold Petroleum & Natural Gas Owners Association as at December 31, 2009 and the statement of loss and retained earnings for the year then ended. These financial statements are the responsibility of the association's management. My responsibility is to express an opinion on these financial statements based on my audit.

Except as explained in the following paragraph, I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I 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 common with many not-for-profit associations, the association derives revenue from various sources, including membership dues and contributions, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, my verification of these revenues was limited to the amounts recorded in the records of the association and I was not able to determine whether any adjustments might be necessary to revenue, excess of revenue over expenses, assets and equity.

In my opinion, except for the effects of adjustments, if any, which I might have determined to be necessary had I been able to satisfy myself concerning the completeness of revenue referred to in the previous paragraph, these financial statements present fairly, in all material respects, the financial position of the association as at December 31, 2009 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
March 26, 2010



CHARTERED ACCOUNTANT

FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

Balance Sheet

December 31, 2009

	2009	2008
ASSETS		
CURRENT		
Cash	\$ 43,400	\$ 22,796
Accounts receivable	20,401	14,291
Prepaid expenses	304	-
	<u>64,105</u>	<u>37,087</u>
PROPERTY, PLANT AND EQUIPMENT <i>(Note 3)</i>	3,405	3,860
	<u>\$ 67,510</u>	<u>\$ 40,947</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT		
Accounts payable	\$ 5,794	\$ 5,194
Deferred revenue	30,315	5,915
	<u>36,109</u>	<u>11,109</u>
DEFERRED INCOME	24,467	21,160
	<u>60,576</u>	<u>32,269</u>
RETAINED EARNINGS	6,934	8,678
	<u>\$ 67,510</u>	<u>\$ 40,947</u>

ON BEHALF OF THE BOARD

_____ Director

_____ Director

FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

Statement of Loss and Retained Earnings

Year Ended December 31, 2009

	2009	2008
REVENUE		
Technical fees	\$ 10,022	\$ 4,413
Seminar fees	13,218	2,521
Membership dues	59,128	54,574
Membership contributions	18,958	22,876
Interest and other	121	958
Lease fees	2,698	6,856
Government grants	10,000	-
Relationship fees	1,094	4,962
	<u>115,239</u>	<u>97,160</u>
EXPENSES		
Accounting and legal	3,606	2,113
Advertising and promotion	246	27
Amortization	1,460	1,655
Government grant expenses	4,195	-
Insurance	500	-
Interest and bank charges	360	299
Meetings and conventions	5,212	7,534
Memberships	25	191
Office	20,928	12,423
Office assistance	21,023	20,014
Website development	936	12,795
Goods and services tax charged to expense annually	4,610	3,255
Intervention expense	45,213	8,475
Rent	6,000	6,000
Telephone and internet	2,669	2,351
	<u>116,983</u>	<u>77,132</u>
NET INCOME (LOSS)	(1,744)	20,028
RETAINED EARNINGS (DEFICIT) - BEGINNING OF YEAR	<u>8,678</u>	<u>(11,350)</u>
RETAINED EARNINGS - END OF YEAR	\$ 6,934	\$ 8,678

FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2009

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. SUMMARY OF 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 services and seminar fees when it has delivered the service or seminar, and collectability is reasonably certain.

Equipment

Computer and miscellaneous equipment is recorded at cost and depreciated using the declining balance method at a rate of 30%.

The Association regularly reviews its property, plant and equipment to eliminate obsolete items. Government grants are treated as a reduction of property, plant and equipment cost.

Impairment of long-lived assets

Long-lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when their carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

3. PROPERTY, PLANT AND EQUIPMENT

	Cost	Accumulated amortization	2009 Net book value	2008 Net book value
Computer equipment	\$ 15,922	\$ 12,517	\$ 3,405	\$ 3,860

FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

Notes to Financial Statements

Year Ended December 31, 2009

4. FINANCIAL INSTRUMENTS

The Association's financial instruments consist of cash, accounts receivable, accounts payable and accrued liabilities. Unless otherwise noted, it is management's opinion that the Association is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

5. STATEMENT OF CASH FLOW

A statement of cash flow has been omitted as it would not provide additional meaningful information not readily determinable from other financial information provided and the Association undertook no significant financing or investing activities.
