

*Financial Statements of*

**FREEHOLD PETROLEUM & NATURAL GAS  
OWNERS ASSOCIATION**

*March 31, 2002*

## **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, 2002 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, 2002 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 3, 2002

Chartered Accountants

# FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

## Statement of Operations and Changes in Members' Equity Year Ended March 31, 2002

	2002	2001
	\$	\$
<b>REVENUE</b>		
Membership dues	9,848	21,334
Interest	741	967
Technical service fees	1,104	307
Seminar fees	1,647	-
	<u>13,340</u>	<u>22,608</u>
<b>EXPENSES</b>		
Bank service charges	226	116
Freeholder database	4,500	-
Mailing list development	5,275	-
Miscellaneous	660	1,054
Office (Note 3)	7,723	4,072
Printing and reproduction	4,656	2,156
Professional fees	5,660	4,195
Telephone	1,862	112
	<u>30,562</u>	<u>11,705</u>
<b>(DEFICIENCY) EXCESS OF REVENUE OVER EXPENSES</b>	<b>(17,222)</b>	<b>10,903</b>
<b>MEMBERS' EQUITY, BEGINNING OF YEAR</b>	<b><u>33,562</u></b>	<b><u>22,659</u></b>
<b>MEMBERS' EQUITY, END OF YEAR</b>	<b><u><u>16,340</u></u></b>	<b><u><u>33,562</u></u></b>

# FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

## Balance Sheet

March 31, 2002

	<u>2002</u>	<u>2001</u>
	\$	\$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	135	4,624
Short-term investments	18,949	30,593
Other	56	218
	<u>19,140</u>	<u>35,435</u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	2,800	1,873
<b>MEMBERS' EQUITY</b>		
Unrestricted	16,340	33,562
	<u>19,140</u>	<u>35,435</u>

### APPROVED BY THE BOARD

..... Director

..... Director

# FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION

## Statement of Cash Flows

Year Ended March 31, 2002

	2002	2001
	\$	\$
<b>CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:</b>		
<b>OPERATING</b>		
(Deficiency) excess of revenue over expenses	(17,222)	10,903
Changes in non-cash working capital	1,089	1,014
	<u>(16,133)</u>	<u>11,917</u>
<b>FINANCING</b>		
Decrease in short-term loan	-	(2,000)
<b>INVESTING</b>		
Sale (purchase) of short-term investments	11,644	(5,593)
<b>NET (DECREASE) INCREASE IN CASH</b>	<b>(4,489)</b>	<b>4,324</b>
<b>CASH, BEGINNING OF YEAR</b>	<b>4,624</b>	<b>300</b>
<b>CASH, END OF YEAR</b>	<b>135</b>	<b>4,624</b>

# **FREEHOLD PETROLEUM & NATURAL GAS OWNERS ASSOCIATION**

## **Notes to the Financial Statements**

**Year Ended March 31, 2002**

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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 POLICY**

#### *Revenue recognition*

The Association follows the deferral method of accounting for contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

### **3. RELATED PARTY TRANSACTION**

Included in office expenses is \$3,210 of rent paid to Calterra Freehold Ventures Inc., a company of which one of the principals is a director of the Association. The expense has been recorded at the exchange amount.

### **4. PRIOR YEAR'S FIGURES**

The prior year's figures were audited by another firm of Chartered Accountants. Certain of the prior year's figures have been reclassified to conform with the current year's presentation.