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Statement of Management Responsibility

The financial statements of the BC Oil and Gas Research and Innovation Society (BC OGRIS) for the year ended March 31, 2017 have been prepared by management in accordance with Accounting Standards for Not-for-Profit Organizations (ASNPO). These financial statements present fairly the financial position of BC OGRIS as at March 31, 2017, and the results of its operations and changes in its cash flows for the year then ended.

Management is responsible for the preparation of the financial statements and has established systems of internal control to provide reasonable assurance that assets are safeguarded, that transactions are properly authorized, and that financial records provide reliable information for the preparation of financial statements.

Grant Thornton LLP has performed an independent audit of the financial statements of BC OGRIS. The Independent auditors' report outlines the scope of the audit and expresses an opinion on the financial statements of BC OGRIS.

Geoff Morrison

BC OGRIS Committee Chair

Ken Paulson

BC OGRIS Committee Member

Victoria, British Columbia June 22, 2017



Independent Auditors' Report

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To the Board of Directors of the BC Oil and Gas Research and Innovation Society:

We have audited the accompanying financial statements of the BC Oil and Gas Research and Innovation Society, which comprise the statement of financial position as at March 31, 2017, and the statements of operations, changes in net assets 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

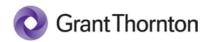
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 auditors' 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 entity'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 entity'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 in our audit 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 the BC Oil and Gas Research and Innovation Society as at March 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Victoria, Canada June 23, 2017

Chartered Professional Accountants

Grant Thornton LLP



Statement of financial position (000's)

	Op	erating		Caribou		
As at March 31		Fund		Fund	2017	2016
Assets						
Current assets						
Cash & cash equivalents	\$	4,126	\$	1,908	\$ 6,034	\$ 6,580
Accounts receivable (Note 3)		111	\$	91	202	\$ 310
Prepaids		31		17	48	21
		4,268		2,016	6,284	6,911
Capital assets - monitoring collars (Note 5)		-		- N		136
Total assets	\$	4,268	\$	2,016	\$ 6,284	\$ 7,047
Liabilities and net assets						
Current liabilities						
Accounts payable (Note 3)	\$	199	\$	488	\$ 687	\$ 865
Holdback payable		6		6	12	17
Deferred contributions (Note 4)		2,290		_	2,290	200
		2,495		494	2,989	1,082
Fund balances						
Internally restricted		1_1		1,522	1,522	3,928
Unrestricted		1,773		-	1,773	2,037
	,	1,773		1,522	3,295	5,965
Total liabilities and net assets	\$	4,268	S	2,016	\$ 6,284	\$ 7,047

Commitments (Note 6)

Geoff Morrison
BC OGRIS Committee Chair

Ken Paulson BC OGRIS Committee Member



Statement of operations and changes in fund balances (000's)

	Op	erating	Caribou		
For the year ended March 31		Fund	Fund	2017	2016
Revenue					
Interest	\$	34	\$ 41	\$ 75	\$ 91
Contributions		217	122	339	2,025
Levies		-	-	-	24
		251	163	414	2,140
Expenses					
Project costs		457	2,199	2,656	2,868
Professional services		30	148	178	183
Management fees		9	19	28	44
·		496	2,366	2,862	3,095
Extension and communication		_	36	36	26
Other expenses		19	30	49	16
Amortization expense - monitoring collars		10	97	97	93
Loss on disposal of capital assets			40	40	30
Loss on disposal of capital assets		515	2,569	3,084	3,230
		010	2,000	3,004	0,200
(Deficiency) excess of revenue over expenses		(264)	(2,406)	(2,670)	(1,090)
Fund balance, beginning of year		2,037	3,928	5,965	7,055
Fund balance, end of year	\$	1,773	\$ 1,522	\$ 3,295	\$ 5,965

See accompanying notes to the financial statements



Statement of cash flows $(000\mbox{'s})$

	0	perating	Caribou		
For the year ended March 31		Fund	Fund	2017	2016
Operating activities					
Cash generated from:					
Fees and levies	\$	-	\$ -	\$ -	\$ 757
Interest		32	56	88	45
Contributions		2,497	50	2,547	25
		2,529	106	2,635	827
Cash used for:					
Projects		731	2,117	2,848	2,465
Fund administration		47	285	333	263
Capital asset acquisitions		-	-	-	52
		778	2,402	3,181	2,780
(Decrease) increase in cash		1,751	(2,297)	(546)	(1,953)
Cash, beginning of year		2,375	4,205	6,580	8,533
Cash, end of year	\$	4,126	\$ 1,908	\$ 6,034	\$ 6,580

See accompanying notes to the financial statements



Notes to the Financial Statements March 31, 2017 (000's)

1. Nature of operations

BC OGRIS is a not for profit society under the BC Society Act. The society disburses funds to enable results oriented, practical, and relevant applied research that is shared to address knowledge gaps and so inform environmental, operational, and health and safety policy and industry practices related to oil and gas exploration and development in British Columbia. This includes the support of engagement and consultation with parties who may be impacted by oil and gas activities. BC OGRIS is classified as a not-for-profit organization under the Income Tax Act. As a result, it is not required to pay income taxes.

2. Significant accounting policies

These financial statements are prepared by management in accordance with Accounting Standards for Not-for-Profit Organizations (ASNPO).

Significant accounting policies are as follows:

Revenue recognition

BC OGRIS 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 reasonably assured. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Interest income is recognized as earned.

Operating Fund

The Operating Fund reports revenue and expenses related to all operations of BC OGRIS excluding activities related to the Boreal Caribou project which are reported in the Caribou Fund.

Caribou Fund

The Caribou Fund reports revenue and expenses related to the Boreal Caribou project. Contribution revenue from fees and levies has been internally restricted for this project and are allocated to this fund. Administrative expenses of the BC OGRIS are allocated to the Caribou Fund at a rate of 67%

Project expenses

Project expenses are recognized based on the terms of the agreement. In general, this occurs when interim deliverables are met. Final project expenses are recognized when the final statement of project expenses and the final deliverables have been received.



Notes to the Financial Statements March 31, 2017 (000's)

2. Significant accounting policies (continued)

Prepaid expenses

The prepaid expenses for the Caribou Fund consist of a data license agreement for the maintenance and support of software used to spatially record and display the movement and locations of caribou, wolves and moose. The expense is being recognized over the term of the agreement.

The prepaid expenses for the Operating Fund consist of annual premiums for BC OGRIS directors' liability insurance and the reserved workshop for the First Nations Environmental Monitoring Liaison program for fiscal 2018.

Use of estimates

The preparation of financial statements in accordance with Accounting Standards for Not-for-Profit Organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from these estimates. There are no significant estimates included in these financial statements.

Financial instruments

BC OGRIS has designated its financial instruments as follows:

- Cash is measured at fair value and all gains and losses are included in net income from operations in the period in which they occur;
- Cash and cash equivalents include deposits held with financial institutions and other short-term highly liquid investments which are readily convertible to known amounts of cash;
- Accounts receivable are classified as loans and receivables and are measured at amortized cost; and
- Accounts payable are classified as other financial liabilities and are also measured at amortized cost.

Unless otherwise noted, it is management's opinion that BC OGRIS is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values due to their short term to maturity, unless otherwise noted.

Tangible capital assets

BC OGRIS acquired monitoring collars which were fully amortized and subsequently donated to the Ministry of Forest Land and Natural Resource Operations in the current fiscal year.



Notes to the Financial Statements March 31, 2017

(000's)

3. Due from / to BC Oil and Gas Commission (the Commission)

Including in receivables is \$10 from the Commission which represents a grant payment from the Ministry of Forest, Land and Natural Resource Operations. The amount due to the Commission represents a quarterly management fee paid to the Commission for administrative services.

The Commission provided a grant of \$1,500 (2016: \$225) to BC OGRIS to fund initiatives in several research areas. The prior year also includes a levy adjustment payment of \$24 for levy revenue collected by the Commission on behalf of BC OGRIS.

4. Deferred Contributions

Deferred contributions reflect following externally restricted grants related to operations:

	Opening Balance	durin	Received g the year	Re	Revenue (Operating)	Red	Revenue (Caribou)	Ending Balance
BC Oil and Gas Commission	\$ 200	\$	1,500	\$	200	\$		\$ 1,500
Ministry of Aboriginal Relations and Reconciliation	3		675		2		-	675
Environmental Assessment Office	0		105		-			105
Ministry of Forests, Lands and Natural Resource Operations	*		10					10
Environment and Climate Change Canada			72		82		72	(**)
TransCanada Corporation			50		12		50	3.0
Spectra Energy	 •		17		17			- 12 A
	\$ 200	\$	2,429	\$	217	\$	122	\$ 2,290

5. Capital assets

	Cost				Accumu	lated Amort	March 31 2017	March 31 2016	
	Opening	Additions	Disposals	Closing	Opening	Provision	Closing	NBV	NBV
Monitoring collars	\$ 319	\$ -	(39)	\$ 280	\$ 183	\$ 97	\$ 280	\$-	\$ 1 36



Notes to the Financial Statements March 31, 2017

(000's)

6. Commitments

BC OGRIS has entered into several long-term agreements. A commitment is made once the selection committee approves the project and the agreement is signed. Amounts committed to are as follows:

Fiscal Year	Operating	Caribou	Total
2018	\$ 2,551	\$ 1,305	\$ 3,856
2019	548	380	928
	\$ 3,099	\$ 1,685	\$ 4,784

7. Remuneration

During the year, BC OGRIS paid \$79 in remuneration to one person who is a contractor, whose remuneration, during the applicable period, was at least \$75.