

Financial Statements of

3052155 NOVA SCOTIA LIMITED

Year ended March 31, 2009



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AUDITORS' REPORT TO THE SHAREHOLDER

We have audited the balance sheet of 3052155 Nova Scotia Limited as at March 31, 2009 and the statements of operations and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company'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 Company as at March 31, 2009 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Chartered Accountants

Halifax, Canada

June 4, 2009

3052155 NOVA SCOTIA LIMITED

Balance Sheet

(In thousands of dollars)

March 31, 2009, with comparative figures for 2008

	2009	2008
Assets		
Cash and short-term investments	\$ 1,058	\$ 1,055
Other assets (note 2)	46	114
	<u>\$ 1,104</u>	<u>\$ 1,169</u>
Liabilities and Shareholder's Equity		
Payables and accruals	\$ 6	\$ 14
Due to Province of Nova Scotia, without terms	79	79
Provision for site restoration (note 3)	100	500
	<u>185</u>	<u>593</u>
Shareholder's equity:		
Capital stock:		
Authorized: 100,000 common shares without par value		
Issued and outstanding: 1,000 common shares	1	1
Contributed surplus (note 4)	8,978	8,978
Deficit	(8,060)	(8,403)
	<u>919</u>	<u>576</u>
Contingent liability (note 3)		
	<u>\$ 1,104</u>	<u>\$ 1,169</u>

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

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Statement of Operations and Deficit
(In thousands of dollars)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Revenue:		
Interest income	\$ 20	\$ 30
Expenses:		
Insurance	60	60
General and administrative	17	30
	77	90
Loss before the undernoted	(57)	(60)
Decrease in provision for site restoration	400	–
Net earnings (loss)	343	(60)
Opening deficit	(8,403)	(8,343)
Ending deficit	\$ (8,060)	\$ (8,403)

See accompanying notes to financial statements.

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Statement of Cash Flows

(In thousands of dollars)

Year ended March 31, 2009, with comparative figures for 2008

	2009	2008
Cash derived from (applied to):		
Operating:		
Net earnings (loss)	\$ 343	\$ (60)
Item not involving cash:		
Decrease in provision for site restoration	(400)	—
Changes in non-cash operating working capital items:		
Other assets	68	58
Payables and accruals	(8)	6
Increase in cash	3	4
Cash and short-term investments, beginning of year	1,055	1,051
Cash and short-term investments, end of year	\$ 1,058	\$ 1,055

Supplemental cash flow information (note 5)

See accompanying notes to financial statements.

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Notes to Financial Statements

Year ended March 31, 2009

The Company was incorporated in 2001 for the purpose of holding and administering various assets and obligations transferred from Nova Scotia Resources Limited prior to the sale of that company's shares.

1. Significant accounting policies:

(a) Provision for site restoration:

The provision for future removal and site restoration costs for the Cohasset/Panuke project is based on current estimates. Expenses were recorded in Nova Scotia Resources (Ventures) Limited prior to the provision being transferred to the Company.

(b) Measurement uncertainty:

The amount recorded for site restoration is based on estimates of future costs. By its nature, this estimate is subject to measurement uncertainty and the impact on the financial statements of future periods could be material.

2. Other assets:

	2009	2008
	(In thousands of dollars)	
Accounts receivable	\$ 1	\$ 9
Prepaid expenses	40	100
Other assets	5	5
	\$ 46	\$ 114

3. Provision for site restoration:

	2009	2008
	(In thousands of dollars)	
Cohasset/Panuke Project	\$ 100	\$ 500

The Cohasset/Panuke Project ceased producing oil in 1999.

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Year ended March 31, 2009

3. Provision for site restoration (continued):

Decommissioning of the Cohasset-Panuke project has been completed. The remaining provision represents the estimated cost to the Company of monitoring the post-decommissioning sub-sea site as required by the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB). The project operator, and the Company's joint venture partner in the project, has received approval from the CNSOPB to amend the Cohasset Development Plan, subject to certain conditions. The amendment allows the operator to leave sub-sea flowlines and related sub-sea materials in place as part of the decommissioning process. Conditions include implementation, by the operator, of a program to monitor the burial state of the equipment left in place. Specifically, the operator had committed to conduct a further environment site assessment study to be completed within three years of abandonment which has now been carried out. Further, the operator has committed to an on-going obligation to adhere to CNSOPB compensation guidelines in the event that interference with commercial fishing equipment occurs as a result of decommissioning sub-sea materials left in situ. The Company is a nominee of the Province of Nova Scotia with respect to this obligation. The Company considers the risk of such occurrence to be low. The Company's remaining share of the cost of site restoration, based on the above conditions, has been estimated at \$100,000 (2008 - \$500,000). However based on the unpredictable nature of the environment in which the work is being performed this liability could range between \$nil and \$100,000.

The Company has issued a demand promissory note to the Canada-Nova Scotia Offshore Petroleum Board (CNSOPB) in the amount of \$2.5 million as evidence of financial responsibility regarding the site restoration of the Cohasset-Panuke Project. This note will remain in place until issues regarding on-going liability for sub-sea materials left in place have been addressed to the satisfaction of the CNSOPB. It is anticipated that an application for return of the demand promissory note will be filed in the next fiscal year.

4. Contributed surplus:

In anticipation of the sale of the shares of Nova Scotia Resources Limited, many of the monetary items from that company, together with the obligation for site restoration for the Cohasset/Panuke Project, amounting to \$8,978,000, were transferred from the Province of Nova Scotia as contributed surplus.

5. Supplemental cash flow information:

	2009	2008
	(In thousands of dollars)	
Cash received:		
Interest	\$ 28	\$ 28

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Year ended March 31, 2009

6. Financial instruments – fair values:

The fair value of the Company's other assets, cash and short-term investments and payables and accruals approximate their carrying amounts due to the relatively short periods to maturity of these instruments.

7. Income taxes:

As a Crown corporation, the Company is not taxable under the provisions of the Income Tax Act of Canada.