



## Ontario Energy Corporation Annual Report 1983

### Investments in Ontario's Energy Future

### The Year's Highlights

- Net income in 1983 was \$10.1 million.
- One oil substitution and two new energy conservation technology investments.
- Canadianization completed on the majority of Suncor's frontier lands.
- Participation in 12 frontier oil and gas wells with one oil and gas discovery; six were still drilling at year-end.
- Participation in five exploratory oil and gas wells in Ontario with two oil discoveries.
- Participation in six exploratory oil wells in Western Canada with two oil discoveries.
- Discovery of a potential 700 million tonnes of lignite (brown coal) in Northern Ontario.



**Contents**

**Page**

Corporate Profile

Corporate Mission

Mandate from Government

1 Investment Criteria

Investments Through Subsidiaries

Direct Investments

Chronology of Investment Portfolio

2 President's Report

3 Board of Directors

Officers of the Corporation

Auditors

4 Energy Outlook

5 Investments in Ontario's Energy Future: Energy Technology

Ontario Energy Ventures Limited (OEV)

Petrosave, Fleming, Energreen, Omnifuel, bioHeat, Hamilton Garbage Electric Generator, Teleride, SAGE, Selachii, Ontario Van Pool Organization (OVPO), Bio-hol, Polar Gas

8 Investments in Ontario's Energy Future: Energy Resources

Ontario Energy Resources Ltd. (OERL) – Suncor

Onexco Oil & Gas Ltd.

Ontario – Southwestern Ontario

Frontier – Trillium Exploration Corporation, Hudson Bay

Western Canada

14 Onexco Minerals Ltd.

15 Financial Statements

**Corporate Profile**

The Ontario Energy Corporation (OEC) was established by the Government of Ontario in 1975 to invest in Ontario's energy future. Its primary goal is to establish, in conjunction with the private sector, commercial energy technology ventures and to invest in oil and gas activities.

The Corporation is a unique combination of public and private enterprise, operating like a private investment company within policy parameters established by the Government of Ontario. The OEC finances its own administrative costs, and is responsible to an independent Board of Directors. The Minister of Energy is the sole shareholder.

In terms of people, the Corporation is small, with 23 full-time staff members. All but two of the Corporation's 20 investments are in partnership with private companies.

Because of the emphasis placed on leadership and innovation, the OEC's investments tend to be in areas of higher risk.

**Corporate Mission**

To assist in the pursuit of a more secure energy future for Ontario through innovative, catalytic and leadership energy investments.

**Mandate from Government**

The Act which created the Ontario Energy Corporation defines its mandate in precise terms:

“To invest or otherwise participate in energy projects throughout Canada, or elsewhere, to:

- enhance the availability of energy in Ontario;
- stimulate exploration for and the development of sources of energy;
- stimulate expansion of the capability to produce energy;
- encourage investment in energy projects and the effective use of financial, human and other resources in energy projects;
- encourage the development of processes and equipment that will avoid the wasteful use of energy, and that will minimize harm to the environment.”

**Ontario Energy Corporation:**  
*Investments*

**Investment Criteria**

The Corporation considers participation in energy projects which:

- are compatible with the Corporation's objectives and mission;
- allow an interest in tangible assets or other commercial property;
- involve an investment or financing role rather than an operating role;

- do not require a subsidy or grant from the Corporation;
- are compatible with the energy policy of the Ontario government.

**Investments Through Subsidiaries**

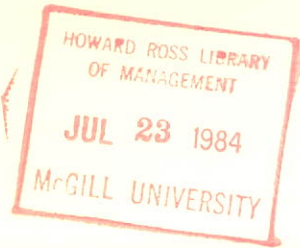
The OEC invests primarily through three subsidiaries: Ontario Energy Ventures Limited (OEV) which is active in energy technology investments; Ontario Energy Resources

Ltd. (OERL) which is the holding company for the Corporation's 25 per cent interest in Suncor Inc.; and Onexco Oil & Gas Ltd. which invests in oil and natural gas exploration and development ventures.

**Direct Investments**

Two investments – Polar Gas and Ontario Van Pool Organization Limited (OVPO) – are directly funded by the Corporation.

Chronology of the Corporation's Investment Portfolio										
Policy	OEC Investment	Year of First Investment								
		1975	1976	1977	1978	1979	1980	1981	1982	1983
OIL AND GAS SUPPLY	Syncrude									
	Canadian Occidental/Petro-Canada Joint Venture									
	Suncor									
	Hudson Bay Exploration Joint Venture									
	Trillium Exploration Corporation									
	Consumers' Gas Exploration Joint Venture									
	L.K. Oil & Gas Exploration Joint Venture									
	Mannville Oil & Gas Exploration Joint Venture									
SUBSTITUTION	Polar Gas Project									
	Bruce AgriPark Venture and Bruce Energy Centre Development Corporation									
	James Bay Lignite Exploration									
	Hamilton Garbage Electric Generator									
	Omnifuel									
	Bio-hol									
	Energreen									
	Selachii									
	bioHeat									
CONSERVATION	Ontario Van Pool Organization									
	Teleride									
	SAGE									
	Petrosave									
	G.K. Fleming & Associates									







*The OEC Board: left to right George C. Hitchman, Malcolm Rowan, W. Edwin Jarman (Chairman), Gerald E. Nori (not present: David L. Campbell, Pierre Genest, Philip B. Lind, M. Theresa McLeod, David Melnik).*

Net income for 1983 was \$10.1 million. Since 1975, the Corporation has paid back to the Minister of Energy, its shareholder, over \$142 million.

Tight cost controls first instituted in 1981 were maintained throughout 1983. Net operating expenses during this period were reduced by four per cent despite an increase in inflation (CPI) of 25 per cent. Staff was reduced by a further eight per cent by year end compared with 1982. From January 1981 to December 1983, the OEC's staff has been reduced by 30 per cent, resulting in significant cost savings.

It is expected that the Corporation will become financially self-sufficient in terms of operating and capital costs by the end of 1987. As has been the case for the past five years, the OEC financed all of its operating expenses from its own resources.

### Energy Resources

Ontario Energy Resources Ltd. (OERL) purchased 25 per cent of Suncor Inc. common shares in 1981. Suncor demonstrated significant improvement in 1983, with its oil sands production up some 41 per cent, while its earnings increased 80 per cent over 1982. The Corporation received over \$10 million in dividends from Suncor in 1983.

Trillium Exploration Corporation had a very successful year, participating in 12 wells in the frontier.

In Ontario, Onexco Oil & Gas Ltd., in a joint venture with Consumers' Gas Company Ltd., had good success in Southwestern Ontario with two oil discoveries.

Onexco also entered into two oil and gas joint ventures in Western Canada during the year – with Mannville Oil & Gas Ltd. and L.K. Oil & Gas Ltd. Both are three-year exploration programs.



In the James Bay Lowlands, Onexco Minerals Ltd. successfully completed the third year of a lignite drilling program. Based on the drilling program to date, its geological consultants believe that it has discovered a potential regional resource of up to 700 million tonnes of lignite. If this forecast is correct, this would more than triple Ontario's current lignite reserves. Further drilling will be required to prove up the reserve. Hence, no estimate has yet been made as to the economic viability.

### Energy Technology

The Corporation streamlined its venture capital activities in 1983 by bringing together its technology investments within a single subsidiary – Ontario Energy Ventures Limited (OEV).

During the year, OEV, in conjunction with private sector partners, invested in one oil substitution and two new energy conservation technologies.

Ontario Energy Ventures Limited currently concentrates its investment activities on six energy technology areas – energy conservation, substitution, energy from waste, transportation, biotechnology and oil service.

### Energy Environment

The long-term international oil supply outlook is still highly uncertain. Barring unforeseen international political events over the next two to three years, one can expect a continuation of soft oil prices and apparent plentiful supplies. This apparent glut has significantly reduced public interest in, and concern about, energy security. Nonetheless, Canada's conventional oil reserves are rapidly depleting, requiring considerable exploration, conservation and substitution efforts to stem the decline. Despite substantial efforts in recent years, Canadian crude oil self-sufficiency, at present levels of effort and investment, is not now expected before 1995.

Given this outlook, the policy for the next five to ten years is likely to be full of uncertainty, requiring Ontario to be a vigilant and active participant in national energy policy-making. It will also be a time when the cost involved to achieve the goal of Canadian oil self-sufficiency is likely to be questioned with increasing intensity.

Ontario's energy policy objectives have not changed. Oil self-sufficiency, conservation and substitution continue to be three of the principal pillars of that policy and the framework within which the Ontario Energy Corporation operates. This annual report illustrates the results-oriented nature of Ontario's energy policy. It is a policy which is both comprehensive and relevant to the needs of the province and of Canada during this period of uncertain oil supply.

Consistent with that policy, the OEC's shareholder, the Minister of Energy, in 1983 agreed to purchase \$23 million of equity in the Corporation each year for five years. This funding is being provided to finance the Corporation's existing commitments, such as its investments in frontier and conventional exploration and in energy technology, and to allow the Corporation to become financially self-sufficient by the end of 1987.

### Changes to the Board

During the year, Mr. Philip Lind joined the OEC Board of Directors, replacing Mr. Blair Tully. With this appointment, the Board's outside directors are now drawn entirely from the private sector.

Respectfully submitted on behalf of the Board.



Malcolm Rowan  
*President and Chief Executive Officer*

David L. Campbell  
*President,*  
David L. Campbell Ltd., Consultant

Pierre Genest, Q.C.\*  
*Senior Partner,*  
Cassels, Brock, Barristers and Solicitors

George C. Hitchman\*\*  
*Corporate Director*

W. Edwin Jarmain\*  
*President,*  
Jarmain Communications Inc.

Philip B. Lind  
*Senior Vice President,*  
Rogers Cablesystems Inc.

M. Theresa McLeod\*\*  
*Vice President and Director,*  
Pitfield Mackay Ross Limited

David Melnik, Q.C.\*\*  
*President and Chief Executive Officer,*  
Vanguard Trust

Gerald E. Nori, Q.C.  
*Partner,*  
Wishart, Noble, Barristers and Solicitors

Malcolm Rowan\*  
*President and Chief Executive Officer,*  
Ontario Energy Corporation

\* Also a Director of Suncor

\*\* Audit Committee

## Officers of the Corporation

W. Edwin Jarmain, *Chairman*

Malcolm Rowan, *President and Chief Executive Officer*

Peter Szego, *Vice President, Energy Investments*

Robert Law, Q.C., *Corporate Counsel and Secretary*

Janet C. McNally, *Assistant Secretary*

## Auditors

Deloitte Haskins & Sells



Media reports of a world oil ‘glut’ and frequent gasoline price wars during the past year may give Canadians a feeling that their oil supply worries are over – that Canada has plenty of oil or can buy it from other countries as the need arises.

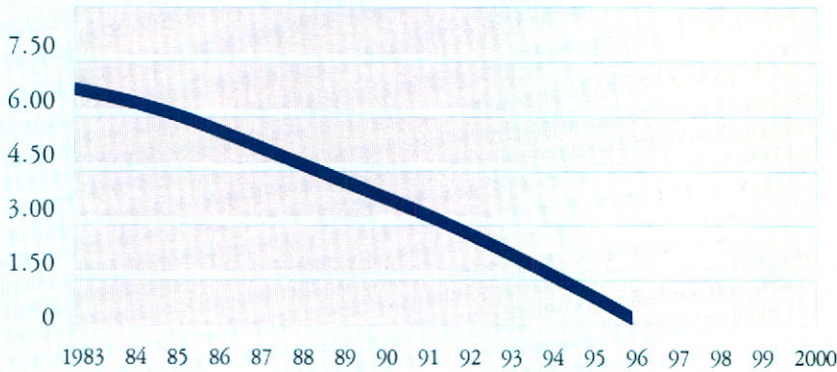
While world oil producers can supply more oil than is currently required at the present time, does this mean that Canada's worries are over? Fundamental to determining whether Canada can relax are answers to such other questions as:

- Will Canada be able to import all of the oil it needs at a ‘reasonable’ price? If the answer is yes, then the current goal of oil self-sufficiency could be inappropriate.
- If the answer is no, but Canadian oil self-sufficiency is considered to be too costly, how dependent on foreign oil supplies should Canadians become – 10 per cent, 25 per cent, 50 per cent? In other words, what is a reasonable oil supply insurance policy for Canada?

The dimensions of the problem are set out in the charts opposite.

Canada’s reserves of crude oil are rapidly declining.

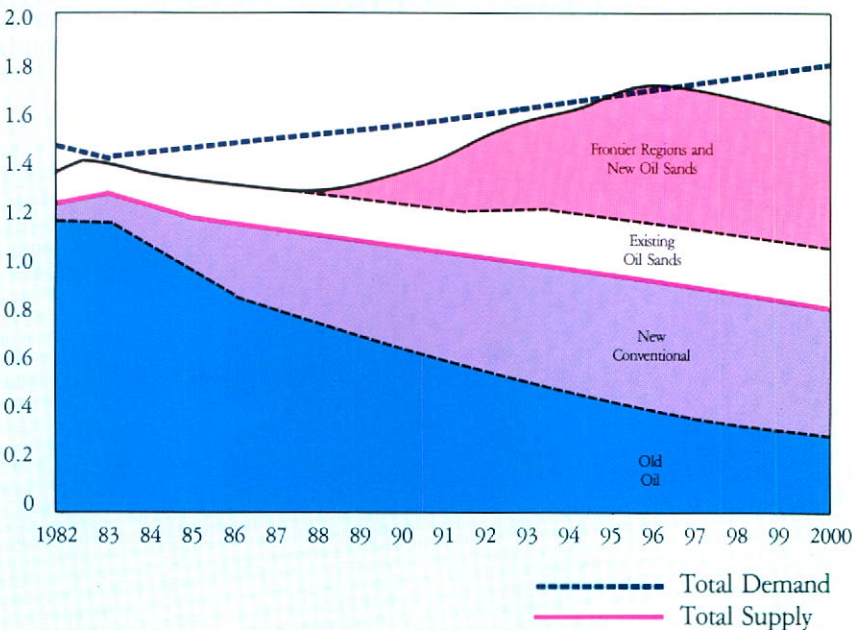
Crude Oil – Estimated Remaining Canadian Reserves  
Less Cumulative Production to the Year 2000  
(Billions of Barrels)



Source: EMR Long-Term Energy Supply/Demand Outlook Summer '83  
Forecast as cited in Canadian Petroleum Outlook: Prospects to the year 2000, Merrill Lynch Canada Inc., October 1983.

Despite significant efforts over the past 10 years, Canada is not self-sufficient in oil and will not be able to meet its projected oil needs before 1995 at the earliest. This is illustrated in the chart below.

Oil Supply/Demand – Lower Price Scenario  
(Millions of Barrels per Day)



Source: EMR Long-Term Energy Supply/Demand Outlook Summer '83  
Forecast as cited in Canadian Petroleum Outlook: Prospects to the year 2000, Merrill Lynch Canada Inc., October 1983.

This chart displays Canada's forecasted oil supply/demand outlook to the year 2000. It also assumes that the Canadian well head (old conventional) price will go up to \$Cdn. 61.59 per barrel by the year 2000.



# News release



**Ontario  
Energy  
Corporation**

101 Bloor Street W. 5th Floor  
Toronto, Ontario  
M5S 1P7  
Telephone (416) 926-4200  
Telex ONT-ENER-TOR  
06-218165

**FOR IMMEDIATE RELEASE  
July 9, 1984**

## **1983 - A SUCCESSFUL YEAR FOR THE ONTARIO ENERGY CORPORATION**

**TORONTO - The Ontario Energy Corporation (OEC) reported a \$10.1 million net income in its 1983 annual report released today.**

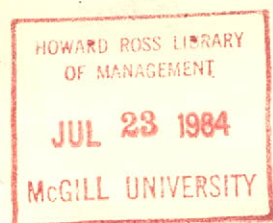
**The highlights of the report include:**

- Completion of the Canadianization on the majority of Suncor's frontier lands.
- Participation in 12 frontier oil and gas wells.
- Participation in five exploratory oil and gas wells in Ontario with two oil discoveries.
- Participation in six exploratory oil wells in Western Canada with two oil discoveries.
- Discovery of a potential 700 million tonnes of lignite (brown coal).
- Investments in one oil substitution and two energy conservation technology ventures.

**The report also describes Trillium Exploration Corporation's highly successful frontier exploration program in 1983. Trillium is two-thirds owned by the OEC.**

**Malcolm Rowan, President and Chief Executive Officer of the OEC, indicated that "of the six exploratory frontier oil and gas discovery wells commenced and drilled on Canada Lands since February 1983, Trillium is involved in all of them -it's a very impressive record".**

**The most significant discovery to date is the Terra Nova well 35 km southeast of Hibernia, off Newfoundland. Trillium has a five per cent interest in Terra Nova which flowed a total of over 10,000 barrels per day on its initial production tests. Two delineation wells are planned for the Terra Nova structure in 1984, designed to determine the size of the reserve.**





Rowan indicated that one of the key reasons for the OEC's increased earnings in 1983 was its investment in Suncor. Suncor's performance in 1983 was one of the strongest of the Canadian integrated oil and gas companies, with earnings of \$108.4 million, an increase of 80 per cent over 1982.

The OEC indirectly owns 25 per cent of Suncor.

Suncor's \$335 million hydrocracker project at its Sarnia refinery is on budget and is expected to be fully operational by November 1984. This project has created over 1,300 construction jobs and will mean an additional 50 full-time jobs at the Sarnia refinery.

Over \$115 million worth of contracts have been let to Canadian firms in connection with the hydrocracker, 87 per cent of which are with Ontario firms. Ninety per cent of the hydrocracker is Canadian content.

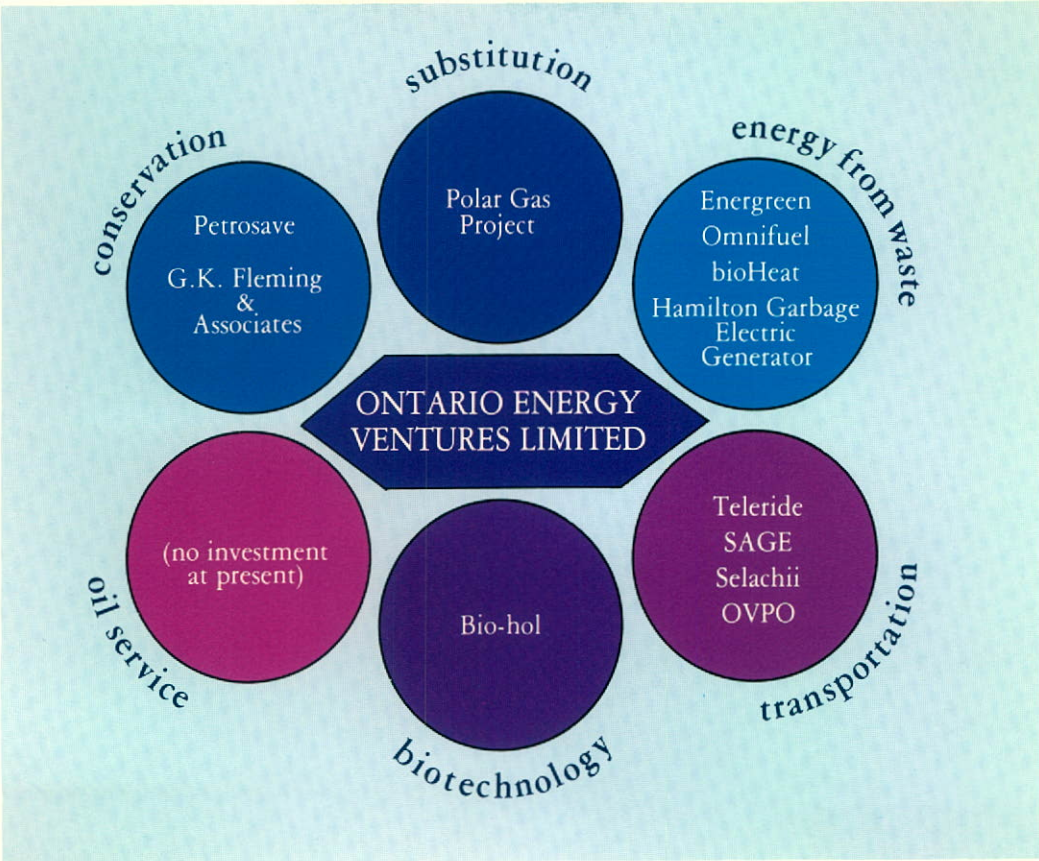
"When on-stream, the hydrocracker will conserve up to 25,000 barrels of crude oil a day - or nine million barrels a year," concluded Rowan.

For further information, contact:

Malcolm Rowan  
Ontario Energy Corporation  
(416) 926-4233



Investments in  
Ontario's Energy Future:  
*Energy Technology*





## Ontario Energy Ventures Limited (OEV)

Ontario Energy Ventures is the Corporation's venture capital subsidiary. OEV invests with the private sector in projects or companies engaged in the development or marketing of energy-related technologies which:

- conserve energy;
- replace oil with other sources of energy; or
- improve exploration and development techniques.

## Petrosave

*Petrosave offers an innovation in energy conservation to Ontario building-owners.*

Petrosave is a leader in providing Thermal Management Services (TMS) to commercial and institutional building-owners. Under a TMS agreement Petrosave:

- assumes responsibility for providing a building's energy requirements;
- provides the capital for and supervises the installation of all energy-conserving equipment and modifications;
- maintains the equipment that has been installed;
- pays all energy utility bills on behalf of the building's owner.

The fee for this service is the value of the building-owner's current energy costs, less a guaranteed discount.

As an added feature, at the end of the agreement, title of the energy-conserving equipment purchased and installed by Petrosave reverts to the owner for a nominal cost. Thus, the building-owner will continue to realize energy savings even after the TMS agreement has expired.

## G.K. Fleming & Associates

*An investment in computerized industrial energy conservation management.*

G.K. Fleming & Associates Limited of Thunder Bay is in the final stages of developing a computerized Energy Conservation and Management System (ECMS) for use by industry.

ECMS is an automated information system designed to assist management in specifying energy requirements and identify possible areas for energy conservation. ECMS will complement Fleming's already existing and successful Plant Management Information System (PMIS), a software package which is currently being used by a number of major Canadian companies.

It is anticipated that ECMS will have wide application across Canadian industry. The initial target market for this system is the pulp and paper industry.

## Energreen

*An energy from waste investment to demonstrate the commercial application of waste heat in horticulture.*

Energreen operates a 0.57 hectare (1.4 acres) greenhouse near Ramore in Northern Ontario. The greenhouse is heated using hot exhaust gases from a nearby TransCanada PipeLines natural gas pipeline compressor station. In 1983, seven million tree seedlings were grown for the Ministry of Natural Resources' reforestation program.

There is enough heat available at Ramore to add another 1.05 hectares (2.6 acres) of greenhouses.

This investment serves as a model for similar enterprises in Northern Ontario.

## Omnifuel

*An investment in the development and marketing of gasifier technology.*

Omnifuel develops and sells turnkey systems using fluidized bed gasifiers to turn forest and agricultural residues and municipal waste into low-BTU gas. The gas produced can be used to generate heat or drive electrical generators, or as a chemical feedstock.

During the year, Omnifuel won a major contract to supply a high-pressure unit to produce a synthetic gas for methanol production.

## bioHeat

*The development of a residential wood pellet burning furnace; an alternative to home oil heating.*

bioHeat, a joint venture between OEV and Solifuels International Inc.,

was established to develop and market a residential wood-burning furnace and fuel system designed by Hunter Enterprises of Orillia. The complete heating system includes a furnace which burns wood pellets, a fuel storage system, and a computer-regulated fuel delivery system.

The system is designed to replace oil furnaces in those parts of the province where homeowners do not have access to a wide range of alternative sources of energy suitable for home heating.

## Hamilton Garbage Electric Generator

*A steam-driven turbo-electrical generator at the Solid Waste Reduction Unit (SWARU) facility in Hamilton.*

In a joint venture with Tricil Limited, OEV invested in an electric turbine which, with the average daily burning of 409 tonnes (402 tons) of garbage, produces 14 million kilowatt hours of electricity annually, enough to heat 620 to 875 homes. One-third of the power is used by SWARU and the rest is sold to Ontario Hydro.

The installation has been a technical success and rated output levels have been demonstrated. Output was reduced for part of 1983 due to decreased steam availability.

## Teleride

*An investment in computerized passenger information for public transit.*

Teleride has become the North American leader in applying computer-based information and communications technologies to the public transit industry. Its automated vehicle location and information systems enable the public to determine arrival times of buses and trains, saving waiting time and significantly improving transit service levels.

Information is provided to transit passengers by automated responses to telephone inquiries and from video displays and interactive video terminals at convenient locations such as shopping centres. Measurable increases in transit ridership have been recorded in cities throughout North America where the systems have been installed.



## SAGE

*An investment in computerized management services to the transit industry.*

SAGE provides management support software and problem-solving tools for transit system management. Its scheduling and planning systems provide transit operators with the means of determining routing and vehicle frequency for the most efficient combination of operations and service levels, and form the base for the monitoring systems provided by Teleride.

Working together, the two companies are developing a comprehensive modular Transit Information Communications and Control System which will provide a full range of management tools to maximize transit efficiency and public service. By enhancing the effectiveness of public transit, use of private automobiles is reduced. The result is conservation of transportation fuel.

## Selachii

*An investment in carburation technology leading to savings in transportation fuels.*

The Selachii controlled pressure induction fuel delivery system is an alternative to conventional carburation in internal combustion engines. It has the potential to reduce fuel consumption by four to eight per cent, and it can also be used with various alternative fuels, including gas/alcohol mixtures.

This fuel delivery system, a Canadian invention, has been under development for five years, and is protected by patents world-wide. The investment is designed to enable final product development, manufacturing and marketing of the system.

## Ontario Van Pool Organization (OVPO)

*An investment to evaluate the commercial potential of third-party vanpooling.*

OVPO's goal is to promote energy conservation in Ontario through commuter vanpooling. The 34-van OVPO fleet operates from 21 centres throughout Ontario, including

Orangeville, Barrie, Kitchener, St. Catharines, Oshawa and Blind River. This demonstration program is expected to be concluded within the next two years.

## Bio-hol

*An investment in the production of ethanol as a transportation fuel through biotechnology.*

Bio-hol is a joint venture between OEV and Weston Energy Resources Ltd. Its objective is to demonstrate the production of fuel-grade ethanol from wood residues, using microbiological fermentation techniques. Ethanol can be used as a gasoline/alcohol mixture, and could reduce Ontario's need for crude oil.

## Polar Gas

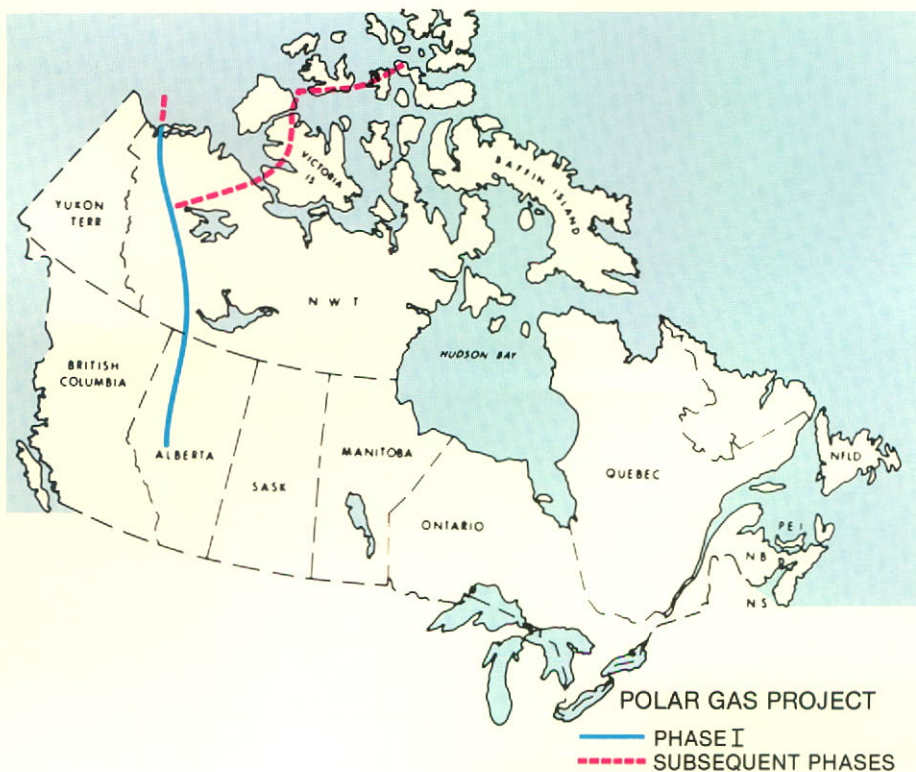
*Polar Gas is a research project designed to transport frontier natural gas to market.*

The OEC has participated in this project since 1975, along with TransCanada PipeLines Ltd., Panarctic Oils Ltd., Tenneco Energy Ltd. and Petro-Canada.

In 1983, Polar Gas announced plans for a multi-phase pipeline system to connect northern frontier natural gas reserves to southern markets.

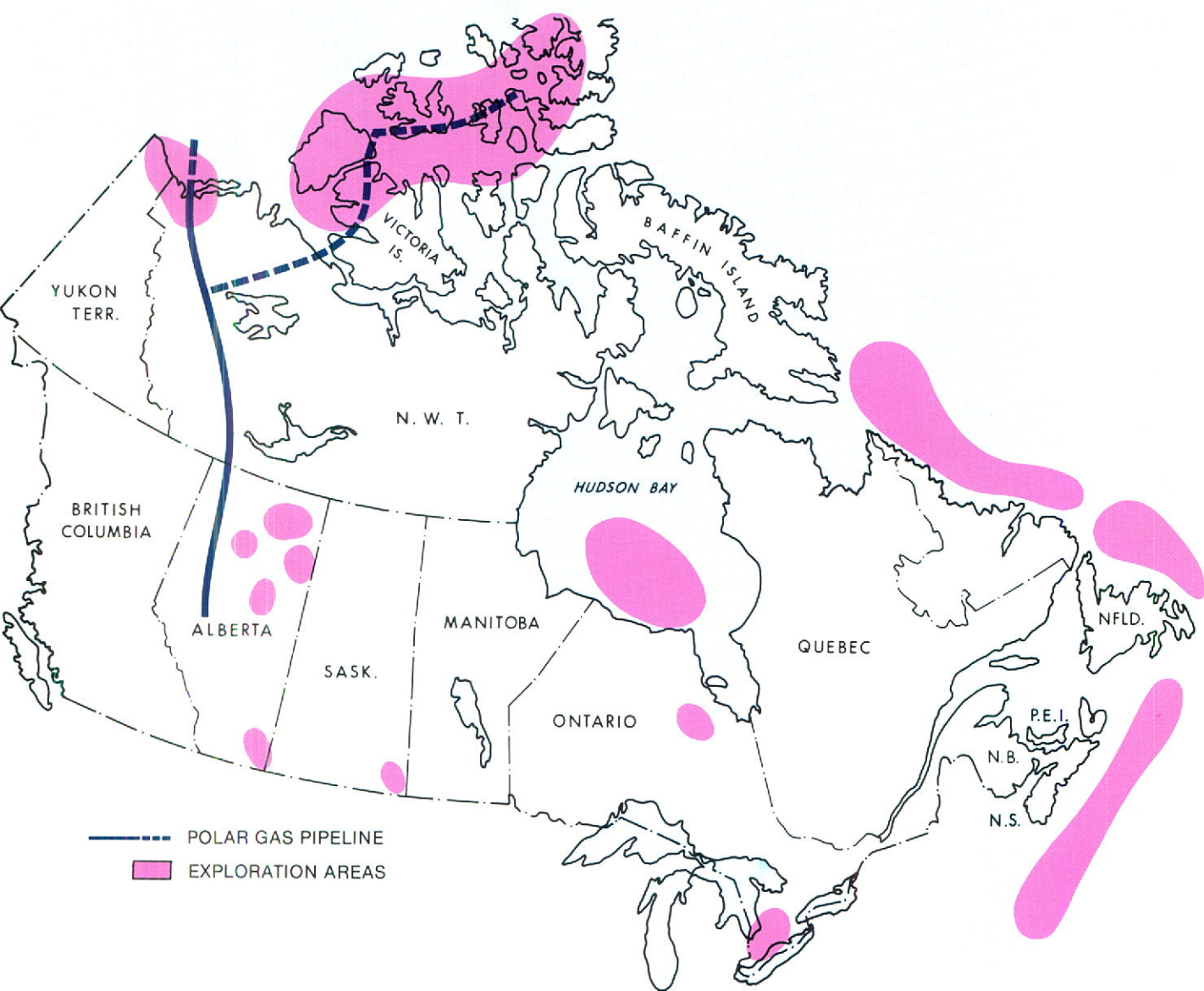
Phase I of the Project would deliver 225 416 m<sup>3</sup> (800 million cubic feet) per day of gas from the Mackenzie Delta via a 2 097 km (1,300 mile), 14 cm (36 inch) diameter pipeline to Edson, Alberta. It is proposed that natural gas would flow in 1991. The total capital cost for Phase I, including expansion of existing systems, is estimated to be \$6.1 billion. Gradual expansion of the pipeline system would take place at a rate determined by market requirements.

Applications are expected to be made in 1984 to the National Energy Board and the Department of Indian Affairs and Northern Development for Phase I.





Investments in  
Ontario's Energy Future:  
*Energy Resources*





**Ontario Energy Resources Ltd.  
(OERL)**

OERL is the subsidiary through which the OEC purchased its 25 per cent equity interest in Suncor Inc. in December 1981.

Suncor's 1983 financial performance was one of the strongest amongst the integrated oil and gas companies. Earnings in 1983 were \$108.4 million, an increase of 80 per cent over 1982. OERL received \$10.4 million in dividends from Suncor in 1983.

The majority of Suncor's frontier lands have now been Canadianized through the activities of Trillium Exploration Corporation. Trillium is a joint enterprise of the OEC and Suncor established to explore and develop Canada's frontier lands.

Major investments initiated by Suncor in 1982, including its Sarnia refinery hydrocracker, its Fort McMurray oil sands plant integrity program, and its oil sands mine expansion, created significant manufacturing and construction job opportunities during 1983 and will enhance the company's profitability in future years. In 1984, approximately \$200 million of additional investment will be undertaken by Suncor at its Sarnia refinery upgrader and its Fort McMurray oil sands plant.

Suncor is investing \$335 million to construct its Sarnia hydrocracker. As a result of its Canadian purchasing policy approximately 90 per cent of these contracts have been awarded to companies in Canada, with Ontario firms receiving the majority. At year-end, over 130 Ontario companies have already received contracts valued at approximately \$77.7 million, and over \$240 million has been spent on construction at the site.

In terms of energy benefits, the hydrocracker will enable Suncor to conserve nine million barrels a year of crude oil while producing the same volume of transportation fuel.

It is expected that the hydrocracker complex will be in full operation in the fourth quarter of 1984.



*Suncor Bucketwheel*



*Suncor's Hydrocracker,  
Sarnia Refinery*

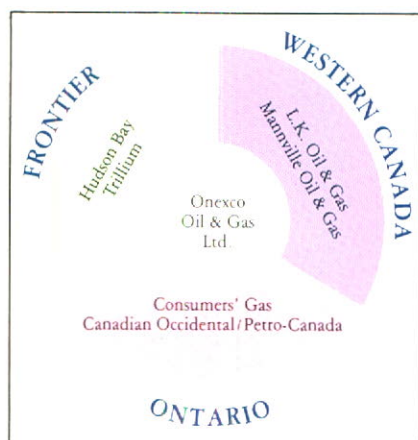


*Sunoco Service Station*



## Onexco Oil & Gas Ltd.

Onexco Oil & Gas Ltd. is the Corporation's oil and gas subsidiary which invests in ventures in Ontario, the western provinces and in Canada's frontier lands.



## Southwestern Ontario

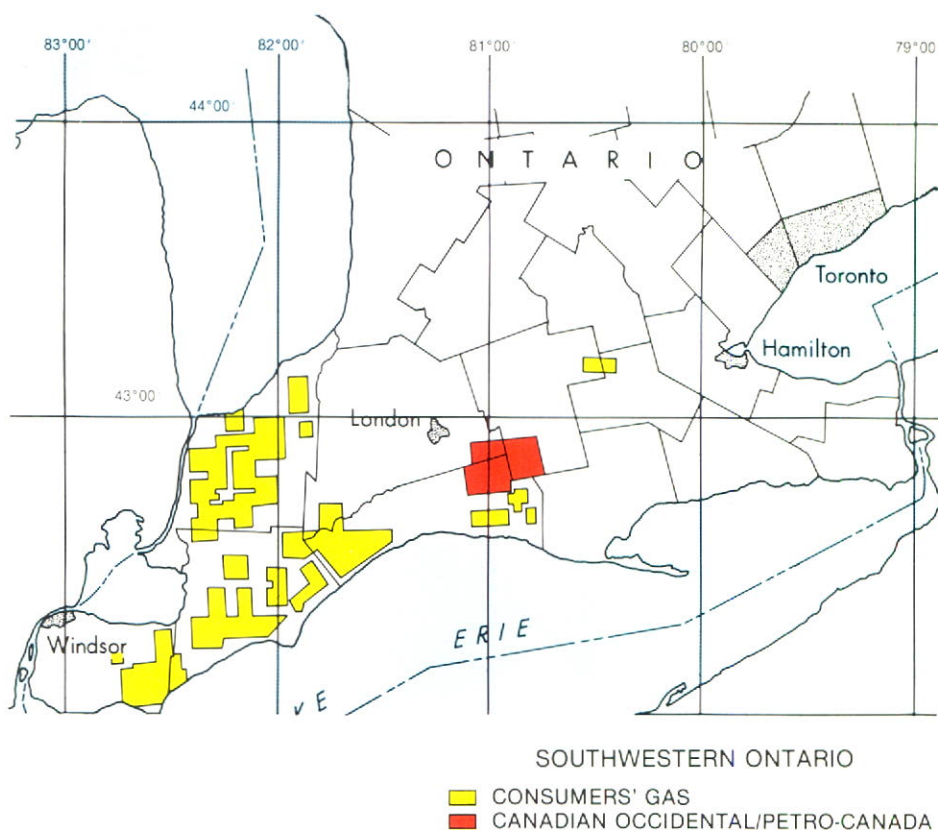
In 1983, Onexco formed a joint venture with Consumers' Gas of Toronto to explore for oil and gas in Southern Ontario. This two-year exploration program involves extensive seismic surveys and up to 20 exploratory wells on 97 166 hectares (240,000 acres) of land. At year-end, five wells had been drilled, two of which were oil discoveries. Further testing will be undertaken during 1984 to determine commercial viability.

Onexco also continued participation in its exploration joint venture with Canadian Occidental Petroleum Ltd. (which assumed the holdings of Canada Cities Service in 1983) and Petro-Canada on 22 267 hectares (55,000 acres) in Southwestern Ontario. In July 1983, a Cambrian well was drilled which had hydrocarbon shows. A total of three Cambrian wells have been drilled since the program was initiated in

1981. While not commercially successful, these wells have proved useful in defining the area's geology and in assessing the oil potential in the deeper geological horizons. Further drilling and geophysical activity is under review for 1984.



*Drill Rig, Southwestern Ontario*





Trillium Exploration Corporation

Trillium Exploration Corporation is two-thirds owned by Onexco and one-third owned by Suncor Inc. Trillium fulfills a commitment made in December 1981, when the OEC purchased 25 per cent of Suncor, to Canadianize Suncor's frontier lands. Trillium is eligible for the maximum frontier exploration grants.

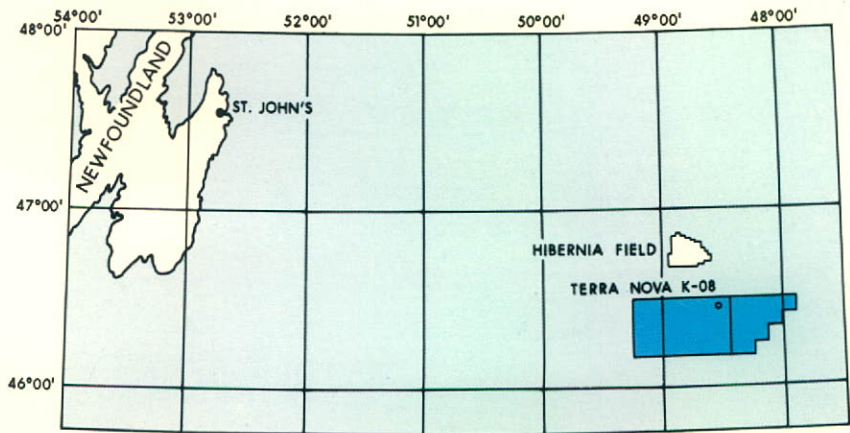
During 1983, Trillium participated in the exploration of most of the major Canada Lands areas.



Esso Rig No. 7 drilling the Kadluk 0-07 well in the Beaufort Sea from its Caisson Retained Island.

Offshore Newfoundland

In 1983, Trillium participated in the Terra Nova K-08 well in the South Hibernia area. The well, located 32 km (20 miles) south of the Hibernia oil field, was still being drilled at year-end and had penetrated oil-bearing sands. Petro-Canada is the operator.

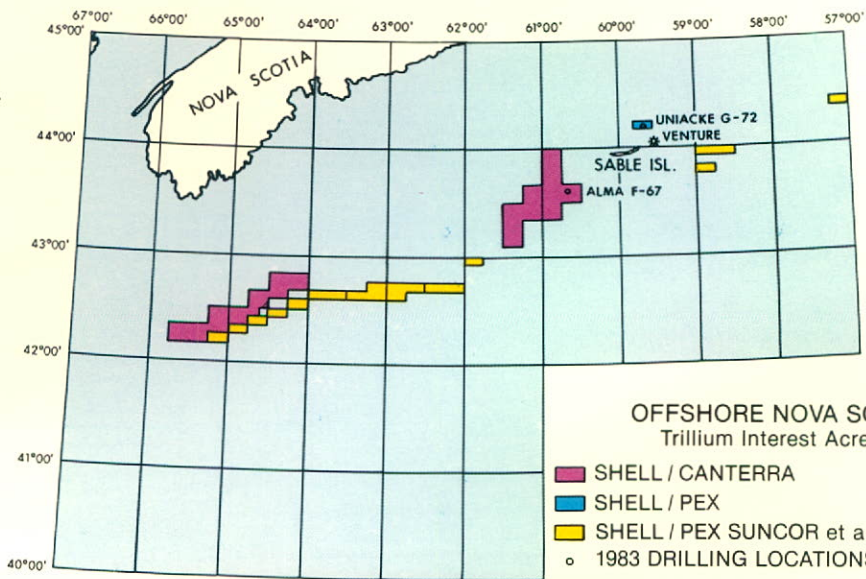


OFFSHORE NEWFOUNDLAND  
Trillium Interest Acreage

- PEX / TRILLUM et al.
- 1983 DRILLING LOCATION

Offshore Nova Scotia

Trillium is part of the Shell Canada-led group drilling ahead on the Uniacke G-72 well at year-end. Preliminary indications suggest the potential for a natural gas and condensate discovery.



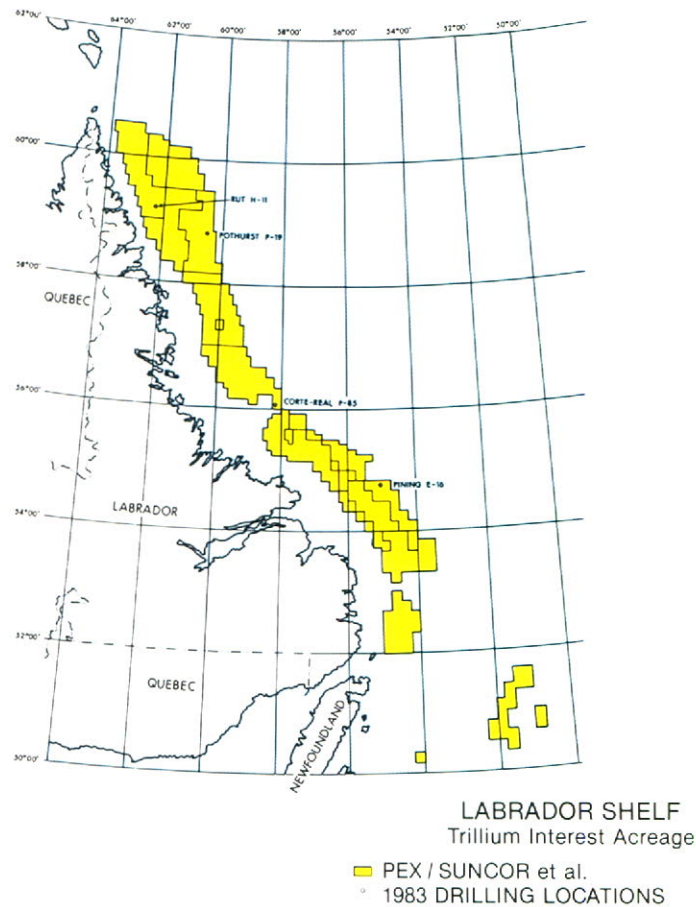
OFFSHORE NOVA SCOTIA  
Trillium Interest Acreage

- SHELL / CANTERRA
- SHELL / PEX
- SHELL / PEX SUNCOR et al.
- 1983 DRILLING LOCATIONS



Offshore Labrador

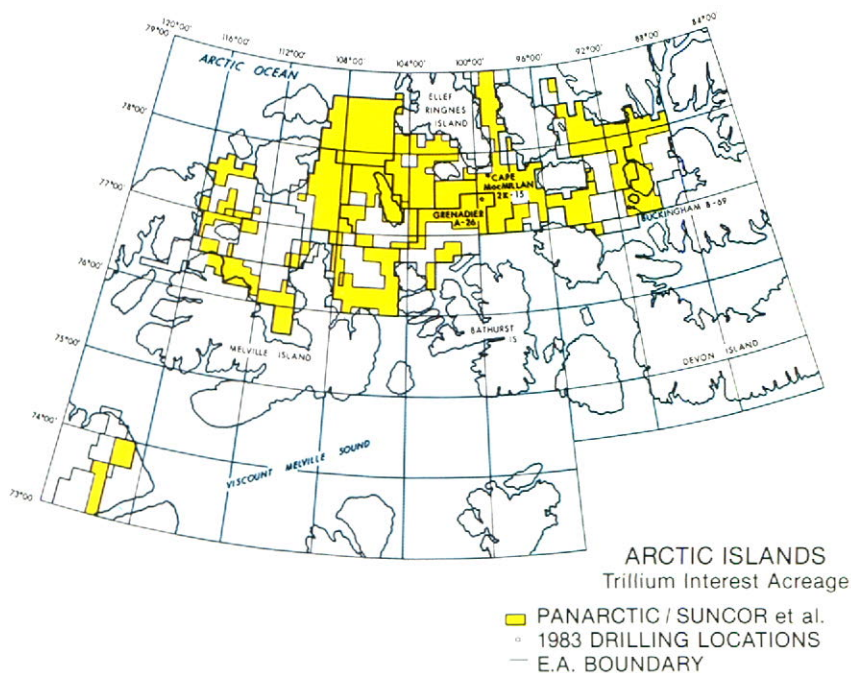
During 1983, Trillium continued its participation in the Petro-Canada-operated Labrador Group. Three previously spudded wells were re-entered in 1983: Rut H-11 and Pothurst P-19 were declared dry, and Corte Real P-85 was suspended. A fourth well, Pining E-16, was commenced and suspended by year-end.



Arctic Islands

Through a farm-in on Suncor lands, Trillium participated in two wildcat wells in 1983: Cape MacMillan K-15 in the Hassel Sound area, and Grenadier A-26 in the Edinburgh Sea area. Completed in the spring, Cape MacMillan K-15 was an oil and gas discovery. Two additional wells are planned for 1984, and flooding of an ice island for Buckingham B-69, offshore Graham Island, began in December 1983.

In January 1984, Trillium acquired a five per cent interest in Panarctic Oils Ltd. through a purchase of flow-through shares. This new funding will be committed to Panarctic's 1984-1985 exploration program. Trillium will be represented on the Panarctic Board of Directors.



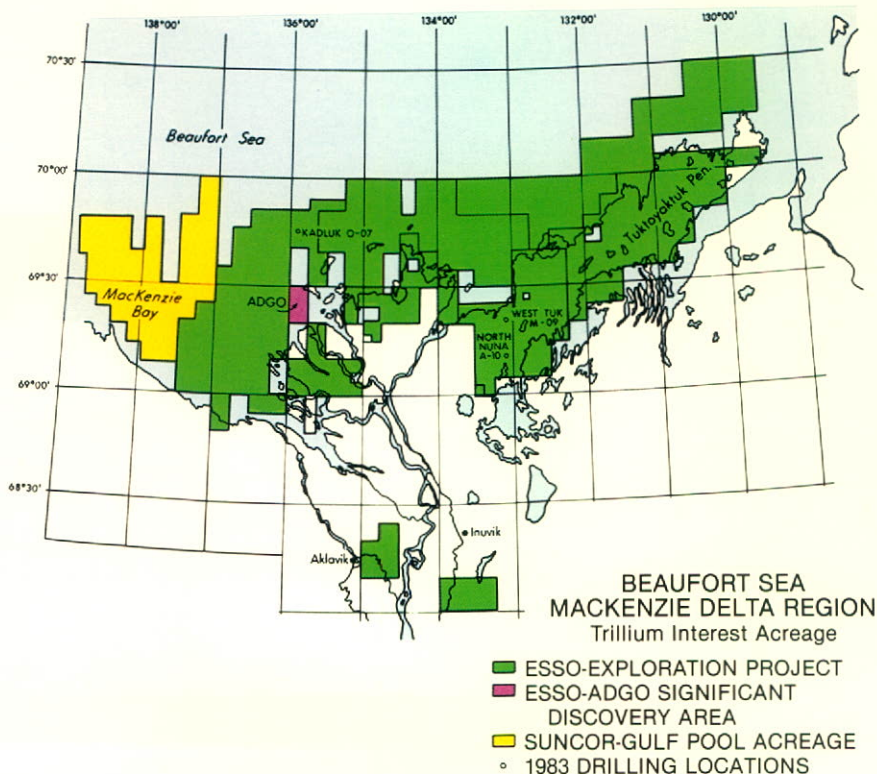
## Beaufort Sea – Mackenzie Delta

In 1983, Trillium farmed into the Esso Resources – Home Oil exploration program. Three wells – Kadluk 0-07, West Tuk M-09 and North Nuna A-10 – were still being drilled at year-end.

Kadluk, an offshore well, was spudded in September and is being drilled from a steel caisson-supported island, the first of its kind to be used in the Beaufort Sea.

West Tuk and North Nuna, spudded in November and December respectively, are two exploratory wells located on the Tuktoyaktuk Peninsula. It is expected that the wells will be completed by the spring of 1984.

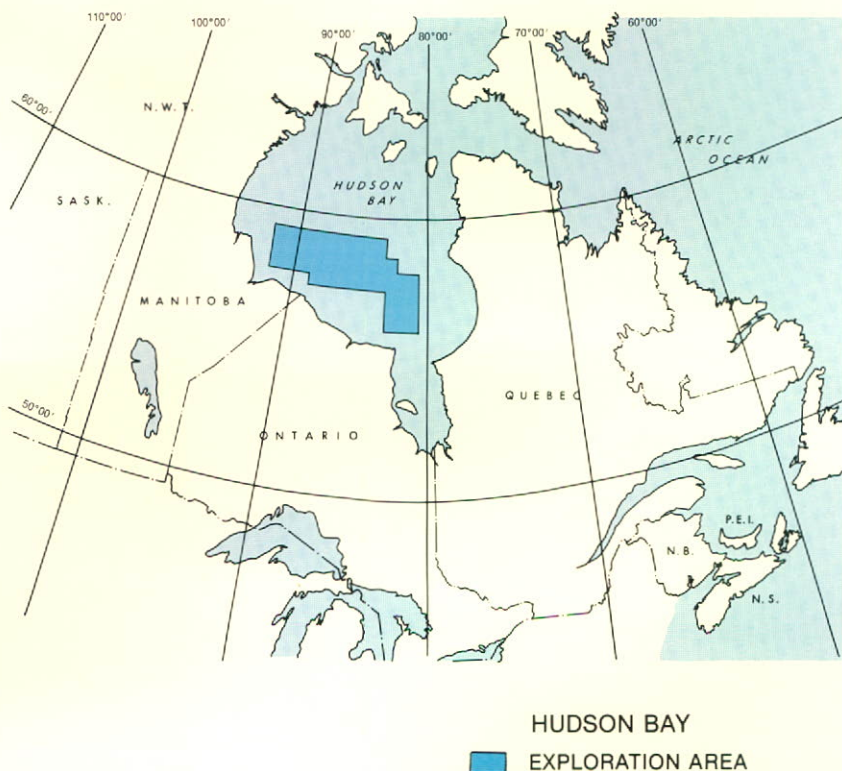
Through a farm-in agreement signed in January 1984, Trillium also has a 20 per cent interest in the Esso Resources Adgo Significant Discovery Area in the Mackenzie Delta.



## Hudson Bay

During 1983, Onexco Oil & Gas Ltd. continued its participation in the Hudson Bay Exploration Joint Venture which completed its second year of a five-year exploration program in the Bay. Onexco's partners in the venture are Canadian Occidental Petroleum Ltd. of Calgary (the operator), Sogepet of Toronto and Soquip of Ste. Foy, Quebec. (Soquip is a participant through a farm-in agreement with Sogepet.)

During 1983, a second survey collected an additional 5 400 km (3,356 miles) of seismic data. Processing of this seismic data was under way at year-end. Depending on the geologic structures identified, engineering, environmental and socio-economic studies will be undertaken in 1984. Social and environmental considerations have an important role in this program. During 1983, Canadian Occidental, as operator, continued its program of consultation with communities in the Hudson Bay region and a wildlife observation program was conducted from the seismic vessel. Also, the joint venture contributes to the federal Environmental Studies Revolving Fund.

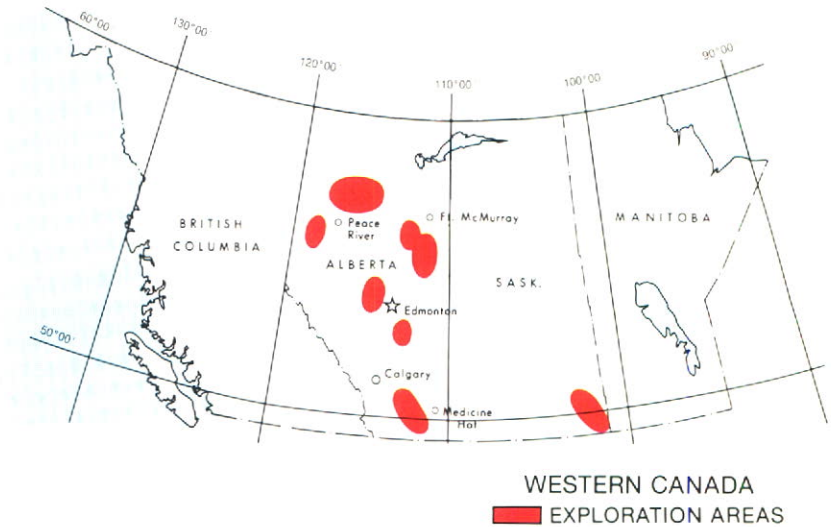




Western Canada

Alberta remains the principal source of Canada's conventional energy supply. Ontario receives 90 per cent of its oil requirements from Western Canada. In 1983, Onexco Oil & Gas Ltd. formed exploration joint ventures with two junior oil and gas companies: L.K. Oil & Gas Ltd. and Mannville Oil & Gas Ltd.

Over the next three years, the joint ventures will be conducting land acquisition, seismic, and drilling programs throughout Alberta and Southern Saskatchewan. At year-end, six wells had been drilled, resulting in two oil discoveries. It is expected that 30 to 40 more wells will be drilled during 1984.



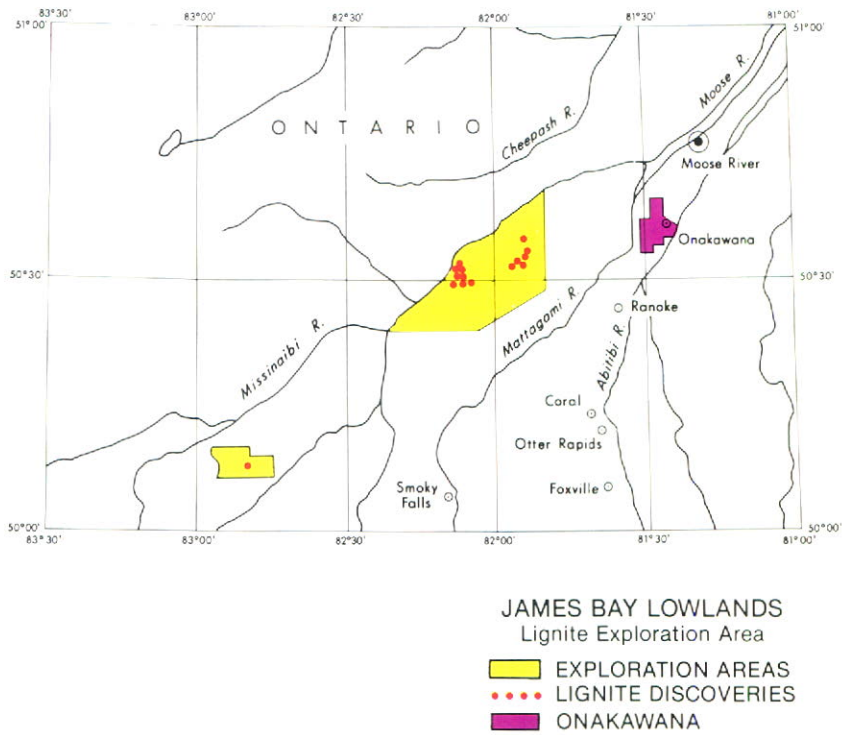
Onexco Minerals Ltd.

Onexco Minerals Ltd. is a wholly-owned subsidiary engaged in energy minerals exploration in Ontario and completed a three-year lignite exploration program in the James Bay Lowlands during 1983.

Watts, Griffis and McOuat Limited, Onexco's geological consultants, estimates a regional resource potential of 700 million tonnes of lignite, of which a significant proportion is located on lands held by Onexco Minerals.

Successive exploration programs have allowed Onexco Minerals to reduce its original 404 858 hectare (one million acre) licence area to 60 728 hectares (150,000 acres) in 1983. Onexco Minerals' licence has been extended by the Ministry of Natural Resources for another three-year period.

During the 1983 winter program, 29 holes were drilled, bringing the total number of holes drilled over the three-year period to 59. As a result, there have been a total of 15 discoveries located over three zones within the licence area.





## Preparation and Review of the Financial Statements

The financial statements have been prepared by management in accordance with generally accepted accounting principles. Management is responsible for the other information in the Annual Report, which is consistent with that contained in the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercises its responsibilities through an Audit Committee of the Board, which is composed of directors who are not employees of the Corporation. The Audit Committee meets with management and the external auditors at least twice each year to satisfy itself that management's responsibilities are being properly discharged and to review annually the financial statements.

The external auditors, Deloitte Haskins & Sells, conduct an independent examination, in accordance with generally accepted auditing standards, and express their opinion on the financial statements. The auditors' examination includes a review and evaluation of the Corporation's system of internal control. Appropriate tests and procedures are made to provide reasonable assurance that the financial statements are presented fairly. The external auditors have full and free access to the Audit Committee of the Board. The Provincial Auditor has access to and reviews from time to time the working paper files of the external auditors.

## Auditors' Report

### To the Shareholder of Ontario Energy Corporation:

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1983 and the consolidated statements of income and retained earnings and of changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1983 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Deloitte Haskins & Sells*

Auditors

March 30, 1984



# Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1983

(000's)	1983	1982
<b>Interest income</b>	<b>\$ 2,381</b>	<b>\$ 2,904</b>
<b>Expenses</b>		
General and administrative expenses	2,191	1,957
Interest (recovered) and bank charges (Note 4)	(1,848)	1,009
	343	2,966
<b>Income (loss) before equity adjustment</b>	<b>2,038</b>	<b>(62)</b>
<b>Equity adjustment in investments</b>	<b>8,126</b>	<b>(5,595)</b>
<b>Net income (loss)</b>	<b>10,164</b>	<b>(5,657)</b>
<b>Retained earnings, beginning of year</b>	<b>20,548</b>	<b>26,205</b>
<b>Retained earnings, end of year</b>	<b>\$30,712</b>	<b>\$20,548</b>

## Consolidated Balance Sheet

December 31, 1983

(000's)	1983	1982
<b>Assets</b>		
<b>Current assets</b>		
Cash, short-term deposits and accrued interest	\$ 15,532	\$ 13,054
Accounts receivable	637	34
Due from affiliated companies	27	42
Due from Treasurer of Ontario	168	-
	16,364	13,130
<b>Investments (Note 2)</b>		
Suncor Inc.	638,529	640,318
Trillium Exploration Corporation	18,554	6,113
Polar Gas Project	17,580	16,764
Other (Note 3)	11,510	7,011
	686,173	670,206
<b>Fixed assets</b>	<b>193</b>	<b>262</b>
	<b>\$702,730</b>	<b>\$683,598</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued charges	\$ 312	\$ 2,369
Current portion of long-term debt	16,250	16,325
Due to Treasurer of Ontario	-	3,034
	16,562	21,728
<b>Long-term debt (Note 4)</b>	<b>601,250</b>	<b>617,988</b>
	<b>617,812</b>	<b>639,716</b>
<b>Shareholder's equity</b>		
Share capital (Note 5)	54,206	23,334
Retained earnings	30,712	20,548
	84,918	43,882
	<b>\$702,730</b>	<b>\$683,598</b>

Approved by the Board:

*Malcolm Rowan*  
Malcolm Rowan, Director

*George Hitchman*  
George Hitchman, Director



# Consolidated Statement of Changes in Financial Position

Year ended December 31, 1983

(000's)	1983	1982
<b>Sources of working capital</b>		
Operations		
Net income (loss)	\$ 10,164	\$ (5,657)
Suncor Inc. dividends	10,449	10,435
Items not affecting working capital		
Deduct equity in earnings of investments	(26,567)	(9,601)
Add amortization and depreciation		
Suncor Inc.	18,441	15,196
Other	106	125
	12,593	10,498
Share capital	30,872	8,334
	43,465	18,832
<b>Uses of working capital</b>		
Reduction in long-term debt	16,738	16,325
Trillium Exploration Corporation investment	12,441	6,113
Polar Gas Project investment	837	564
Other investments (net)	5,174	6,504
Deferred project expenditures	(162)	(97)
Fixed assets	37	190
Suncor Inc. investment	-	3,655
	35,065	33,254
Increase (decrease) in working capital	8,400	(14,422)
Working capital (deficiency), beginning of year	(8,598)	5,824
Working capital deficiency, end of year	\$ 198	\$ 8,598



**1. Significant Accounting Policies**

The Ontario Energy Corporation invests in, or otherwise participates in, energy projects with a view to enhancing the availability of energy in Ontario. The Corporation's involvement in its investments is in a financing rather than an operating role.

**Basis of financial statement presentation**

The consolidated financial statements include the accounts of the Ontario Energy Corporation and its subsidiaries except Trillium Exploration Corporation ("Trillium"). Trillium is actively involved in an exploration program for oil and gas and its operations are not of a financing nature. Accordingly, Trillium is accounted for using the equity method because consolidating the accounts would not be more informative. Summary information describing the financial position and activities of Trillium is included in Note 2 to these financial statements. Other investments are also accounted for using the equity method.

The full cost method of accounting is used to account for the Corporation's investments in oil and gas exploration activities.

**Fixed assets**

Furniture, equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation is determined using the straight-line method over a period of 60 months; leasehold improvements are amortized over the terms of the leases.

**Income taxes**

The Corporation and its wholly-owned direct subsidiaries are not subject to income tax so long as not less than 90 per cent of the outstanding shares of the Corporation are held directly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario. Onexco Oil & Gas Ltd., which is a wholly-owned indirect subsidiary of the Corporation, is subject to income taxes.

**2. Investments**  
**Suncor Inc.**

The Corporation owns 25 per cent of the common shares of Suncor Inc. which is accounted for using the equity method. The difference between the cost of the shares and the underlying net book value of Suncor Inc., which relates primarily to oil and gas reserves, is being amortized using the unit-of-production method.

Summarized financial information of Suncor Inc., as at December 31 is as follows:

	1983	1982
Financial position	(millions)	
Working capital	\$ 98	\$ 173
Total assets	\$2,130	\$1,936
Shareholders' equity		
Preferred shares	\$ 12	\$ 12
Common shares and retained earnings	1,133	1,067
	\$1,145	\$1,079
Operations		
Revenue	\$1,484	\$1,551
Net income	\$ 108	\$ 60
Dividends on common shares	\$ 42	\$ 42



### Trillium Exploration Corporation

The Corporation has a two-thirds interest in Trillium which was formed in 1982 to explore for oil and gas in the frontier areas of Canada; Suncor Inc., which is owned 25 per cent by the Corporation, owns the other one-third.

The following is a summary of Trillium's financial position as at December 31:

	1983	1982
	(000's)	
Assets		
Current assets	\$23,174	\$ 7,615
Property, equipment and exploration expenditures	10,355	2,802
	<b>\$33,529</b>	<b>\$10,417</b>
Liabilities		
Accounts payable and accrued liabilities	\$ 5,763	\$ 1,013
Shareholder advances		
Suncor Inc.	9,212	3,347
Ontario Energy Corporation	18,554	6,057
	<b>\$33,529</b>	<b>\$10,417</b>

Trillium has had no income or loss from operations and, because of its mandate to explore in the frontier, no income or loss is expected for a number of years.

Trillium is eligible for maximum Petroleum Incentives Program grants of 80 per cent of expenditures for the exploration for oil and gas in the frontier areas of Canada.

### Polar Gas Project

The Corporation is one of five continuing participants in the Polar Gas Project, four of whom are presently providing funds, and accordingly bears 25 per cent of the ongoing research costs and 33-1/3 per cent of costs related to the application for regulatory approval. The purpose of the Project is to determine the feasibility of constructing and operating facilities for the transmission of natural gas from areas in the Canadian Arctic to southern markets.

The Corporation is not obliged to continue to fund the Project. Should it choose not to do so, its investment would be retained but its degree of interest would be diluted.

In the event a company is formed to build and operate transmission facilities, the Corporation's interest would be convertible into equity or debt of such company. Alternatively, under certain circumstances, the Corporation's investment may be repaid.

### Other

The Corporation has invested in energy related projects of various types, many of which are in the developmental stage, and has made further commitments towards these projects aggregating approximately \$3,700,000. In addition, the Corporation is required to spend a further \$4,800,000 during 1984 to meet certain project obligations.

The Corporation has guaranteed, to the extent of \$780,000, the performance of an investee company.



### 3. Government Assistance

The Corporation received government assistance which is applied to reduce certain costs as follows:

	1983	1982
	(000's)	
Interest expense on notes due to Sun Note Corporation	\$45,583	\$45,053
Other investments	\$ 2,668	\$ 2,573

### 4. Long-term Debt

The notes due to the Sun Note Corporation are payable in 20 semi-annual instalments, which commenced on June 15, 1982, of \$8,125,000 for each of the first ten instalments and \$24,375,000 for each of the remaining ten instalments. Interest is payable semi-annually at the rate of 14.357 per cent. The Treasurer of Ontario has stated that it is the intention of the Government of Ontario to ensure the Corporation has sufficient funds to pay the notes.

The amount due to the Treasurer of Ontario is a non-interest-bearing demand loan. It is not the intention of the Treasurer of Ontario to demand payment of the loan in the forthcoming year.

Interest on long-term debt of \$43,640,000 was incurred during the year and recovered by way of assistance from the Government of Ontario (see Note 3). Additional assistance from the Government of Ontario of \$1,943,000 was accrued at year end.

	1983	1982
	(000's)	
Notes due to Sun Note Corporation	\$292,500	\$308,750
Due to Treasurer of Ontario	325,000	325,563
	617,500	634,313
Less portion due within one year	16,250	16,325
	\$601,250	\$617,988

### 5. Share Capital

	1983	1982
	(000's)	
Share capital		
Authorized		
2,000,000 common shares		
20,000,000 non-voting special shares		
Issued and fully paid		
2,000,000 common shares	\$100,000	\$100,000
Less		
915,888 (1982 - 1,533,327) common shares held in treasury at cost	45,794	76,666
	\$ 54,206	\$ 23,334

During 1983, 617,439 shares held in treasury were sold for cash of \$30,872,000 including 460,000 shares sold pursuant to a five-year agreement signed during the year in which the Corporation's shareholder agreed to purchase out of appropriated funds \$23 million of equity in the Corporation for each of the years 1983-1987 inclusive.

### 6. Related Parties

The salary of an officer of the Corporation was paid by the Province of Ontario.

### **Metric Conversion Guide**

Crude oil, refined products, etc.  
1 m<sup>3</sup> (cubic metre) = 6.29 barrels  
(approx.)

Natural gas  
1 m<sup>3</sup> (cubic metre) = 35.49 cubic  
feet (approx.)

1 hectare = 2.47 acres (approx.)  
1 km (kilometre) = 0.62 miles  
(approx.)  
1 cm (centimetre) = 0.39 inches  
(approx.)

1 tonne = 0.98 tons (approx.)



