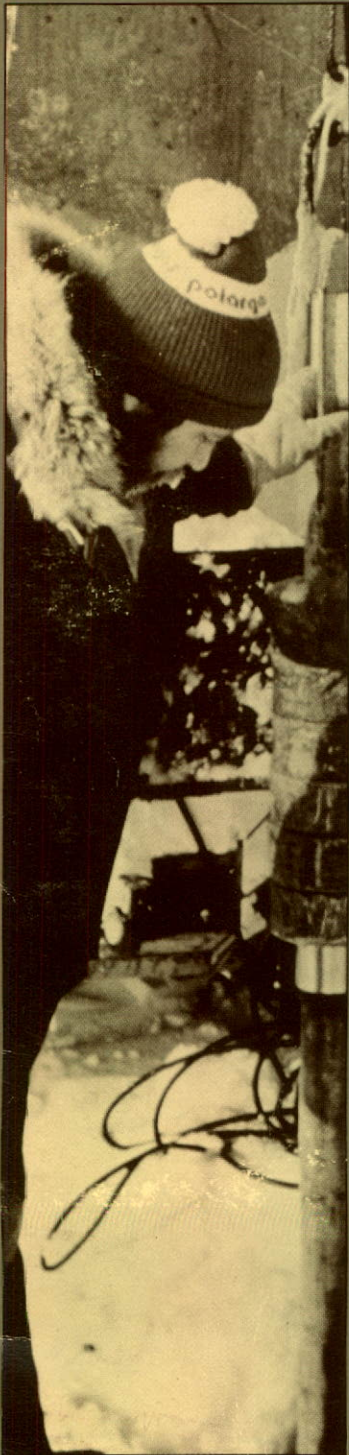




Ontario Energy Corporation Annual Report 1980



Contents

Highlights	1
Report from the Board of Directors	2
Review of Operations	6
Ontario Energy Resources Ltd.	6
Ontario Alternate Energy Ltd.	8
Ontario PowerShare Ltd.	10
Ontario Energy-in-Transportation Ltd.	12
Financial Statements	14
Auditors' Report	14
Balance Sheet	14
Statement of Income and Retained Earnings	16
Statement of Changes in Financial Position	17
Notes to Financial Statements	18
Corporate Information	20

Highlights

Corporate Profile

The Ontario Energy Corporation was established in 1974 by the Government of Ontario to invest in Canadian energy projects which will improve the availability of energy in Ontario. Together with the private sector, the OEC invests on an equity basis in all areas of energy development. Having its shares held by the Minister of Energy and operating under the Business Corporations Act of Ontario, the OEC works with private enterprise to help Ontario become more self-reliant in energy.



Financial Highlights	For the year ended December 31 1980	For the year ended December 31 1979
Total assets	\$44,371,755	\$40,865,146
Total participation in projects	\$16,384,888	\$13,328,713
Net income	\$ 183,568	\$ 9,931,584
Retained earnings	\$25,966,013	\$25,782,445

Events

- Four operating subsidiaries incorporated.
- Board of Directors expanded from 5 to 8 members with the majority of the Board appointed from the private sector.
- Oil and gas exploration initiated in southwestern Ontario.
- Lignite exploration initiated in the James Bay Lowlands.
- Joint venture negotiations to explore for oil and gas in Hudson Bay initiated.
- An affiliate company, the Ontario Van Pool Organization Ltd. established to demonstrate the commercial potential of vanpooling on a self-financing basis.
- Joint venture established to develop and market computerized transportation systems.
- Letter of intent signed to install a 4 MW electric generator at the Solid Waste Reduction Unit (SWARU) incinerator in Hamilton, Ontario.
- Arrangements with Ontario Hydro for the promotion, distribution and sale of thermal energy from the Bruce and Pickering Generating Stations.
- Bruce Energy Centre concept developed.

Report from the Board of Directors

To the Honourable Robert Welch
Minister of Energy
Toronto, Ontario

1980 was a year of significant growth and activity for the Ontario Energy Corporation. It was a year in which the operational aspect of the Corporation's business was firmly established.

The surge in activity in 1980 had its roots in changes made the previous year when the Corporation was restructured and its mandate broadened to allow greater investment flexibility.

As the Corporation's interests diversified, it became apparent that further restructuring was necessary if it was to function efficiently. Responding to the need for change, four wholly-owned subsidiary companies were

incorporated in March 1980: Ontario Energy Resources Ltd., Ontario Alternate Energy Ltd., Ontario Power-Share Ltd., and Ontario Energy in Transportation Ltd.

The Ontario Energy Corporation's investment activity continued to be aimed at increasing the contribution which Ontario's indigenous energy resources make to the province's energy supply.

Through its subsidiary, Ontario Energy Resources Ltd., it has invested an additional \$254,000 to expand oil and gas exploration activity in southwestern Ontario. As well a 3 year lignite exploration program was initiated in

the James Bay Lowlands late in 1980 and results indicate that this program will involve expenditures in the order of \$4 million through to 1983.

In addition, the Corporation increased its investment to \$15 million in the Polar Gas Project which, if approved by the National Energy Board will provide for delivery of gas supplies and provide economic benefits for the province.

Through its subsidiary, Ontario Alternate Energy Ltd., the Corporation focused its investment activity in the area of energy from waste and in particular entered into a joint venture to construct the first commercial electric generation facility in

Canada to be fueled by municipal solid waste. This facility will be fully operational by May 1982. Other energy from waste projects under consideration at year end indicate an expected investment of over \$3 million in this area of energy development in 1981.

In line with our commitment to develop co-generation and waste heat utilization projects on a large-scale basis, the Corporation through Ontario PowerShare Ltd. and in partnership with five private-sector firms, increased its investment in the Bruce Energy Centre adjacent to Ontario Hydro's Bruce Nuclear Power Development.

Corporate Objects

From Section 6 of the Ontario Energy Corporation Act 1974

"Invest or otherwise participate in energy projects throughout Canada or elsewhere in order 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; and
 - Encourage the development of processes and equipment that will avoid the wasteful use of energy and that will minimize harm to the environment."
-

In mid 1980 the Corporation assumed project management responsibility for the development of the Bruce Energy Centre which is composed of three areas of activity: The Bruce AgriPark, the Bruce Industrial Park, and the Bruce Thermal Utility. As project manager of the Bruce Energy Centre, the Ontario Energy Corporation will have a critical role to play in co-ordinating the many facets of the centre's development which will include the construction of a steam pipeline and the development of the industrial and agricultural parks.

The Corporation's commitment to the conservation of

oil and gas in the transportation sector was actively pursued throughout the year by its subsidiary, Ontario Energy in Transportation Ltd. Through its affiliate, the Ontario Van Pool Organization Ltd. (OVPO) created in April 1980, the potential commercial viability of third-party van-pooling was demonstrated. This project will be expanded in 1981.

The Corporation committed \$2.8 million over a three year period in transit oriented computer technology of which \$400,000 was expended in 1980. Designed to improve public transit and thereby increase ridership, this technology has made the Corporation a leader in

North America in computerized transit technology. New investments in this area are planned.

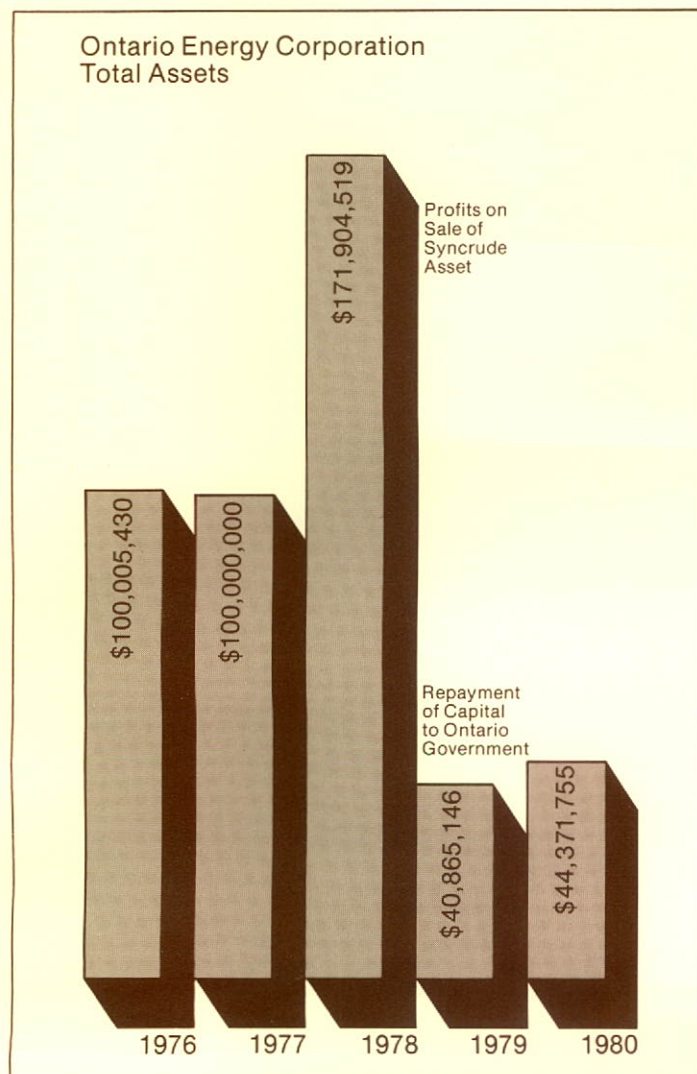
Reflecting our commitment to work with the private sector the activities of the Corporation and its subsidiaries have been characterized by joint-venture partnerships with private industry. This investment approach has not only strengthened the Corporation's position in the energy sector, but has also strengthened our technical and managerial expertise.

Five new directors were appointed to the Board in 1980 - Mr. Thomas Kierans, Director and President of McLeod, Young, Weir Ltd. and Chairman of the Ontario Economic Council; Mr. Edwin Jarman, President of Jarman Communications Inc.; Mr. Rendall Dick, Deputy Treasurer and Deputy Minister of Economics; Mr. L.R. Wilson, Deputy Minister of Industry and Tourism and Mr. David Melnik, Q.C., Melnik and Saunders, Barristers and Solicitors. We welcome these new members to our Board and appreciate the diverse experience and expertise they bring to the Corporation.

In December 1980, it was with great regret that the Board accepted the resignation of Mr. Peter Lamb, Executive Vice President. Mr. Lamb had been with the Corporation since its inception in 1974, and has contributed significantly to the Corporation's evolution to date.



The Corporation is now well positioned to continue its strong performance in 1981 and beyond. Investment activity and the development of new opportunities will increase substantially over the next five years. The Corporation can expect to rapidly increase its investment program with the objective of enhancing Ontario's energy supply. Research and development will continue to be commercially directed and the Corporation will continue to pursue opportunities for profitable investments in resources and high technology which will lead to value-added secondary manufacturing in Ontario and the development of exportable Ontario based expertise.



To date, revenue from short-term investments has provided the cash flow for project investment. Emphasis on long lead-time, high-risk, capital intensive projects must be balanced with the need for an assured cash flow to maintain the Corporation's financial strength. While our investments should lead to a much higher level of earnings in the long term, continued investment in new technology and new energy forms will keep our profit margins low over the next few years.

As a result the Corporation will be exploring new sources of financing and will be pursuing a more balanced portfolio in 1981.

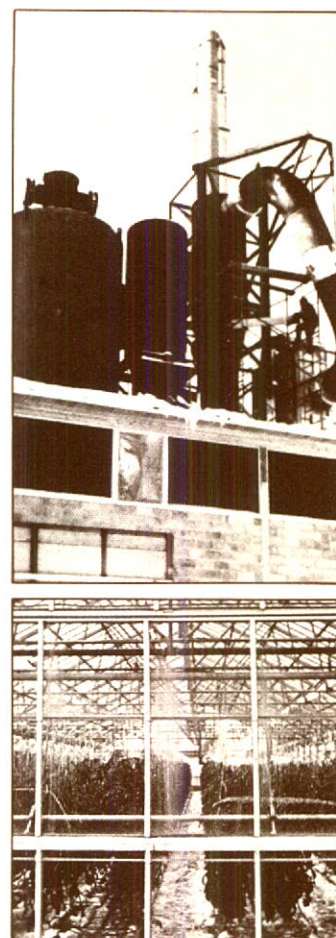
Over the year, the full time staff of the Ontario Energy Corporation has grown to a total of 27, well within the staffing plan of 35 and in accordance with the intent that the Corporation remain a compact organization. The hard work, effort and dedication of the staff has turned the Ontario Energy Corporation's exciting potential into positive results.

In the 1979 Annual Report I indicated to you that the Corporation was prepared to make a vital contribution to Ontario's policy for energy security for the eighties. I am pleased to report 1980 as a year of growth and to confirm that the Corporation is achieving a leading position in energy development in

Ontario. Energy policy statements made in 1980 by the Government of Ontario provide a framework for the activities of the Ontario Energy Corporation in 1981 and beyond. Indeed, investment activity in 1980 complemented provincial energy policy in the areas of alternate energy, power-sharing, energy conservation and conventional energy supply. The Corporation will continue this forward-looking investment program throughout 1981.

Respectfully submitted,
On Behalf of the Board,

Malcolm Rowan
Malcolm Rowan,
Chairman.

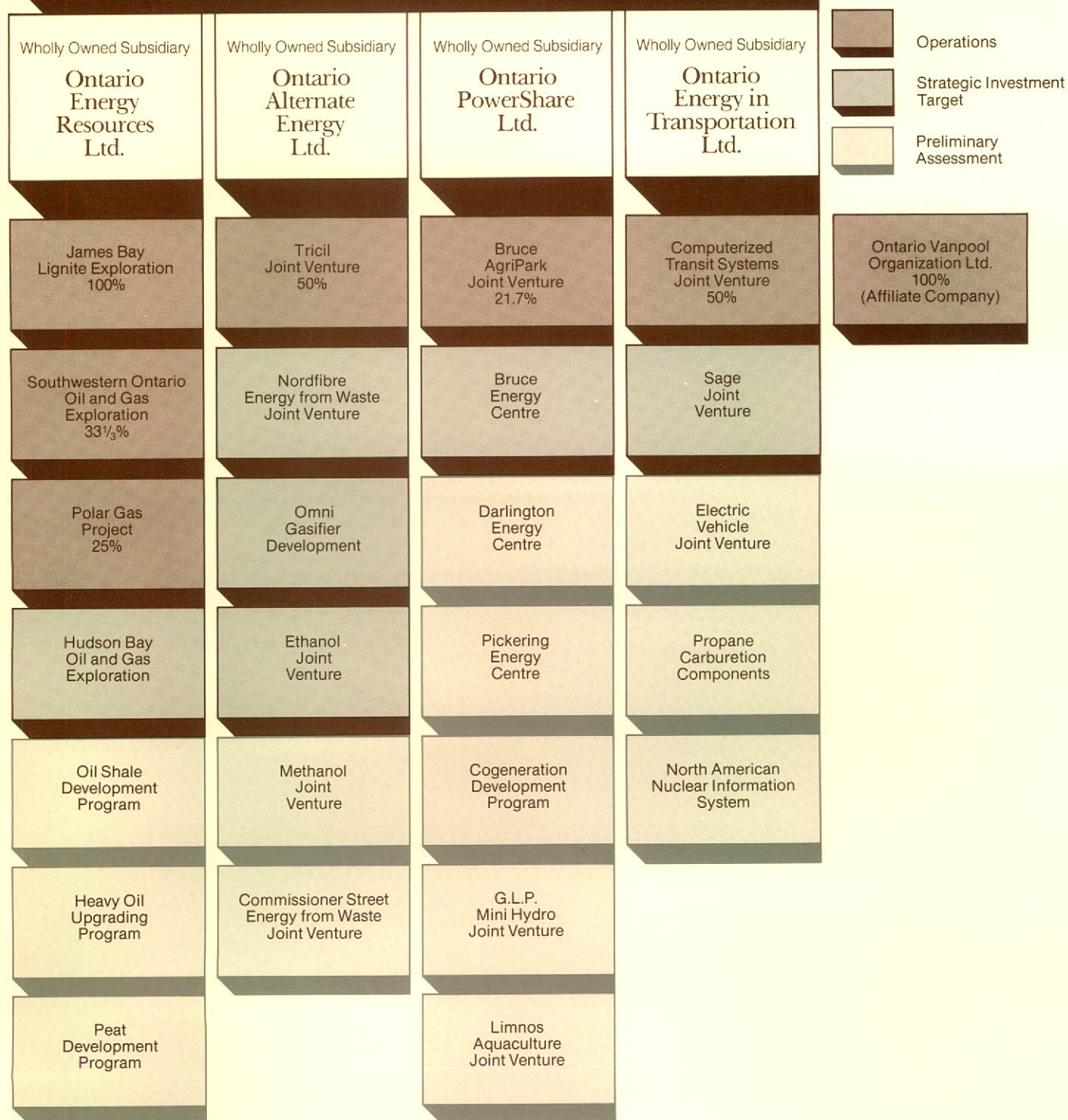


Investment Criteria

The Corporation will consider participation in individual energy projects which would satisfy the following criteria:

- Compatibility with the Corporation's objectives;
- Allows an interest in tangible assets or other commercial property;
- Provides an expected return (internal rate of return) to the Corporation at least equal to the Ontario Government's borrowing rate at the time of participation;
- Primarily involves an investment or financing role rather than an operating role;
- Does not involve a subsidy or grant from the Corporation;
- Compatibility with the energy policy of the Ontario Government.

Ontario Energy Corporation



Review of Operations

Ontario Energy Resources Ltd.

During its first year of operations, Ontario Energy Resources Ltd. was active in developing and managing projects which involved the exploration and development of conventional non-renewable resources. Exploration and development expenditures amounted to \$2.3 million in 1980. This included participation in the Polar Gas Project and oil and natural gas and lignite exploration.

Oil and Gas

The Corporation continued as a partner in the five member Polar Gas consortium and increased its investment in this project by \$1.8 million in 1980, bringing total investment to \$15 million at year end. The Corporation funds 25% of the on-going research costs and one-third of other related costs. If approved by the National Energy Board, the Polar Gas Pipeline could bring approximately 2.1 billion cubic feet of natural gas from the high arctic per day to Ontario markets by the 1990's. An application to the NEB is expected to be filed in late 1981.

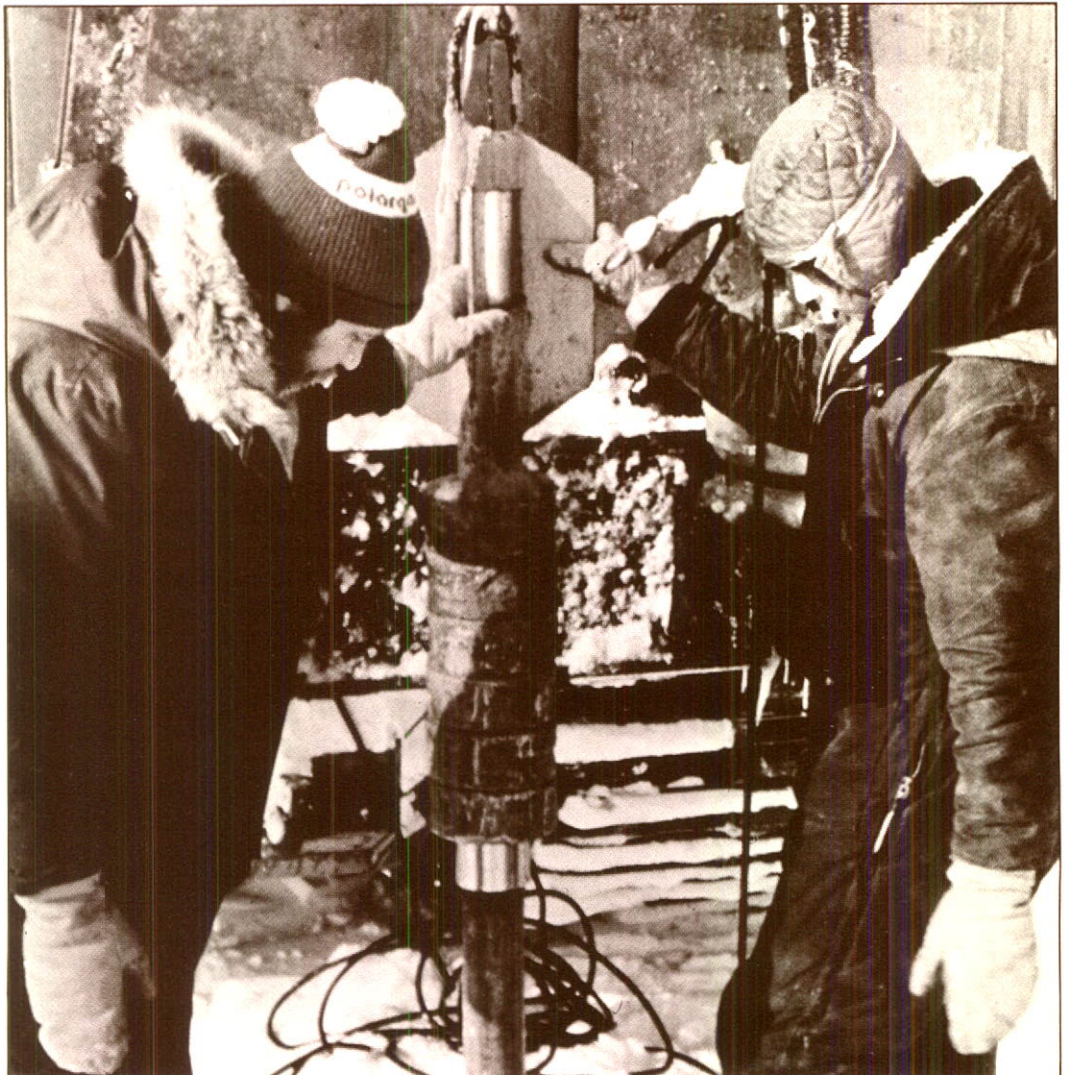
In 1980, Ontario Energy Resources Ltd. and two private oil companies began developing a program for oil and gas exploration in Hudson Bay. The group is seeking a license from the federal government to conduct a five year exploration program. The development of any commercial reserves discovered and construction of the required transportation system would take a number of years, making a new energy source available to Ontario within ten to twelve years. No decision had been made by the federal government on the license at year end.

The Corporation was part of a joint venture group which

undertook seismic exploration for oil and natural gas on approximately 45,000 acres in south-western Ontario in September and October 1980.

Assessment of the results has warranted additional seismic and exploratory work to be undertaken in 1981. The Corporation holds a one-third interest in this joint venture with two other private companies.

Four other proposals involving total expenditures of up to \$16.8 million for oil and natural gas exploration in southern Ontario over 3 to 5 year periods were under review at year end. Investment decisions will be made in 1981.





Lignite

Acting under an exploratory license issued in September 1980, Ontario Energy Resources Ltd. initiated a lignite exploration program to survey 1 million acres in the James Bay Lowlands area. This preliminary geological investigation, which included surface reconnaissance and out-crop sampling, confirmed the presence of lignite. Based on these encouraging findings, the Corporation has concluded that an expanded exploration program over a three year period is warranted involving an expenditure of at least \$4 million.

Lignite can be used as a fuel for the generation of electricity as well as feedstock for the production of alternate fuels. Research to determine the most effective end-use for lignite is underway and will be continued in 1981.

Peat and Oil Shale

Ontario Energy Resources Ltd. continued to examine the potential for the development of peat and oil shale resources in Ontario.

Two proposals relating to peat development were under review at year end. The province of Ontario possesses large deposits of peat which, due to rising energy prices, are becoming more attractive as a fuel source. The Corporation will be structuring a program to exploit the energy potential of this indigenous resource in 1981.

Preliminary investigations of the oil shale potential in Ontario were undertaken by the Corporation in 1980. It is estimated that the province has a potential of 180 billion barrels of oil equivalent in the form of shale. A five year program to confirm the presence of commercially exploitable oil shale reserves was underway at year end. A number of private companies have indicated an interest in pursuing oil shale development in Ontario and it is expected that a joint venture will be structured in mid 1981.

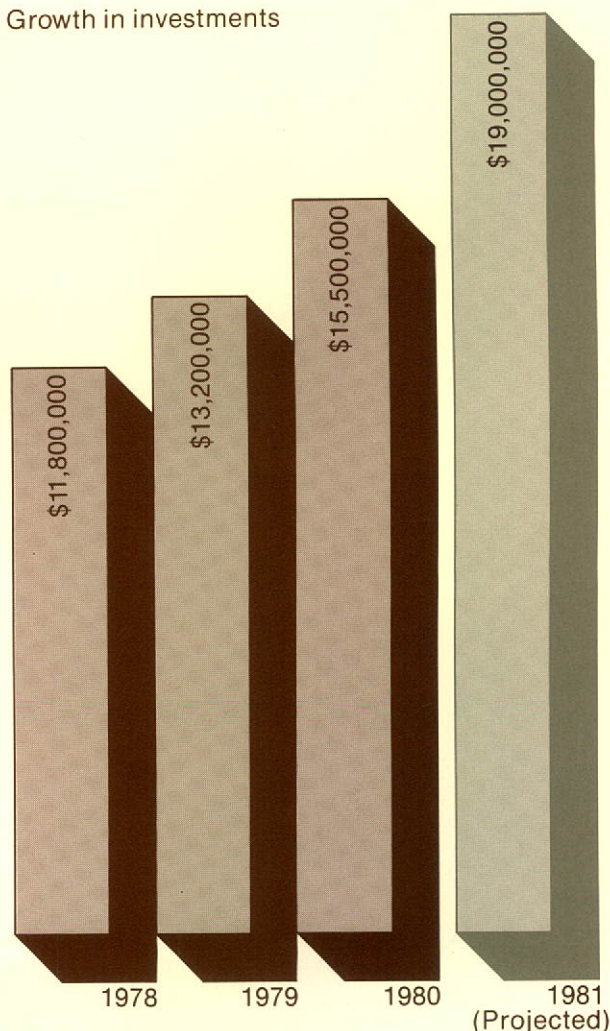
Preliminary investigation of a number of areas of potential activity were also underway at year end including recycling of used oil and enhanced recovery of remaining Ontario oil reserves not recoverable by conventional production methods.

Outlook

The incentives for oil and gas exploration provided under the National Energy Policy tabled by the federal government in October 1980 makes exploration by Canadian owned and controlled companies appealing. The Corporation is investigating the opportunities presented by the incentive program to increase its oil and gas exploration activity on provincial and federal lands. Where feasible, participation in off-shore exploration programs will be considered.

The Corporation will continue to encourage broad exploration programs in Ontario. The 1981 investment program will seek to meet this objective while balancing investment risk.

Growth in investments



Review of Operations

Ontario Alternate Energy Ltd.

While Ontario needs secure supplies of conventional oil and gas to meet its current energy requirements, the future of the province also lies in its ability to develop alternate energy from indigenous resources and to substitute these for non-renewable resources. During 1980, Ontario Alternate Energy Ltd. targeted energy from waste and alternate fuels as priority investment areas.

Energy from Waste

The Ontario Ministry of Energy has identified energy from waste as providing 3.8% of the province's primary energy requirement by 1995. The Ministry estimates that 8.5 million barrels of crude oil equivalent could be produced annually from municipal solid waste, forest (mill) residue and industrial by-product heat recovery. The Corporation pursued investment opportunities in each of these areas of energy-from-waste production throughout 1980.

In 1980, the Corporation began assessing possible joint-venture participation in two commercial energy-from-waste projects: the

Commissioner's Street Incinerator Waste Recovery project in Toronto, Ontario and the Nordfibre EFW project in North Bay, Ontario. Both projects involve the incineration of municipal solid waste for the production of steam and possible electricity for industrial use. These projects were still under review at year end. Investment decisions are expected in 1981.

In December 1980, the Corporation and Omnifuel Gasification Systems Ltd. agreed on the principles of a joint venture to develop and market commercial gasification systems which primarily use forest biomass to produce energy as a source of combustible gas for heating,

driving diesel engines or as a feedstock for the production of methanol.

The Corporation expects to participate as an equity partner committing \$1 million over the next three years in the development of this technology. A joint-venture agreement is expected to be signed in mid 1981.

Electrical Generation at SWARU

In March, the Ontario Energy Corporation joined with Tricil Ltd. of Hamilton, Ontario to assess the economics of adding electrical generating capacity to the refuse-burning plant (SWARU) of the Regional Municipality of Hamilton-Wentworth.





Results showed that the installation of a 4 megawatt turbine generator would allow garbage incineration and electricity production to take place simultaneously. This process would increase plant efficiency, improve operating costs at SWARU and provide an inexpensive, though small-scale, source of electricity for the Hydro grid. The steam produced from burning garbage will drive turbines to generate the electrical power equivalent of 800,000 gallons of fuel oil per year - enough to heat about 1,300 homes.

This will be the first commercial electric generation facility in Canada to be fueled by municipal solid waste. The \$2 million joint-venture agreement will be signed in early 1981.

Alternate Fuels

A significant effort was made during 1980 in the development of joint ventures to pursue the commercial production of methanol and ethanol as alternate transportation fuels from natural gas and biomass. Discussions were held with a number of private companies including a major gas transportation company and a major process company.

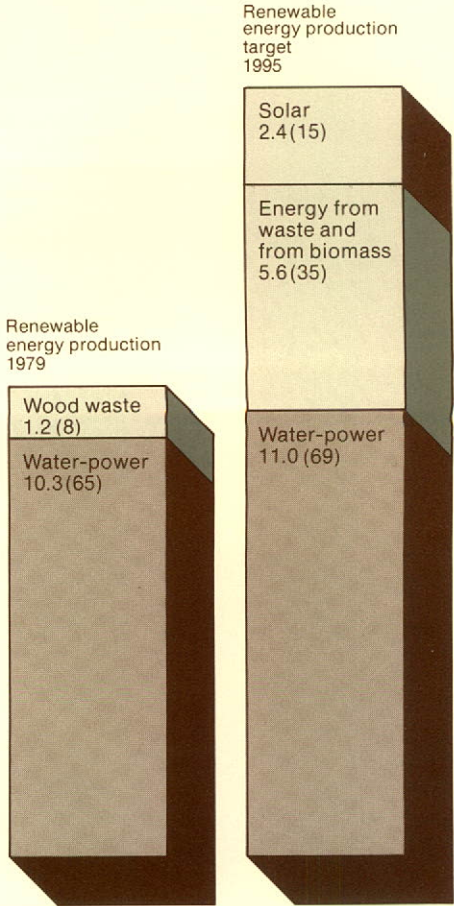
The Corporation expects to play a much more significant role in organizing, structuring and financing the commercial production of power alcohols in 1981. It will seek investments which will increase its capability to undertake the construction and operation of commercial scale ethanol and methanol production facilities. A unit within the Corporation will be set up in early 1981 to co-ordinate the orderly development of feedstocks for ethanol and methanol production, to plan, co-ordinate and develop markets for alternate fuels and to participate in the development of new technology where practical. Negotiations with private companies in many of these areas were already underway at year end. The Corporation expects investments in this area to increase by \$4 million in 1981.

Outlook

Emphasis on the development of commercial energy from waste facilities throughout the province will continue to be a priority strategy in 1981. The Corporation will seek to maximize where feasible, the Canadian content of energy-from-waste technology and will concentrate on participating in projects to demonstrate the commercial viability of new processes and systems.

In the area of transportation fuels, the focus will be on the commercial development, production and marketing of these fuels and creating an economic alternative to conventional gasoline on which consumers can depend.

The potential of renewable energy in Ontario by 1995



Note: Amounts are in annual equivalents in millions of cubic metres of crude oil (millions of barrels of crude oil in parentheses).
Source: Ontario Energy Review Second Edition

Review of Operations

Ontario PowerShare Ltd.

Ontario PowerShare Ltd. concentrated its activity on maximizing energy efficiency through the commercial development of co-generation and by-product heat projects. The development of thermal energy uses at the Bruce Nuclear Power Development has been by far the major area of activity of the PowerShare group.

The Bruce Energy Centre

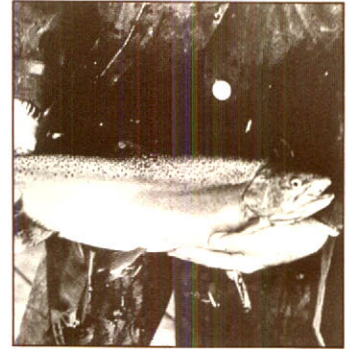
The Corporation continued its participation in the Bruce AgriPark waste heat project carrying a 21.7% interest in the joint venture. Crop production and monitoring work continued at the one acre prototype greenhouse constructed near Kincardine, Ontario by the Joint Venture in 1979. The prototype demonstrates the feasibility of utilizing waste heat from nuclear generating stations for agricultural purposes.

The 1980 spring tomato crop totalled 93,170 pounds from 7,700 plants averaging a total of 12.1 pounds per plant. Tomato and cucumber sales yielded \$69,555. Produce was sold throughout the year in Kincardine, Port

Elgin and the surrounding area. As sales indicate, consumer response was excellent.

Research conducted in mid 1980 confirmed the availability of excess steam as a power source from the Bruce Nuclear Generating Station, and the project evolved from an agri/aqua park to a more encompassing energy centre concept including industry in late 1980.

The development of the Bruce Energy Centre will be undertaken by a new joint venture overseeing activities in three areas: the Bruce AgriPark, first established in 1979 and two new areas of interest - the Bruce Industrial Park and the Bruce



Thermal Utility. In addition to being a major participant in the joint venture, the Ontario Energy Corporation also assumed overall project management responsibility in 1980.

Construction of a 24" pipeline from the generating station to industrial and agricultural customers is expected to begin in 1981



with completion scheduled for October 1982. Total cost is estimated at \$15 million. 2000 acres have already been optioned near the Bruce Plant for the energy centre development.

Industrial and local response to the project has been enthusiastic and positive. The steam capacity available over and above the amount needed to produce electricity is equivalent to about one-third of Ontario's current industrial demand and will ultimately be equivalent to almost 40,000 barrels of oil per day.

Beyond the industrial and agricultural development, the centre is envisaged as the focal point for the production of alternate transportation fuels such as hydrogen, ethanol and methanol. In keeping with its corporate strategy, the Ontario Energy Corporation will play a leading role in the development of the supply of alternate fuels for Ontario. The Bruce Energy Centre will be the largest energy centre of its kind in the world.

Other PowerShare projects under assessment at year end included a proposal to develop commercial applications for the utilization of waste heat and two proposals to develop and operate small hydraulic power stations. The Corporation is also considering participation in a unique opportunity to combine refuse disposal, cogeneration and district heating in the Ottawa region. Feasibility studies have been completed and work on the project is expected to begin in early 1981.

The potential use of lumber mill waste for electrical power generation and heat for greenhouse seedling production and other uses was also under review at year end. New investment in co-generation and waste heat utilization projects is expected to increase by \$2.8 million in 1981.

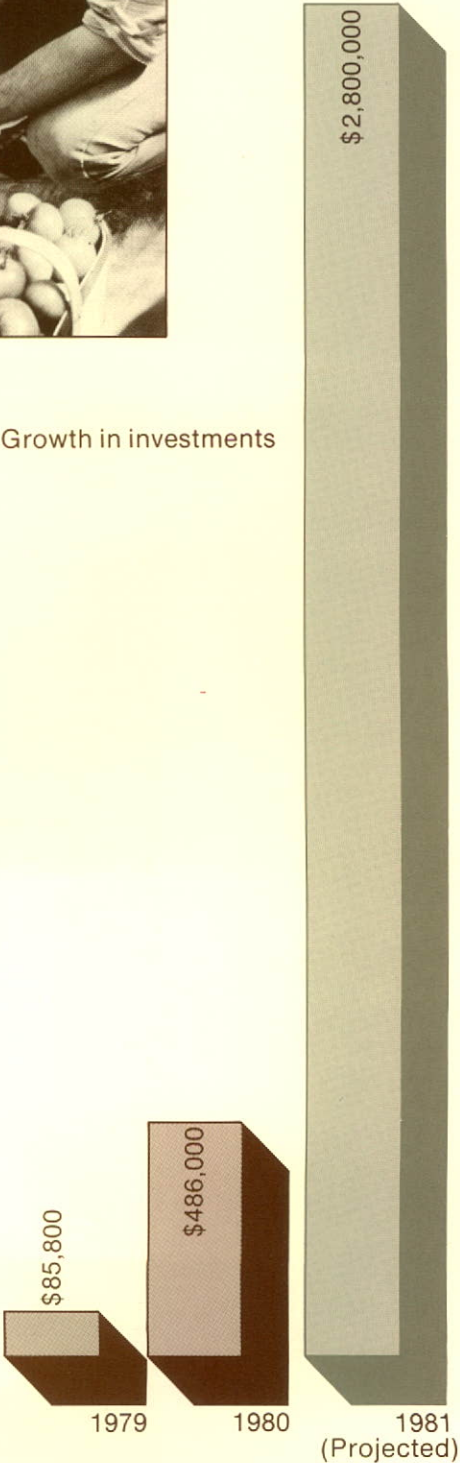
Outlook

In 1981 and beyond, PowerShare Ltd. will be most active in the development of the energy centre concept, co-generation and radiating/cascading energy systems on a large scale basis. Investments will seek to encourage the development and utilization of thermal energy.

In order to supplement electrical supply PowerShare is prepared to work with the private sector to build, finance and develop facilities for co-generation, parallel generation and aggregation of mini-loads. This strategy calls for increased investment in new technologies, the development of industrial sites for energy sharing and providing links between the producers and suppliers of energy.



Growth in investments



Review of Operations

Ontario Energy in Transportation Ltd.

During 1980 the Corporation's activities focused on the development and management of projects involving the efficient use of energy in transportation. Investments emphasized conservation, improved fuel efficiency of existing transportation modes and new transportation oriented technology. In its first year, commercial vanpooling has been at the forefront of the Corporation's activity. Investment in the field of computerized transit information systems also moved ahead quickly.

Commercial Vanpooling

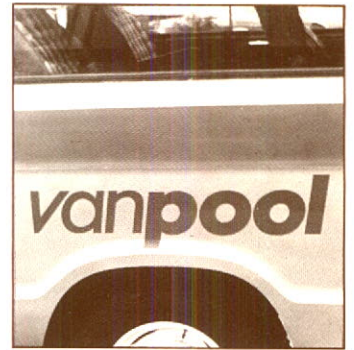
In April, an affiliate company, the Ontario Van Pool Organization Ltd. (OVPO) was established to promote commercial vanpooling. By August the first van was on the road and by the end of 1980, 16 vans with more than 170 people were commuting in the vicinities of Toronto and Ottawa.

In the fall, a commercial assessment study was undertaken to evaluate the success of the project. The results made available in December of this year were very encouraging, and suggested OVPO expand its van fleet to 100 vans. This expansion will be undertaken in 1981. Further investigation into car/vanpool

matching will also be undertaken next year.

Computerized Transit Systems

A joint-venture agreement was signed with the Teleride Corporation Ltd. (Toronto) in April 1980 to design, develop and market computerized transit information systems. Through the use of a talking computer which answers telephone calls, up-to-the-minute scheduling and routing information is made available to public transit passengers. The results of a pilot project conducted in Mississauga, Ontario, in 1979 have confirmed as much as a 35 per cent increase in ridership with the system. In September 1980, a bilingual computerized



assistance service was introduced to selected bus routes in Ottawa, Ontario.

The Corporation has committed up to \$2.8 million to this joint venture of which \$400,000 was expended in 1980. The system is being marketed throughout Canada and the United States.



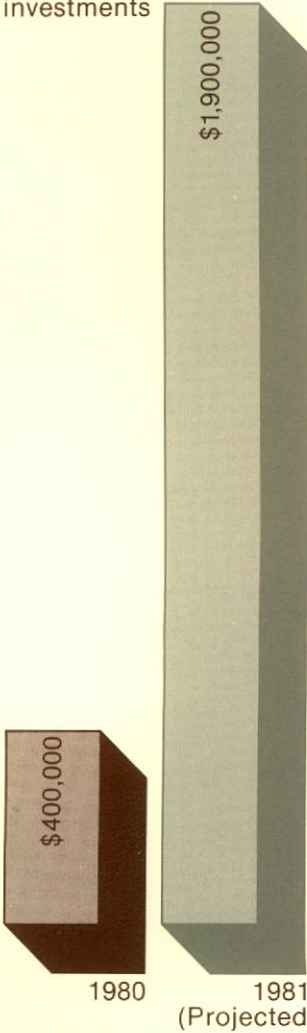
Further investment in the area of computerized transit technology is planned for 1981. At year end, joint venture negotiations were underway to acquire equity in an innovative computer-based system designed to assist the transit manager as opposed to the transit rider. The Corporation's investments in this area in 1981 will make it the North American leader in computerized transit technology.

Outlook

A primary strategy in 1981 and beyond will be to acquire equity in the transportation technology industry. Investment activity will be directed toward the gradual replacement of oil as the primary automotive fuel. Alternatives such as electricity, propane, hydrogen, power alcohols and the creation of the infrastructure required to permit the economical substitution of alternate fuels for fossil fuels will be developed. Investment in the area of computer and other high technology applications to public transit will be increased.



Growth in investments



Consolidated Balance Sheet

December 31, 1980

Ontario Energy Corporation

Assets	1980	1979
Current Assets		
Cash	\$ 220,410	\$ 63,884
Short-term deposits and accrued interest	26,989,238	27,358,351
Accounts receivable	39,637	2,385
Due from associated corporation (Note 3)	513,389	-
	27,762,674	27,424,620
Participation in Projects (Note 2)		
Polar Gas	15,008,220	13,242,897
Bruce Energy Centre	485,494	85,816
Computerized Transportation Systems	400,000	-
Oil, Gas and Coal Exploration	491,174	-
	16,384,888	13,328,713
Deferred Project Expenditures	172,204	78,032
Furniture and Equipment — less accumulated depreciation of \$12,760 (1979 - \$3,753)	51,989	33,781
	\$44,371,755	\$40,865,146

Auditors' Report

To the Shareholder of
Ontario Energy
Corporation:

We have examined the consolidated balance sheet of Ontario Energy Corporation as at December 31, 1980 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, 1980 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
Chartered Accountants
Toronto
April 21, 1981

Liabilities

	1980	1979
Current Liabilities		
Accounts payable and accrued charges	\$ 2,693,242	\$ 82,701
Current portion of loan from Treasurer of Ontario	75,000	-
	2,768,242	82,701
Loan from Treasurer of Ontario (Note 4)	637,500	-
	3,405,742	82,701

Approved by the Board:

Calculus Rowan

Director

G. Hitchman

Director

Shareholder's Equity

Share Capital

Authorized

2,000,000 common shares with no par value

20,000,000 non-voting special shares with
no par value

Issued and fully paid — 2,000,000 common shares	100,000,000	100,000,000
Less 1,700,000 common shares held in treasury — at cost	(85,000,000)	(85,000,000)

Retained Earnings	25,966,013	25,782,445
-------------------	------------	------------

40,966,013 40,782,445

\$ 44,371,755 \$40,865,146

Consolidated Statement of Income and Retained Earnings

Year ended December 31, 1980

Ontario
Energy
Corporation

	1980	1979
Interest	\$ 3,569,505	\$ 7,554,779
Additional costs on sale of participation in Syncrude Project (Note 5)	(2,500,000)	(626,903)
Gain on sale of oil sands leases	-	3,787,830
	1,069,505	10,715,706
General and administrative expenses (Notes 6 and 7)		
Salaries and employee benefits	503,434	134,468
Interest on loan from Treasurer of Ontario	76,998	569,037
Premises	35,283	16,442
Travel and meetings	44,111	15,575
Professional services	67,088	15,971
Communications	105,984	9,089
Office	44,032	7,908
Depreciation	9,007	3,753
Other	-	11,879
	885,937	784,122
Net Income	183,568	9,931,584
Retained Earnings, beginning of year	25,782,445	50,887,669
Dividend	-	(35,036,808)
Retained Earnings, end of year	\$25,966,013	\$25,782,445

Consolidated Statement of Changes in Financial Position

Year ended December 31, 1980



	1980	1979
Sources of Working Capital		
Operations		
Net income	\$ 183,568	\$ 9,931,584
Items not affecting working capital		
Depreciation	9,007	3,753
Gain on sale of oil sands leases	-	(3,787,830)
	192,575	6,147,507
Loan from Treasurer of Ontario	637,500	-
Proceeds from sale of oil sands leases	-	4,000,000
	830,075	10,147,507
Uses of Working Capital		
Participation in projects		
Polar Gas	1,739,000	1,515,988
Bruce Energy Centre	399,678	85,816
Computerized Transportation Systems	400,000	-
Southwestern Ontario Oil and Gas	254,818	-
James Bay Lowlands Lignite	236,356	-
Oil sands leases	-	187,483
	3,029,852	1,789,287
Deferred project expenditures	120,495	78,032
Purchase of furniture and equipment	27,215	37,534
Repurchase of issued common shares	-	85,000,000
Dividend	-	35,036,808
	3,177,562	121,941,661
Decrease in Working Capital	(2,347,487)	(111,794,154)
Working Capital, beginning of year	27,341,919	139,136,073
Working Capital, end of year	\$24,994,432	\$ 27,341,919

Notes to the Consolidated Financial Statements

December 31, 1980

Ontario Energy Corporation

1. Significant Accounting Policies

Basis of consolidation

The consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries which are:

Ontario Alternate Energy Ltd.
Ontario Energy In Transportation Ltd.
Ontario Energy Resources Ltd.
Ontario PowerShare Ltd.

Participation in projects

The costs of services provided to the Corporation, less any sundry revenues, are included as the cost of participation in projects. The accumulation of such costs as reflected on the balance

sheet does not purport to represent the present or future value of the Corporation's participation in such projects.

Deferred project expenditures

The Corporation capitalizes charges for services received in connection with projects it is investigating. If the Corporation does not expect to participate in a project or be able to obtain the benefit of its project costs from participation in a project, the related deferred project expenditures will be reflected as an expense. Deferred project expenditures for which the Corpora-

tion will receive a benefit will be treated in accordance with the applicable agreements.

Furniture and equipment

Furniture and equipment is stated at cost and is depreciated using the straight-line method over a period of sixty months.

Income taxes

The Corporation is not subject to income taxes so long as not less than 90% of its outstanding shares are held directly or indirectly by the Province of Ontario. All of the Corporation's outstanding shares are presently held by the Province of Ontario.

2. Participation in Projects

Polar Gas Project

The Corporation is one of five continuing participants, four of whom are presently providing funds, in the Polar Gas Project and accordingly bears 25% of the ongoing research costs and $33\frac{1}{3}\%$ 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.

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

Bruce Energy Centre

The Corporation is currently a 21.7% participant in the Bruce AgriPark joint venture, the initial purpose of which was to demonstrate the feasibility of utilizing waste heat produced at the Bruce Nuclear Power Development. Subsequent events have resulted in an expansion of the original concept to one which would develop an industrial park serviced by steam produced at the Bruce Nuclear Power Development and which will be known as the Bruce Energy Centre.

The original arrangement, which is subject to change, was that in the event a company is formed to construct and operate facilities for commercial, agricultural or aquacultural purposes, each participant's interest is convertible into equity and/or debt of such company. Alternatively, under certain circumstances, each

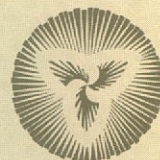
participant's interest may be repaid.

Prior to the corporation becoming a participant, the Province of Ontario incurred \$100,000 of costs related to the initial project the benefit from which will accrue to the corporation.

Computerized Transportation Systems

Ontario Energy In Transportation Ltd. has purchased for \$400,000 a 50% equity interest in this joint venture. Additionally, Ontario Energy Corporation has undertaken to advance up to \$2,400,000 to the joint venture to fund the continuing development and marketing of transit-oriented computer systems.

Until the advances are repaid, plus interest at the bank prime rate plus 1%, all profits will be allocated to the Corporation. The advances will be secured by a first right to all joint-venture assets.



Oil, gas and coal exploration

Southwestern Ontario Oil and Gas

In June 1980, the Corporation agreed to be a one-third participant in a joint venture to conduct oil and natural

gas exploration in an area in southwestern Ontario comprising approximately 45,000 acres.

James Bay Lowland Lignite Exploration Program

In September 1980, the Cor-

poration received a three-year Licence of Occupation to explore for minerals on approximately 1 million acres in the James Bay Lowlands. Preliminary exploration has commenced.

3. Due from Associated Corporation

Included in the amount due from an associated corporation, Ontario Van Pool Organization Ltd. (OVPO), is

a demand loan amounting to \$380,000 on which interest is payable annually in an amount equal to the reported

net profit before interest of OVPO.

4. Loan from Treasurer of Ontario

The loan bears interest at 13.75% per annum and is

repayable in 25 equal semi-annual instalments com-

mencing on September 30, 1980.

5. Sale of Participation in Syncrude Project

The Corporation sold its participation in the Syncrude Project in 1978 subject to final adjustment of the amount due to the purchaser

by the Corporation. Additional costs of \$626,903 were paid in 1979 and the Corporation has provided for an estimated additional

\$2,500,000 in 1980. The actual amount of the final adjustment is still to be determined.

6. General and Administrative Expenses

The general and administrative expenses of the Corporation to May 1, 1979 were

paid by the Province of Ontario, the Corporation's shareholder.

Corporate Information

Ontario Energy Corporation

Board of Directors

Malcolm Rowan, Chairman,
Deputy Minister,
Ministry of Energy,
Toronto, Ontario

George C. Hitchman,
Deputy Chairman,
Director of the
Bank of Nova Scotia,
Toronto, Ontario

David L. Campbell,
President,
David L. Campbell Ltd.
Consulting Engineers,
Toronto, Ontario

Rendall Dick, Q.C.
Deputy Treasurer
of Ontario,
Deputy Minister of
Economics,
Toronto, Ontario

W. Edwin Jarmain,
President,
Jarmain Communications
Inc.,
Toronto, Ontario

Thomas E. Kierans,
President & Director,
McLeod, Young, Weir Ltd.,
Toronto, Ontario

David Melnik, Q.C.,
Melnik and Saunders,
Toronto, Ontario

L.R. Wilson,
Deputy Minister,
Industry and Tourism,
Toronto, Ontario

Officers

Malcolm Rowan,
President

Peter Szego,
Vice President
Corporate Development
and Treasurer
Pro tempore

Robin Law, Q.C.,
Secretary and Legal
Counsel,
Blackwell, Law, Spratt,
Armstrong and Grass

Auditors

Deloitte, Haskins & Sells,
Toronto, Ontario



Ontario Energy Corporation
1200 Bay Street
11th floor
Toronto, Ontario

