

Financial Statements of

**EPRF ENERGY PROBE
RESEARCH FOUNDATION**

Year ended December 31, 2005



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AUDITORS' REPORT

To the Board of Directors of EPRF Energy Probe Research Foundation

We have audited the balance sheet of EPRF Energy Probe Research Foundation as at December 31, 2005 and the statements of revenue and expenses, deficit and net assets and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, 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 common with many charitable organizations, the Foundation derives revenue from donations, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Foundation. Further, the scope of our audit did not include verification of the value of contributed services and materials and the related volunteer staff labour expense include in the financial statements. Accordingly, we were not able to determine whether any adjustments might be necessary to revenue, expenses, excess (deficiency) of revenue over expenses, assets and net assets.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of donation revenue and the value of contributed services and materials as referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at December 31, 2005 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles. As required by the Ontario Corporations Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

Chartered Accountants

Toronto, Canada

April 28, 2006

EPRF ENERGY PROBE RESEARCH FOUNDATION

Balance Sheet

December 31, 2005, with comparative figures for 2004

	2005	2004
Assets		
Current assets:		
Cash	\$ 143,767	\$ 119,733
Marketable securities (market value - \$396; 2004 - \$270)	637	637
Accounts receivable (note 2)	201,243	106,875
	<u>345,647</u>	<u>227,245</u>
Capital assets (note 3)	335,791	361,135
Restricted assets (note 4)	102,083	98,993
	<u>\$ 783,521</u>	<u>\$ 687,373</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities (note 2)	\$ 64,318	\$ 303,065
Deferred revenue	136,367	51,107
Current portion of mortgage payable (note 5)	26,870	199,975
	<u>227,555</u>	<u>554,147</u>
Mortgage payable (note 5)	355,508	-
Net assets:		
Restricted Fund - Margaret Laurence Fund	282,957	288,407
General Fund:		
Net investment in capital assets	(46,587)	161,160
Unrestricted	(35,912)	(316,341)
	<u>200,458</u>	<u>133,226</u>
	<u>\$ 783,521</u>	<u>\$ 687,373</u>

See accompanying notes to financial statements.

On behalf of the Board:

_____ Director

_____ Director

EPRF ENERGY PROBE RESEARCH FOUNDATION

Statement of Revenue and Expenses

Year ended December 31, 2005, with comparative figures for 2004

	2005		2004	
	Restricted Fund	General Fund	Restricted Fund	General Fund
Revenue:				
Donations	\$ 3,600	\$ 393,371	\$ 28,413	\$ 312,351
Contributed services and materials (note 1(f))	-	720,000	-	720,000
Contracts and honoraria	-	83,241	-	95,709
Rent, investment and other	-	69,654	2,621	55,182
Government grants	-	4,442	-	9,034
Sale of publications and literature	-	48,378	-	21,543
Recovery of costs of hearings and court challenges	-	532,194	-	434,511
	3,600	1,851,280	31,034	1,648,330
Distributions	2,750	-	3,500	-
Other expenses:				
Staff:				
Volunteer staff labour (note 1(f))	-	720,000	-	720,000
Contract and salaries	1,800	387,804	1,500	367,354
Employee benefits	-	11,215	-	10,468
	1,800	1,119,019	1,500	1,097,822
Public information:				
Materials, postage and research	-	25,454	538	22,722
Conference and travel	-	9,937	-	8,419
Hearings and court challenges	-	529,606	-	435,189
Publication materials	-	2,591	-	3,497
	-	567,588	538	469,827
Office:				
Telephone	-	245	-	427
Stationery, office supplies and courier	-	16,820	-	8,186
Repairs and maintenance	-	409	-	515
Amortization of equipment	-	7,691	-	9,040
Professional fees	-	5,953	-	6,818
Other interest and bank charges	-	4,125	-	3,182
Foreign exchange and other	-	681	-	-
	-	35,924	-	28,168
Occupancy:				
Utilities, taxes and maintenance	-	16,470	-	18,938
Amortization of building	-	25,944	-	23,000
Interest on mortgage payable	-	18,153	-	13,310
	-	60,567	-	55,248
	1,800	1,783,098	2,038	1,651,065
Excess (deficiency) of revenue over expenses	\$ (950)	\$ 68,182	\$ 25,496	\$ (2,735)

See accompanying notes to financial statements.

EPRF ENERGY PROBE RESEARCH FOUNDATION

Statement of Net Assets

Year ended December 31, 2005, with comparative figures for 2004

	Margaret Laurence Fund	Net investment in capital assets	Unrestricted	2005	2004
Net assets, beginning of year	\$ 288,407	\$ 161,160	\$ (316,341)	\$ 133,226	\$ 110,465
Excess (deficiency) of revenue over expenses	(950)	(33,635)	101,817	67,232	\$ 22,761
Investment in capital assets	-	8,291	(8,291)	-	-
Repayment (issuance) of mortgage payable	-	(182,403)	182,403	-	-
Interfund transfer (note 6)	(4,500)	-	4,500	-	-
Net assets, end of year	\$ 282,957	\$ (46,587)	\$ (35,912)	\$ 200,458	\$ 133,226

See accompanying notes to financial statements.

EPRF ENERGY PROBE RESEARCH FOUNDATION

Statement of Cash Flows

Year ended December 31, 2005, with comparative figures for 2004

	2005	2004
Cash provided by (used in):		
Operations:		
Excess (deficiency) of revenue over expenses:		
Restricted fund	\$ (950)	\$ 25,496
General fund	68,182	(2,735)
Item not involving cash:		
Amortization of capital assets	33,635	32,040
	100,867	54,801
Changes in non-cash operating working capital:		
Increase in accounts receivable	(94,368)	(56,069)
Increase (decrease) in accounts payable and accrued liabilities	(238,747)	88,813
Increase (decrease) in deferred revenue	85,260	(18,528)
	(146,988)	69,017
Financing:		
Increase (decrease) in mortgage payable	182,403	(7,743)
Investments:		
Increase in restricted assets	(3,090)	(2,621)
Additions to capital assets	(8,291)	(4,732)
	(11,381)	(7,353)
Increase in cash	24,034	53,921
Cash, beginning of year	119,733	65,812
Cash, end of year	\$ 143,767	\$ 119,733
Supplemental cash flow information:		
Cash paid for interest	\$ 18,719	\$ 13,574

See accompanying notes to financial statements.

EPRF ENERGY PROBE RESEARCH FOUNDATION

Notes to Financial Statements

Year ended December 31, 2005

EPRF Energy Probe Research Foundation (the "Foundation") is incorporated in Ontario without share capital and is registered with Canada Revenue Agency, Taxation as a charitable organization. The Foundation's goals are to educate Canadians to the benefit of sound resource use and to promote the democratic process by encouraging individuals responsibility and accountability.

1. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared on the going concern basis which assumes the realization of assets and liquidation of liabilities in the normal course of business. The application of the going concern concept is dependent on the Foundation's ability to continue operations is contingent on obtaining sufficient donations to satisfy its objectives.

(b) Fund accounting:

The Foundation follows the restricted fund method of accounting for contributions.

The General Fund accounts for the Foundation's program delivery and administrative activities. This fund reports unrestricted resources.

The Margaret Laurence Fund was established to provide grants and scholarships to students, authors, researchers and publishers, working with the Foundation in collaborative projects, whose published work will foster an understanding of peace and the environment. Donations for this fund are recorded as received and gifts are made from the fund in accordance with its aims after the approval of the Board of Directors. The assets of the Margaret Laurence Fund are included in restricted assets and cash.

(c) Revenue recognition:

Restricted contributions are recognized as revenue of the appropriate restricted fund.

Unrestricted contributions are recognized as revenue of the General Fund in the year received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

EPRF ENERGY PROBE RESEARCH FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2005

1. Significant accounting policies (continued):

The Foundation incurs expenses of representation at various hearings as part of its normal activities. The suppliers of these services have, in some cases, agreed that these expenses are contingent upon recovery by the Foundation. The process for reimbursement can be a lengthy process lasting for many years and the Foundation is subject to counterclaims even after having received reimbursement. The Foundation records such cost reimbursements and the related contingent expenses only when all issues relating to the matter have been resolved within reason.

(d) Capital assets:

Land, building, building renovations and equipment are recorded at cost. Amortization is provided on a straight-line basis at the following annual rates:

Asset	Rate
Building and building renovations	5%
Equipment	20 to 33 1/3%

(e) Contributed services and materials:

The fair market value of certain materials, professional services and volunteer staff labour, which are provided to the Foundations without cost, is estimated by management and recognized as revenue and an expense in the financial statements.

(f) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates.

EPRF ENERGY PROBE RESEARCH FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2005

2. Related party transactions:

Included in accounts receivable is an amount of \$147,242 (2004 - \$93,979) for the rental of office space, due from a related company which is hired for administrative services. Total charges to this company during the year were \$100,818 (2004 - \$89,600). Total charges from this company during the year were \$53,070 (2004 - \$45,519). Included in accounts payable and accrued liabilities is an amount due from an employee of the Foundation in the amount of \$7,140 (2004 - nil). These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

3. Capital assets:

			2005	2004
	Cost	Accumulated amortization	Net book value	Net book value
Land	\$ 250,000	\$ -	\$ 250,000	\$ 250,000
Building and building renovations	472,508	389,804	82,704	108,648
Equipment	126,616	123,529	3,087	2,487
	\$ 849,124	\$ 513,333	\$ 335,791	\$ 361,135

4. Restricted assets:

Restricted assets are for the use of the Margaret Laurence Fund and consists of marketable securities with a market value of \$197,737 (2004 - \$172,888).

EPRF ENERGY PROBE RESEARCH FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2005

5. Mortgage payable:

	2005	2004
5% first mortgage, secured by property at 225 Brunswick Avenue, due August 31, 2010, payable in blended monthly instalments of \$2,239.18	\$ 382,378	\$ 199,975
Less current portion	26,870	199,975
	\$ 355,508	\$ -

Future required principal repayments are due as follows:

2006	\$ 26,870
2007	26,870
2008	26,870
2009	26,870
2010	274,898
	\$ 382,378

The Foundation has a \$100,000 line of credit. This is secured by a second collateral mortgage on the above property.

6. Interfund transfer:

The Margaret Laurence Fund granted \$4,500 (2004 - \$4,500) to the General Fund during the year.

EPRF ENERGY PROBE RESEARCH FOUNDATION

Notes to Financial Statements (continued)

Year ended December 31, 2005

7. Fair value of financial assets and financial liabilities:

The carrying values of cash, accounts receivable, accounts payable and accrued liabilities and short-term portion of mortgage payable approximate their fair values due to the relatively short periods to maturity of these items.

The fair value of the long-term portion of mortgage payable cannot be determined due to the limited amount of comparable market information.