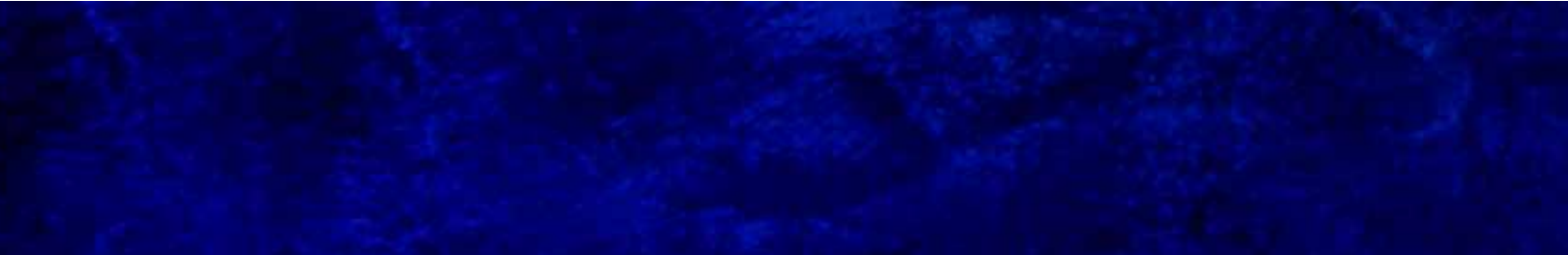




2010 ANNUAL REPORT 2011



**BOARD OF DIRECTORS
NEWFOUNDLAND
OCEAN ENTERPRISES LIMITED**



CONTENTS

Message from the Chair	2
Overview	3
Mandate	3
Primary Clients	3
Vision	4
Mission	4
Board's Objective and Activities	5
Objective 1	5
Appendix A: Financial Statements	6

MESSAGE FROM THE CHAIR

As Chair of the board of directors of Newfoundland Ocean Enterprises Limited, I am pleased to present the board's Annual Report for 2010-11.

Newfoundland Ocean Enterprises Limited is classified as a category three entity under the Transparency and Accountability Act. The board must prepare an annual report that clearly outlines the activities it has undertaken within its mandate and current budget, for the preceding fiscal year. In accordance with the Transparency and Accountability Act, this report was prepared under the direction of the board, which is accountable for the results reported herein.

Sincerely,



Brent Meade
Chair
Newfoundland Ocean Enterprises Limited

OVERVIEW

In October 2011, the Department of Innovation, Trade and Rural Development was part of government's restructuring of departments. This resulted in INTRD being merged with the Department of Business and being re-named the Department of Innovation, Business and Rural Development (IBRD). As this report is for the period ending March 31, 2011 all references to the two departments will be as they were named on that date. Any changes that will result in the two departments merging will be reflected in the next year's report.

Marystown Shipyard Limited (MSL) was established in 1966 to secure the needs of the province's fishing industry for new vessel construction and repair. Newfoundland Ocean Enterprises Limited (NOEL) was established in 1988 under the Corporations Act as the parent corporation of MSL. All reporting activity is through this corporate entity.

In 1998, the MSL assets were sold to Friede Goldman Newfoundland Limited (FGNL) and, in 2002, were sold by FGNL to Peter Kiewit Sons Co. Limited (PKS). The Environmental Indemnification Agreement, which was originally entered into between government and FGNL, was transferred from FGNL to PKS.

NOEL is a shell corporation, which operates as an arms-length Crown Corporation with a Board of Directors reporting to the Minister of Innovation, Trade and Rural Development. NOEL does not carry on active business; but, is maintained to provide closure to issues such as environmental remediation and any legal claims which may arise subsequent to the divestiture.

NOEL has a board of directors consisting of five senior public sector representatives, as follows:

- Deputy Minister of Innovation, Trade and Rural Development, Chairperson
- Assistant Deputy Minister, Innovation, Trade and Rural Development
- Director, Business Analysis, Innovation, Trade and Rural Development
- Manager, Enterprise Services, Business Analysis, Innovation, Trade and Rural Development
- Assistant Deputy Minister, Industrial Benefits, Natural Resources

The corporation does not have its own staff. The Department of Innovation, Trade and Rural Development (INTRD) provides administrative support to the board.

Mandate

The board of directors of Newfoundland Ocean Enterprises Limited does not have a formally defined mandate. It exists only to deal with any outstanding issues that may arise subsequent to the divestiture of MSL's assets.

Primary Clients

The board's primary responsibility is to the Provincial Government by handling outstanding issues that may arise subsequent to the divestiture of MSL's assets.

Vision

The vision of the Department of Innovation, Trade and Rural Development is of "a diversified, competitive economy with productive and prosperous regions across the province."

The work of the board supports the vision of the INTRD by handling expeditiously, issues arising subsequent to the divestiture of MSL's assets.

Mission

The mission statement of the Department of Innovation, Trade and Rural Development identifies the priority focus area of the Minister over the current planning cycle. It represents the key longer-term result that the Minister and the board will work towards to achieve the strategic directions of government.

The mission of INTRD was as follows:

By 2011, the Department of Innovation, Trade and Rural Development will have stimulated economic and business development to foster regional and provincial prosperity.

The work of the board supports the strategic directions of government and the mission of the Department of Innovation, Trade and Rural Development by handling expeditiously, issues arising subsequent to the divestiture of MSL's assets.

BOARD'S OBJECTIVE AND ACTIVITIES

In consideration of its mandate, the board's only required activity is an annual meeting to discuss any issues that may require the board's attention as well as consider and approve the annual audited financial statements.

Objective 1

The board will meet to review and approve annual audited financial statements.

Measure

Audited financial statements

Indicator

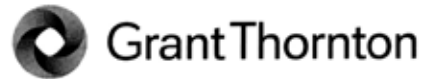
Audited financial statements reviewed and approved.

Activities

The board met once in 2010-11 to review and approve the corporation's audited financial statements for the year ended March 31, 2010.

The board also considered a claim for lead paint abatement by Peter Kiewit Sons Co.Ltd, under an Environmental Indemnity Agreement which was conveyed to Peter Kiewit Sons Co. Ltd pursuant to an assignment agreement dated March 27, 2002. INTRD provided funding and worked with the environmental consultants resolving this issue in the reporting period.

Appendix A: Financial Statements



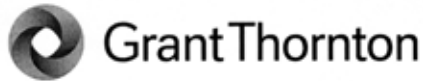
Consolidated Financial Statements

Newfoundland Ocean Enterprises Limited

March 31, 2011

Contents

	Page
Independent Auditors' Report	1-2
Consolidated Statements of Loss and Deficit	3
Consolidated Balance Sheet	4
Consolidated Statement of Cash Flows	5
Notes to the Consolidated Financial Statements	6-7



Independent auditor's report

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To the Shareholders of

Newfoundland Ocean Enterprises Limited

We have audited the accompanying consolidated financial statements of Newfoundland Ocean Enterprises Limited, which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statement of loss and deficit and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

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appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Newfoundland Ocean Enterprises Limited as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador

June 13, 2011

Grant Thornton LLP

Chartered Accountants

Newfoundland Ocean Enterprises Limited
Consolidated Statements of Loss and Deficit

Year Ended March 31	2011	2010
Revenue		
Recoveries and sundry	\$ 167	\$ 17
Expenses		
Interest	87	61
Other costs	3,721	17,924
	<u>3,808</u>	<u>17,985</u>
Net loss	\$ (3,641)	\$ (17,968)
Deficit, beginning of year	\$ (90,768,101)	\$ (90,750,133)
Net loss	<u>(3,641)</u>	<u>(17,968)</u>
Deficit, end of year	\$ (90,771,742)	\$ (90,768,101)

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Consolidated Balance Sheet

March 31	2011	2010
Assets		
Current		
Cash and cash equivalents	\$ 43,401	\$ 47,515
Liabilities		
Current		
Payables and accruals	\$12,143	\$ 12,616
Shareholders' Equity		
Capital stock (Note 3)	3,000	3,000
Contributed surplus (Note 4)	90,800,000	90,800,000
Deficit	(90,771,742)	(90,768,101)
	31,258	34,899
	\$ 43,401	\$ 47,515

Contingency (Note 5)

On behalf of the Board

Kyle An

Director

K.R. Thompson

Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Cash Flows

Year Ended March 31	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Net loss	\$ (3,641)	\$ (17,968)
Change in non-cash operating working capital	<u>(473)</u>	<u>(2,300)</u>
	<u>(4,114)</u>	<u>(20,268)</u>
Net decrease in cash and cash equivalents	(4,114)	(20,268)
Cash and cash equivalents		
Beginning of year	<u>\$ 47,515</u>	<u>67,783</u>
End of year	<u>\$ 43,401</u>	<u>\$ 47,515</u>

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2011

1. Operations

The Company ceased active operations on January 1, 1998.

2. Summary of significant accounting policies

Basis of presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Significant accounting policies are set out below.

Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly owned subsidiaries Marystown Shipyard Limited and Vinland Industries Limited, and Vinland Industries, a Limited Partnership.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and balances with banks, net of any overdrafts. Bank borrowings are considered to be financing activities.

3. Capital stock

2011

2010

Authorized

An unlimited number of common shares of no par value

Issued

3 shares

\$ 3,000

\$ 3,000

Newfoundland Ocean Enterprises Limited

Notes to the Consolidated Financial Statements

March 31, 2011

4. Contributed surplus

In 2005, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of \$5,400,000 to retire the operating loan.

In 1999, the Government of Newfoundland and Labrador advanced funds to the Company in the amount of \$85,400,000 to retire the bankers' acceptances and certain other debt.

5. Contingency

The Company is a party to an agreement dated March 27, 2002 assigning an Environmental Indemnity Agreement (the "Agreement") effective December 31, 1997 between the Government of Newfoundland and Labrador, Friede Goldman Marystown Limited and Peter Kiewitt Sons Co. Ltd.

On May 15, 2009 the Government of Newfoundland and Labrador received notice from Kiewitt Offshore Services of a potential claim under the Agreement concerning the shipyard facilities. The claim was amended by virtue of a second notice dated December 21, 2010.

The Province hired a consultant to remediate the situation that gave rise to the claim. Funding was allocated in the Province's 2010/11 budget under the Department of Innovation Trade and Rural Development and direction has been provided to proceed with the remediation.

6. Financial instruments

Fair values of financial instruments are disclosed in the notes to the financial statements when they differ from the carrying amounts. Where amounts receivable and payable are subject to normal credit terms, their carrying amount is used as an approximation of their fair values.

NOTES



