

# **Oil and Gas Corporation of Newfoundland and Labrador**

**Consolidated financial statements**

**December 31, 2021**



## Management's responsibility for financial reporting

The accompanying consolidated financial statements and supplementary financial information schedules of **Oil and Gas Corporation of Newfoundland and Labrador** are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The external auditors, Ernst & Young LLP, conduct an audit in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of **Oil and Gas Corporation of Newfoundland and Labrador** and meet when required.



Director



Director

# Independent auditor's report

To the Board of Directors of  
**Oil and Gas Corporation of Newfoundland and Labrador**

## Opinion

We have audited the consolidated financial statements of **Oil and Gas Corporation of Newfoundland and Labrador** ["Oilco"], which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net assets (debt) and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Oilco as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

## Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of Oilco in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing Oilco's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Oilco or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Oilco's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Oilco's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Oilco's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Oilco to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. John's, Canada  
April 6, 2022

*Ernst & Young LLP*

Chartered Professional Accountants



# Oil and Gas Corporation of Newfoundland and Labrador

## Consolidated statement of financial position

[in thousands of Canadian dollars]

As at December 31

	2021	2020
	\$	\$
<b>Assets</b>		
Cash	7,080	5,009
Accounts receivable <i>[note 4]</i>	4,707	3,408
	<u>11,787</u>	<u>8,417</u>
<b>Liabilities</b>		
Accounts payable <i>[notes 6 and 10]</i>	7,238	11,655
Deferred contribution <i>[note 8]</i>	533	543
Deferred revenue	724	755
	<u>8,495</u>	<u>12,953</u>
Net assets (debt)	<u>3,292</u>	<u>(4,536)</u>
<b>Non-financial assets</b>		
Tangible capital assets, net <i>[note 5]</i>	4,944	3,788
Exploration assets <i>[note 7]</i>	45,851	24,037
Prepaid expenses	519	599
	<u>51,314</u>	<u>28,424</u>
Accumulated surplus	<u>54,606</u>	<u>23,888</u>

Commitments and contingencies *[note 14]*

Subsequent events *[note 16]*

See accompanying notes

On behalf of the Board:

  
Director

  
Director

## Oil and Gas Corporation of Newfoundland and Labrador

### Consolidated statement of operations and accumulated surplus [in thousands of Canadian dollars]

Year ended December 31

	Budget	2021	2020
	\$	\$	\$
<b>Revenue</b>			
Grant revenue	43,422	30,427	30,034
Other revenue <i>[note 12]</i>	5,229	11,486	5,181
Lease revenue	625	3,613	1,290
Net finance income	—	14	35
Other income	—	—	238
	<u>49,276</u>	<u>45,540</u>	<u>36,778</u>
<b>Expenses</b>			
Operating costs <i>[note 11]</i>	12,332	11,437	9,963
Amortization of exploration assets	—	2,333	174
Amortization of tangible capital assets	923	685	670
Exploration expenses	—	367	92
Restructuring cost <i>[note 15]</i>	—	—	1,991
	<u>13,255</u>	<u>14,822</u>	<u>12,890</u>
<b>Annual surplus</b>	36,021	30,718	23,888
Accumulated surplus, beginning of year	23,888	23,888	—
<b>Accumulated surplus, end of year</b>	<u>59,909</u>	<u>54,606</u>	<u>23,888</u>

See accompanying notes

## Oil and Gas Corporation of Newfoundland and Labrador

### Consolidated statement of change in net assets (debt)

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
<b>Annual surplus</b>	<b>30,718</b>	23,888
Amortization of tangible capital assets	685	670
Acquisition of tangible capital assets	(1,841)	(4,458)
Amortization of exploration assets	2,333	174
Acquisition of exploration assets	(24,147)	(24,211)
Prepaid expenses	80	(599)
<b>Change in net assets (debt)</b>	<b>7,828</b>	(4,536)
Net debt, beginning of year	(4,536)	—
<b>Net assets (debt), end of year</b>	<b>3,292</b>	(4,536)

*See accompanying notes*

# Oil and Gas Corporation of Newfoundland and Labrador

## Consolidated statement of cash flows

[in thousands of Canadian dollars]

Year ended December 31

	2021	2020
	\$	\$
<b>Operating transactions</b>		
Annual surplus	30,718	23,888
Adjustments for		
Amortization of tangible capital assets	685	670
Amortization of exploration assets	2,333	174
Gain on sale of tangible capital assets	(500)	—
	<u>33,236</u>	<u>24,732</u>
Changes in non-cash assets and liabilities related to operations		
Increase in accounts receivable	(1,299)	(3,408)
Decrease (increase) in prepaid expenses	80	(599)
Increase (decrease) in accounts payable	(4,417)	11,655
Increase (decrease) in deferred revenue	(31)	755
Increase (decrease) in deferred contribution	(10)	543
<b>Cash provided by operating transactions</b>	<u>27,559</u>	<u>33,678</u>
<b>Capital transactions</b>		
Purchase of tangible capital assets	(1,841)	(4,458)
Proceeds on sale of tangible capital assets	500	—
Purchase of exploration asset	(24,147)	(24,211)
<b>Cash used in capital transactions</b>	<u>(25,488)</u>	<u>(28,669)</u>
<b>Net increase in cash during the year</b>	2,071	5,009
Cash, beginning of year	5,009	—
<b>Cash, end of year</b>	<u>7,080</u>	<u>5,009</u>

See accompanying notes



# Oil and Gas Corporation of Newfoundland and Labrador

## Notes to consolidated financial statements

December 31, 2021

### 1. Nature of the entity

Oil and Gas Corporation of Newfoundland and Labrador ["Oilco"] is a Crown corporation established under its enabling statute, the Oil and Gas Corporation Act (NL), which was proclaimed on January 1, 2020. Reporting directly to the Minister Industry, Energy and Technology, Oilco focuses on maximizing opportunities for growth in the Newfoundland and Labrador's offshore oil and gas industry and aims to position the Province of Newfoundland and Labrador [the "Province"] as a globally preferred location for Oilco development. As well, Bull Arm Fabrication Inc., a subsidiary of Oilco, operates on a site leased from the Province for a term of 30 years for a nominal amount of \$1 per annum, which expires March 2022. This site is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large scale fabrication. Oilco activities are aimed at maximizing exploration investments in Newfoundland and Labrador, to acquire and manage the Province's equity interests in Oilco projects and enhance local supply chain development opportunities in support of Advance 2030 – the Way Forward on Oil and Gas.

Oilco is exempt from paying income taxes under Section 149(1) (d.2) of the *Income Tax Act*.

### 2. Summary of significant accounting policies

#### Basis for accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for government organizations, as recommended by the Public Sector Accounting Board.

#### Basis of consolidation

Bull Arm Fabrication Inc. is a 100% owned subsidiary of Oilco. These consolidated financial statements reflect the assets, liabilities, revenues and expenses for the activity of these entities. All inter-entity assets, liabilities, revenues, and expenses have been eliminated.

#### Revenue recognition

Grant revenue is recognized as revenues when the grant is authorized and any eligibility criteria are met, except to the extent that grant stipulations give rise to an obligation that meets the definition of a liability. Grants are recognized as deferred revenue when transfer stipulations give rise to a liability. Grant revenue is recognized in the consolidated statement of operations and accumulated surplus as the stipulation liabilities are settled.

Lease revenue is recognized when services have been rendered, recovery of the consideration is probable, and the amount of revenue can be reliably measured.

Revenue related to fees for services received in advance of the services being performed is deferred and recognized when the service is performed, amount of revenue can be reasonably measured and collection is reasonably assured.

Revenue associated with the sale of geoscientific data is recognized when the terms and conditions governing sales have been met, the amount of revenue can be reliably measured, and recovery of the consideration is probable.

# Oil and Gas Corporation of Newfoundland and Labrador

## Notes to consolidated financial statements

December 31, 2021

### Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. Cost includes materials, labour, contracted services and professional fees.

Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation. When significant parts of tangible capital assets are required to be replaced at intervals, Oilco recognizes such parts as individual assets with specific useful lives and amortization, respectively. Repairs and maintenance costs are expensed as incurred.

Amortization is recorded on a straight-line basis over the estimated life of the tangible capital asset commencing once the asset is available for productive use as follows:

Computer hardware	5 years
Computer software	10 years
Office furniture and equipment	20 years
Leasehold improvements	5–50 years
Buildings	18 years
Module hall door	26 years
Visitor centre	42 years
Other	5–25 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Oilco's ability to provide goods and services, or when the value of future economic benefits associated with the tangible capital assets are less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations and accumulated surplus.

### Exploration assets

Costs related to the purchase of seismic surveying are capitalized and amortized over their expected useful lives of six years. Exploration assets are tested for impairment when events or circumstances indicate that their carrying amount may not be recoverable.

### Employee future benefits

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. Contributions by Oilco to this plan are recognized as an expense when employees have rendered service entitling them to the contributions. Assets and liabilities associated with this Plan are held with the Province.

### Foreign currencies

Transactions in currencies other than Oilco's functional currency (foreign currencies) are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Foreign exchange gains and losses are included in the consolidated statement of operations and accumulated surplus as other expense.

# Oil and Gas Corporation of Newfoundland and Labrador

## Notes to consolidated financial statements

December 31, 2021

### Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of revenue and expenses during the reporting period. These estimates include useful lives of tangible capital assets and employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

### 3. Accounting changes

In fiscal 2020, Oilco early adopted Public Sector Guideline 8, *Purchased intangibles* ["PSG-8"]. PSG-8 requires the recognition of purchased intangibles in the consolidated financial statements. It is effective for fiscal years beginning on or after April 1, 2023; however, early adoption is encouraged. The adoption resulted in the recognition of intangibles assets in the consolidated statement of financial position of \$48,358K [2020 – \$24,211K] [note 7]. Oilco also recognized \$2,333K [2020 – \$174K] in amortization of intangible assets related to the purchased intangibles.

### 4. Accounts receivable

As at December 31 [thousands of Canadian dollars]

	2021	2020
	\$	\$
0–60 days	3,326	1,249
60+ days	—	269
HST receivable	1,381	1,890
	<u>4,707</u>	<u>3,408</u>

**Oil and Gas Corporation of Newfoundland and Labrador**

**Notes to consolidated financial statements**

December 31, 2021

**5. Tangible capital assets**

*As at December 31 [thousands of Canadian dollars]*

	Computer hardware \$	Computer software \$	Office furniture and equipment \$		Leasehold improvements \$	Module hall door \$	Visitor centre \$	Buildings \$	Other \$	Construction in progress \$	Total \$
			Computer hardware \$	Computer software \$							
<b>Cost</b>											
Balance, January 1, 2021	430	1,154	39	700	240	532	31	848	484	4,458	
Additions	19	117	—	1	—	—	—	103	1,601	1,841	
Disposals	—	—	—	—	—	—	—	—	—	—	
Balance, December 31, 2021	449	1,271	39	701	240	532	31	951	2,085	6,299	
<b>Accumulated amortization</b>											
Balance, January 1, 2021	159	197	2	237	16	16	5	38	—	670	
Amortization	138	204	2	250	16	16	5	54	—	685	
Disposals	—	—	—	—	—	—	—	—	—	—	
Balance, December 31, 2021	297	401	4	487	32	32	10	92	—	1,355	
Net book value, December 31, 2021	152	870	35	214	208	500	21	859	2,085	4,944	

**Oil and Gas Corporation of Newfoundland and Labrador**

**Notes to consolidated financial statements**

December 31, 2021

	Computer hardware \$	Computer software \$	Office		Leasehold improvements \$	Module hall door \$	Visitor centre \$	Buildings \$	Other \$	Construction in progress \$	Total \$
			furniture and equipment \$	equipment \$							
<b>Cost</b>											
Balance, January 1, 2020	—	—	—	—	—	—	—	—	—	—	—
Additions	430	1,154	39	—	700	240	532	31	848	484	4,458
Disposals	—	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2020	430	1,154	39	—	700	240	532	31	848	484	4,458
<b>Accumulated amortization</b>											
Balance, January 1, 2020	—	—	—	—	—	—	—	—	—	—	—
Amortization	159	197	2	—	237	16	16	5	38	—	670
Disposals	—	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2020	159	197	2	—	237	16	16	5	38	—	670
Net book value, December 31, 2020	271	957	37	—	463	224	516	26	810	484	3,788

Included in additions for the year ended December 31, 2020 are the 2019 net book values of Bull Arm Fabrication Inc.'s tangible capital assets. This is a result of the restructuring transaction that took place during the year ended December 31, 2020 as set out in note 15.

# Oil and Gas Corporation of Newfoundland and Labrador

## Notes to consolidated financial statements

December 31, 2021

### 6. Accounts payable

*As at December 31 [thousands of Canadian dollars]*

	2021 \$	2020 \$
Trade payables	6,511	5,621
Due to related parties <i>[note 10]</i>	62	6,034
HST payable	665	—
	<u>7,238</u>	<u>11,655</u>

### 7. Exploration assets

Exploration assets comprise expenditures related to 2D and 3D seismic data, geoscientific studies and a resource assessment.

*As at December 31 [thousands of Canadian dollars]*

	2021	2020 \$
<b>Cost, January 1, 2021</b>	<b>24,211</b>	<b>—</b>
Additions	24,147	24,211
Disposals	—	—
<b>Balance, December 31, 2021</b>	<b>48,358</b>	<b>24,211</b>
<b>Accumulated amortization, January 1, 2021</b>	<b>174</b>	<b>—</b>
Amortization	2,333	174
Disposals	—	—
<b>Balance, December 31, 2021</b>	<b>2,507</b>	<b>174</b>
<b>Net carrying amount, December 31, 2021</b>	<b>45,851</b>	<b>24,037</b>

## Oil and Gas Corporation of Newfoundland and Labrador

### Notes to consolidated financial statements

December 31, 2021

#### 8. Deferred contribution

During 2020, Bull Arm Fabrication Inc. received Mooring Bollards with a fair value of \$616K from an unrelated party in exchange for a rent concession in the amount of \$52K. The difference between the fair value and the rent concession was recorded as a deferred contribution and is amortized over the useful life of the asset, which is determined to be 25 years.

During 2021, an unrelated party completed work on a sewage system for the Company with a fair value of \$13K. This has been recorded as a deferred contribution and will be amortized over the useful life of the asset, which is determined to be 20 years.

As at December 31 [thousands of Canadian dollars]

	2021	2020
	\$	\$
Deferred contribution, beginning of year	543	—
Additions	13	564
Less revenue recognized	(23)	(21)
Deferred contribution, end of year	533	543

#### 9. Employee future benefits

##### Pension plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the year ended December 31, 2021 of \$354K [2020 – \$374K] were expensed as incurred [note 11].

#### 10. Related party transactions

- [i] Oilco operates on a site leased from the Province for a term of 30 years for a nominal amount of \$1 per annum, which expires March 2022.
- [ii] As at December 31, 2021, Oilco had a net payable to Nalcor Energy – Oil and Gas Inc. of nil [2020 – \$5.7 million] related to transition of operations. The prior year net payable was forgiven during the current year.
- [iii] For the period ended December 31, 2021, Oilco earned \$4.2 million [2020 – \$4.2M] for the management of Nalcor Energy – Oil and Gas Inc. assets, as set out in the management services agreement.
- [iv] As at December 31, 2021, Oilco had a net payable to Nalcor Energy of \$62K [2020 – \$305K] related to operations.
- [v] For the period ended December 31, 2021, Oilco was charged \$233K [2020 – \$194K] by Nalcor for IT – related services [note 11].

# Oil and Gas Corporation of Newfoundland and Labrador

## Notes to consolidated financial statements

December 31, 2021

### 11. Operating costs

As at December 31 [thousands of Canadian dollars]

	2021 \$	2020 \$
Salaries and benefits [note 9]	4,298	4,358
Professional services	1,963	1,744
Software maintenance [note 10]	1,363	1,214
Utilities	2,111	806
Site maintenance and materials	585	708
Building rental	513	511
Insurance	404	357
Other operating costs	200	265
	<u>11,437</u>	<u>9,963</u>

### 12. Other revenue

Other income includes [thousands of Canadian dollars]

	2021 \$	2020 \$
Forgiveness of payables to Nalcor Energy – Oil and Gas Inc. related to the transition of 2019 operations	4,984	—
Management fee related to management of Nalcor Energy – Oil and Gas Inc. assets	4,215	4,200
Seismic revenue	2,064	912
Proceeds on disposal of tangible capital assets	500	—
Amortization of deferred contributions	23	69
Foreign currency losses	(300)	—
	<u>11,486</u>	<u>5,181</u>

### 13. Financial instruments and risk management

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. Oilco determines the classification of its financial instruments at initial recognition.

Cash is classified at fair value. Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Oilco is exposed to certain credit, liquidity and foreign exchange risks from its financial instruments. This note describes Oilco's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below and throughout these consolidated financial statements.



# **Oil and Gas Corporation of Newfoundland and Labrador**

## **Notes to consolidated financial statements**

December 31, 2021

### **Credit risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Oilco is exposed to credit risk through its accounts receivable. The degree of exposure to credit risk on cash and accounts receivable is determined by the financial capacity and stability of those customers and counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the consolidated statement of financial position at the reporting date. As at December 31, 2021, there was no allowance [2020 – nil] for doubtful accounts included in accounts receivables.

### **Liquidity risk**

Liquidity risk is the risk that Oilco will encounter difficulty in meeting obligations associated with financial liabilities. Oilco is exposed to liquidity risk through its accounts payable, and Oilco's potential inability to pay as a result of cash flow constraints. Oilco's liquidity risk management activities are directed to ensuring cash is available to meet those obligations as they become due. Oilco mitigates its liquidity risk through cash on hand and financial support from the Government of Newfoundland and Labrador.

### **Foreign exchange risk**

Oilco is exposed to foreign exchange price risk on its sales, payables and purchases, some of which are denominated in US dollars.

### **14. Commitments and contingencies**

Oilco is subject to various legal proceedings and claims in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, management currently believes Oilco's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, is not expected to materially affect the financial position of Oilco.

### **15. Restructuring transactions**

In March 2019, the Government of Newfoundland and Labrador announced the establishment of Oilco to promote and support the province's oil and gas industry, including encouraging new research and development. As part of this transition, Bull Arm Fabrication Inc., an entity that operates a fabrication facility leased from the Province, transferred from Nalcor Energy to the newly formed standalone Crown Corporation.

On January 1, 2020, Oilco entered into a restructuring transaction with Bull Arm Fabrication Inc. At this time, the shares of Bull Arm Fabrication Inc. were transferred from Nalcor Energy to Oilco for a nominal amount of \$1. At the same time, the employees of Bull Arm Fabrication Inc. transitioned to Oilco. The purpose of the transfer from Bull Arm Fabrication Inc. to Oilco is to enable greater focus on Oilco exploration and operating activities.

# Oil and Gas Corporation of Newfoundland and Labrador

## Notes to consolidated financial statements

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Oilco recognized in the consolidated statement of financial position, the assets and liabilities received from Bull Arm Fabrication Inc. at their carrying amount on the date of the restructuring, on January 1, 2020, as illustrated below:

*As at December 31 [thousands of Canadian dollars]*

	<b>2020</b>
	<b>\$</b>
<b>Financial assets</b>	
Cash	27
Accounts receivable	251
Tangible capital assets	856
Prepaid expenses	131
	<u>1,265</u>
<b>Liabilities</b>	
Accounts payables	3,236
Deferred revenue	20
<b>Net effect</b>	<u>(1,991)</u>

As well, an expense of \$1,991K was recognized as a separate line item on the consolidated statement of operations and accumulated surplus, which represents the net effect of the assets and liabilities received. Nominal compensation was exchanged with Nalcor Energy Inc. as part of the transfer.

Included in the consolidated statement of operations and accumulated surplus in 2020 were the following revenues and expenses related to the responsibilities transferred from Bull Arm Fabrication Inc. as part of the restructuring transaction.

*As at December 31 [thousands of Canadian dollars]*

	<b>2020</b>
	<b>\$</b>
<b>Revenue</b>	
Other	<u>1,290</u>
<b>Expenses</b>	
Operating costs	1,807
Amortization	75
Net income	(4)
<b>Annual deficit</b>	<u>(588)</u>

## **Oil and Gas Corporation of Newfoundland and Labrador**

### **Notes to consolidated financial statements**

December 31, 2021

#### **16. Subsequent events**

In January 2022, the Government of Newfoundland and Labrador announced a decision to suspend the 2022 seismic program. A decision to suspend the seismic program beyond 2022 is not known at this time and could have a material impact on future exploration activities within Oilco.

In February 2022, the head lease of the Bull Arm Fabrication site was renewed with the Province for 10 years, for a nominal amount of \$1. The Renewed lease agreement expires March 2032.