

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated financial statements

December 31, 2024

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, the Office of the Auditor General of Newfoundland and Labrador, 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



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oil and Gas Corporation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Opinion

We have audited the consolidated financial statements of Oil and Gas Corporation of Newfoundland and Labrador and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of operations, change in net financial assets and 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 the Group as at December 31, 2024, and the consolidated results of its operations 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 the Group 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Independent Auditor's Report (cont.)

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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 the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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.

Independent Auditor's Report (cont.)

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional scepticism 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 the Group'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 the Group'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 the Group 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.

Independent Auditor's Report (cont.)

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.



SANDRA RUSSELL, CPA
Deputy Auditor General

April 22, 2025
St. John's, Newfoundland and Labrador

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated statement of financial position

[in thousands of Canadian dollars]

As at December 31

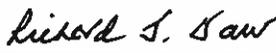
	2024	2023
	\$	\$
Assets		
Cash	12,689	15,992
Accounts receivable [notes 4 and 13]	2,389	2,074
	<u>15,078</u>	<u>18,066</u>
Liabilities		
Accounts payable [notes 5 and 13]	2,114	2,234
Deferred contributions [note 6]	464	487
Deferred revenue [note 7]	664	673
	<u>3,242</u>	<u>3,394</u>
Net assets	<u>11,836</u>	<u>14,672</u>
Non-financial assets		
Exploration assets [note 8]	40,116	36,516
Tangible capital assets, net [note 9]	7,678	7,708
Prepaid expenses	764	366
	<u>48,558</u>	<u>44,590</u>
Accumulated surplus	<u>60,394</u>	<u>59,262</u>

Commitments and contingencies [note 15]

Subsequent events [note 17]

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	2024	2023
	\$	\$	\$
	Unaudited		
	[note 16]		
Revenue			
Management fee related to management of Nalcor Energy – Oil and Gas Inc. assets [note 13]	4,200	4,200	4,200
Seismic revenue	1,000	—	3,496
Grant revenue [note 13]	—	14,730	2,751
Other revenue [note 7]	13	9	42
Lease revenue	176	1,089	4,467
Net finance income	(1)	790	560
Other (expenses) income [note 10]	—	448	(187)
	5,388	21,266	15,329
Expenses			
Operating costs [notes 11 and 13]	10,701	9,186	9,333
Amortization of exploration assets	11,478	10,551	8,936
Amortization of tangible capital assets	634	387	370
Exploration expenses	13	10	8
	22,826	20,134	18,647
Annual (deficit) surplus	(17,438)	1,132	(3,318)
Accumulated surplus, beginning of year	59,262	59,262	62,580
Accumulated surplus, end of year	41,824	60,394	59,262

See accompanying notes

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated statement of change in net assets

[in thousands of Canadian dollars]

Year ended December 31

	2024	2023
	\$	\$
Annual surplus (deficit)	1,132	(3,318)
Amortization of exploration assets	10,551	8,936
Acquisition of exploration assets	(14,151)	(1,370)
Amortization of tangible capital assets	387	370
Acquisition of tangible capital assets	(441)	(1,180)
Adjustment of tangible capital assets	84	—
(Increase) decrease in prepaid expenses	(398)	166
Change in net assets	(2,836)	3,604
Net assets, beginning of year	14,672	11,068
Net assets, end of year	11,836	14,672

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

	2024	2023
	\$	\$
Operating transactions		
Annual surplus (deficit)	1,132	(3,318)
Adjustments for		
Amortization of exploration assets	10,551	8,936
Amortization of tangible capital assets	387	370
	<u>12,070</u>	<u>5,988</u>
Changes in non-cash assets and liabilities related to operations		
(Increase) decrease in accounts receivable	(315)	1,424
Decrease in accounts payable	(120)	(341)
Decrease in deferred contributions	(23)	(23)
Decrease in deferred revenues	(9)	(42)
(Increase) decrease in prepaid expenses	(398)	166
Cash provided by operating transactions	<u>11,205</u>	<u>7,172</u>
Capital transactions		
Purchase of exploration assets	(14,151)	(1,370)
Purchase of tangible capital assets	(441)	(1,180)
Adjustment of tangible capital assets	84	—
Cash used in capital transactions	<u>(14,508)</u>	<u>(2,550)</u>
Net (decrease) increase in cash during the year	(3,303)	4,622
Cash, beginning of year	15,992	11,370
Cash, end of year	<u>12,689</u>	<u>15,992</u>

See accompanying notes

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

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 of 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 oil and gas development. As well, Bull Arm Fabrication Inc., a subsidiary of Oilco, operates on a site leased from the Province for a term of 40 years for a nominal amount of \$1 per annum, which expires March 2032. This site is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large scale fabrication. Oilco's 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 (Canada)*.

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.

Oilco does not prepare a statement of remeasurement gains and losses as Oilco does not enter into relevant transactions or circumstances that are addressed by that statement.

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 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.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

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.

No revenue from non-recurring transactions.

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. Repairs and maintenance costs are expensed as incurred.

Amortization is recorded on a straight-line basis over the estimated life of the respective 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. Construction in progress is not amortized until the asset is put in use.

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 Provident 10.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

Foreign currency translation

Transactions in currencies other than Oilco's functional currency 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 year end date. Foreign exchange gains and losses are included in the consolidated statement of operations and accumulated surplus as other revenue.

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 assets and liabilities during the reporting period. These estimates include useful lives of exploration assets and tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Accounting changes

In the current year, there are no new or revised accounting standards that are effective for the year ended December 31, 2024.

4. Accounts receivable

As at December 31 [thousands of Canadian dollars]

	2024	2023
	\$	\$
0-60 days	341	203
60+ days	1,611	1,275
Due from related parties [note 13]	403	468
HST receivable	34	128
	<u>2,389</u>	<u>2,074</u>

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

5. Accounts payable

As at December 31 [thousands of Canadian dollars]

	2024	2023
	\$	\$
Trade payables	1,956	2,078
Due to related parties [note 13]	158	58
HST payable	—	98
	<u>2,114</u>	<u>2,234</u>

6. Deferred contributions

During 2020, Bull Arm Fabrication Inc. received Mooring Bollards with a fair value of \$615,895 from an unrelated party in exchange for a rent concession in the amount of \$51,700. 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 Bull Arm Fabrication Inc. with a fair value of \$13,000. 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]

	2024	2023
	\$	\$
Deferred contribution, beginning of year	487	510
Less revenue recognized	(23)	(23)
Deferred contribution, end of year	464	487

7. Deferred revenues

Oilco received funding from the Province towards two initiatives. The first is the Petroleum Exploration Enhancement Program (PEEP) which is designed to boost new petroleum exploration in Western Newfoundland through acquisition and assessment of seismic data. The second is the Offshore Geoscience Data Project (OGDP) which is designed to encourage new offshore petroleum exploration in Newfoundland and Labrador through the acquisition and assessment of seismic data. The funding is recognized as other revenue when the related expenditures are incurred.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

7. Deferred revenues continued...

As at December 31 [thousands of Canadian dollars]

	2024	2023
	\$	\$
Deferred revenue, beginning of year	673	715
Less revenue recognized	(9)	(42)
Deferred revenue, end of year	664	673

8. Exploration assets

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

As at December 31 [thousands of Canadian dollars]

	2024	2023
	\$	\$
Cost, beginning of year	54,939	53,569
Additions	14,151	1,370
Balance, end of year	69,090	54,939
Accumulated amortization, beginning of year	18,423	9,487
Amortization	10,551	8,936
Balance, end of year	28,974	18,423
Net carrying amount	40,116	36,516

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

9. Tangible capital assets

As at December 31 [thousands of Canadian dollars]

	Computer hardware	Computer software	Office furniture and equipment	Leasehold and improvements	Module hall door	Visitor centre	Buildings	Other	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, January 1, 2024	473	1,271	39	701	240	532	31	1,917	4,817	10,021
Additions	—	—	—	72	—	—	—	7	362	441
Disposals	(313)	(294)	—	(701)	—	—	—	(7)	—	(1,315)
Adjustments (e)	—	—	—	—	—	—	—	(84)	—	(84)
Transfers	226	—	—	—	—	—	—	—	(226)	—
Balance, December 31, 2024	386	977	39	72	240	532	31	1,833	4,953	9,063
Accumulated amortization										
Balance, January 1, 2024	410	819	8	701	64	64	18	229	—	2,313
Amortization	71	146	2	17	16	16	4	115	—	387
Disposals	(313)	(294)	—	(701)	—	—	—	(7)	—	(1,315)
Balance, December 31, 2024	168	671	10	17	80	80	22	337	—	1,385
Net book value, December 31, 2024	218	306	29	55	160	452	9	1,496	4,953	7,678

(e) – Adjustment is a Take Charge Rebate received for LED Lighting upgrades

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

9. Tangible capital assets continued...

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
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, January 1, 2023	473	1,271	39	701	240	532	31	1,074	4,480	8,841
Additions	—	—	—	—	—	—	—	18	1,162	1,180
Transfers	—	—	—	—	—	—	—	825	(825)	—
Balance, December 31, 2023	473	1,271	39	701	240	532	31	1,917	4,817	10,021
Accumulated amortization										
Balance, January 1, 2023	373	610	6	699	48	48	14	145	—	1,943
Amortization	37	209	2	2	16	16	4	84	—	370
Balance, December 31, 2023	410	819	8	701	64	64	18	229	—	2,313
Net book value, December 31, 2023	63	452	31	—	176	468	13	1,688	4,817	7,708

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

12. Employee future benefits

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, 2024 of \$222,385 [2023 – \$232,363] were expensed as incurred [note 11].

December 31, 2024

10. Other income (expense)

Other income includes [thousands of Canadian dollars]

	2024	2023
	\$	\$
Foreign currency gains (losses)	448	(187)
	<u>448</u>	<u>(187)</u>

11. Operating costs

Year ended December 31 [thousands of Canadian dollars]

	2024	2023
	\$	\$
Salaries and benefits [note 12]	2,728	2,791
Professional services [note 13]	2,396	2,332
Software maintenance [note 13]	1,248	1,458
Utilities	678	718
Site maintenance and materials	772	709
Building rental	531	515
Insurance	445	429
Other operating costs	388	381
	<u>9,186</u>	<u>9,333</u>

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

13. Related party transactions

Oilco enters into various transactions with its parent and other related parties. Unless otherwise noted, these transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Outstanding balances due to or from related parties are non-interest bearing with settlement normally within 30 days.

Significant related party transactions, which are not otherwise disclosed separately in the financial statements, are summarized below:

- [i] Bull Arm Fabrication Inc. operates on a site leased from the Province for a term of 40 years for a nominal amount of \$1 per annum, which expires March 2032.
- [ii] Oilco received grants from the Province totaling \$14.7 million [2023 - \$2.8 million] for operating costs and the purchase of tangible capital assets and exploration assets.
- [iii] For the year ended December 31, 2024, Oilco earned \$4.2 million [2023 – \$4.2 million] for the management of Nalcor Energy – Oil and Gas Inc. assets. As at December 31, 2024, \$402,500 [2023 - \$468,300] is receivable [note 4].
- [iv] For the year ended December 31, 2024, Nalcor Energy charged Oilco \$224,628 [2023 – \$199,464] for software maintenance, and \$499,210 [2023 – \$457,430] for professional services [note 11]. As at December 31, 2024, \$158,000 [2023 - \$57,882] is payable [note 5].

14. 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.

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. Credit risk on accounts receivable is considered minimal as receivables are made up of amounts owed from a small pool of customers with whom the Company is familiar with and have no previous collections issues. As at December 31, 2024, there was no allowance [2023 – nil] for doubtful accounts included in accounts receivables.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2024

14. Financial instruments and risk management continued...

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 its 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.

15. 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.

16. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from estimates approved by the Board of Directors of the Corporation. Budget number are unaudited.

17. Subsequent events

In the prior fiscal year, the Government of Newfoundland and Labrador initiated a request for proposals for the possible sale or lease of the assets related to the Bull Arm Fabrication Site. As of the date of the auditor's report, the process of selling or leasing the assets was still ongoing. Management has assessed the potential impact of this subsequent event on the financial statements and has determined that as of the date of the auditor's report it is not possible to determine the outcome or estimate the financial impact of this event on the Company.

Accordingly, the financial statements do not reflect any adjustments related to this subsequent event.