

**NALCOR ENERGY MARKETING CORPORATION  
CONDENSED INTERIM FINANCIAL STATEMENTS**

**September 30, 2021**

**(Unaudited)**

**NALCOR ENERGY MARKETING CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	Notes	September 30 2021	December 31 2020
<b>ASSETS</b>			
Current assets			
Cash		14,600	3,084
Trade and other receivables		3,045	1,349
Prepayments		1,105	833
Derivative assets	7	15,827	23,255
<b>Total current assets</b>		<b>34,577</b>	<b>28,521</b>
Non-current assets			
Property, plant and equipment		170	170
Intangible assets		8	9
Long-term derivative assets	7	1,280	70
<b>Total assets</b>		<b>36,035</b>	<b>28,770</b>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Trade and other payables		5,307	5,146
Derivative liabilities	7	9	3
Deferred liabilities	3	7,553	22,658
<b>Total current liabilities</b>		<b>12,869</b>	<b>27,807</b>
Non-current liabilities			
Long-term deferred liability	3	767	-
Employee future benefits		1,206	1,103
<b>Total liabilities</b>		<b>14,842</b>	<b>28,910</b>
Shareholder's equity (deficit)			
Share capital		1	1
Reserves		(159)	(159)
Retained earnings		21,351	18
<b>Total equity (deficit)</b>		<b>21,193</b>	<b>(140)</b>
<b>Total liabilities and equity (deficit)</b>		<b>36,035</b>	<b>28,770</b>

*See accompanying notes*

**NALCOR ENERGY MARKETING CORPORATION**  
**STATEMENT OF PROFIT (LOSS) AND COMPREHENSIVE INCOME (LOSS)**  
(Unaudited)

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	<b>Three months ended</b>		<b>Nine months ended</b>	
		<b>2021</b>	2020	<b>2021</b>	2020
Energy sales		<b>20,489</b>	11,830	<b>37,507</b>	22,497
Other revenue		<b>338</b>	-	<b>804</b>	-
<b>Revenue</b>		<b>20,827</b>	11,830	<b>38,311</b>	22,497
Transmission and market fees		<b>6,436</b>	6,141	<b>18,957</b>	18,146
Operating costs	4	<b>1,180</b>	1,201	<b>3,670</b>	3,883
Power purchased		<b>1,808</b>	1,566	<b>3,613</b>	2,969
Depreciation and amortization		<b>4</b>	67	<b>15</b>	202
Net finance expense	5	<b>16</b>	22	<b>30</b>	25
Other (income) expense	6	<b>(1,636)</b>	232	<b>(9,082)</b>	203
<b>Expenses</b>		<b>7,808</b>	9,229	<b>17,203</b>	25,428
<b>Total profit (loss) and comprehensive income (loss) for the period</b>		<b>13,019</b>	2,601	<b>21,108</b>	(2,931)

*See accompanying notes*

**NALCOR ENERGY MARKETING CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
**(Unaudited)**

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Employee Benefit Reserve	Retained Earnings (Deficit)	Total
<b>Balance at January 1, 2021</b>		<b>1</b>	<b>(159)</b>	<b>18</b>	<b>(140)</b>
<b>Profit for the period</b>		-	-	<b>21,108</b>	<b>21,108</b>
<b>Related party transaction</b>	<b>8</b>	-	-	<b>225</b>	<b>225</b>
<b>Total profit and comprehensive income for the period</b>		-	-	<b>21,333</b>	<b>21,333</b>
<b>Balance at September 30, 2021</b>		<b>1</b>	<b>(159)</b>	<b>21,351</b>	<b>21,193</b>
Balance at January 1, 2020		1	(184)	4,719	4,536
Loss for the period		-	-	(2,931)	(2,931)
Total loss and comprehensive loss for the period		-	-	(2,931)	(2,931)
Balance at September 30, 2020		1	(184)	1,788	1,605

*See accompanying note*

**NALCOR ENERGY MARKETING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**(Unaudited)**

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	<b>Three months ended</b>		<b>Nine months ended</b>	
		<b>2021</b>	2020	<b>2021</b>	2020
Operating activities					
Profit (loss) for the period		<b>13,019</b>	2,601	<b>21,108</b>	(2,931)
Adjustments to reconcile profit (loss) to cash provided from operating activities					
Depreciation and amortization		<b>4</b>	67	<b>15</b>	202
Loss on disposal of property, plant and equipment		-	-	-	2
Gain on power purchase agreement balances	7	<b>(1,032)</b>	-	<b>(8,149)</b>	-
Unrealized loss on other derivatives		<b>416</b>	500	<b>467</b>	1,166
Finance income	5	<b>(8)</b>	(4)	<b>(13)</b>	(25)
Finance expense	5	<b>24</b>	26	<b>43</b>	50
Other		<b>35</b>	34	<b>103</b>	107
		<b>12,458</b>	3,224	<b>13,574</b>	(1,429)
Changes in non-cash working capital balances	9	<b>(1,293)</b>	1,976	<b>(1,784)</b>	3,986
Interest received		<b>8</b>	4	<b>13</b>	25
Interest paid		<b>(24)</b>	(26)	<b>(43)</b>	(50)
<b>Net cash provided from operating activities</b>		<b>11,149</b>	5,178	<b>11,760</b>	2,532
Investing activities					
Additions to property, plant and equipment		<b>(11)</b>	(27)	<b>(14)</b>	(27)
Additions to intangible assets		-	-	-	(9)
Additions to financial transmission rights	7	-	(449)	<b>(432)</b>	(1,622)
Changes in non-cash working capital balances	9	-	-	<b>(23)</b>	-
<b>Net cash used in investing activities</b>		<b>(11)</b>	(476)	<b>(469)</b>	(1,658)
Financing activity					
Non-cash contribution from related party	8	-	-	<b>225</b>	-
<b>Net cash provided from financing activity</b>		-	-	<b>225</b>	-
Net increase in cash		<b>11,138</b>	4,702	<b>11,516</b>	874
Cash, beginning of the period		<b>3,462</b>	1,711	<b>3,084</b>	5,539
<b>Cash, end of the period</b>		<b>14,600</b>	6,413	<b>14,600</b>	6,413

See accompanying notes

**NALCOR ENERGY MARKETING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

**1. DESCRIPTION OF BUSINESS**

Nalcor Energy Marketing Corporation (Energy Marketing) was incorporated under the Corporations Act of Newfoundland and Labrador (the Province) on March 24, 2014. The purpose of Energy Marketing is to manage Nalcor's participation in extra-provincial electricity markets. Energy Marketing is a 100% owned subsidiary of Nalcor Energy (Nalcor). Energy Marketing's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0P5, Canada.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance and Basis of Measurement**

These condensed interim financial statements have been prepared in accordance with *International Accounting Standard 34 – Interim Financial Reporting* using accounting policies consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2020.

These condensed interim financial statements do not include all of the disclosures normally found in Energy Marketing's annual audited financial statements and should be read in conjunction with the annual audited financial statements.

These condensed interim financial statements have been prepared on a historical cost basis except for derivative instruments which have been measured at fair value. The condensed interim financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors (The Board) has delegated authority to approve the condensed interim financial statements to the Audit Committee of the Board of Directors of Nalcor, which approved the condensed interim financial statements on November 12, 2021.

**3. DEFERRED LIABILITIES**

<i>As at (thousands of Canadian dollars)</i>	<b>September 30 2021</b>	December 31 2020
Deferred liabilities, beginning of the period	<b>22,658</b>	8,710
Additions	<b>8,435</b>	38,090
Amortization	<b>(22,773)</b>	(24,142)
Deferred liabilities, end of the period	<b>8,320</b>	22,658
Current portion of deferred liabilities	<b>7,553</b>	22,658
Long-term portion of deferred liabilities	<b>767</b>	-

**3.1 NEM NLH Power Purchase Agreement**

The deferred liability associated with the NEM NLH Power Purchase Agreement (PPA) represents Energy Marketing's current liability related to its expected commitments for 2021 under the PPA with Newfoundland and Labrador Hydro (Hydro). The PPA, which became effective on October 1, 2015, allows Energy Marketing to purchase available Recapture energy from Hydro for resale in export markets or through agreements with counterparties. Additionally, the PPA allows for the use of Hydro's transmission service rights by Energy Marketing to deliver electricity, through rights which are provided to Hydro pursuant to a Transmission Service Agreement with Hydro-Québec dated April 1, 2009. The PPA can be terminated by either party with notice provided 60 days prior to the intended termination date.

At March 31, 2021, Management assessed the anticipated term of the contract and determined that it should be extended and a new derivative asset and corresponding deferred liability was required. This resulted in a deferred liability addition of \$3.9 million for October and November 2021. At August 31, 2021, Management reassessed the anticipated term of the contract and determined that it should be extended to December 31, 2021. An addition to the deferred liability was recognized, in the amount of \$3.2 million. These additions are to be amortized into income on a

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

straight-line basis over the extended term of the PPA. The components of change are as follows:

	<b>September 30</b>	December 31
<i>As at (thousands of Canadian dollars)</i>	<b>2021</b>	2020
Deferred liability, beginning of the period	<b>22,658</b>	8,710
Additions	<b>7,060</b>	38,090
Amortization	<b>(22,658)</b>	(24,142)
Deferred liability, end of the period	<b>7,060</b>	22,658

**3.2 Corner Brook Pulp and Paper Limited (CBP&PL) Term Sheet**

Starting April 2, 2021, Energy Marketing began delivering commissioning period residual block Muskrat Falls energy to Corner Brook Pulp and Paper Limited (CBP&PL) in accordance with the CBP&PL term sheet and related Order in Council (OIC) issued by the Province. The purpose of the term sheet was to support CBP&PL operations and enable Grand Lake reservoir storage levels to recover.

During the second quarter, Energy Marketing delivered 52 GWh to CBP&PL. This energy, plus losses, will subsequently be returned to Energy Marketing for market export between July 1, 2021 and June 30, 2024 and represents a derivative asset and corresponding deferred liability recorded at fair value. Therefore the total amount includes both a current and long-term portion of derivative assets and liabilities.

On September 28, 2021, an amendment was made to the existing term sheet to deliver additional energy to CBP&PL, if available. To date, no additional energy has been made available and no energy has been returned to Energy Marketing.

	<b>September 30</b>	December 31
<i>As at (thousands of Canadian dollars)</i>	<b>2021</b>	2020
Deferred liability, beginning of the period	-	-
Additions	<b>1,375</b>	-
Amortization	<b>(115)</b>	-
Deferred liability, end of the period	<b>1,260</b>	-
Current portion of deferred liability	<b>493</b>	-
Long-term portion of deferred liability	<b>767</b>	-

**4. OPERATING COSTS**

	<b>Three months ended</b>		<b>Nine months ended</b>	
<i>For the period ended September 30 (thousands of Canadian dollars)</i>	<b>2021</b>	2020	<b>2021</b>	2020
Salaries and benefits	<b>871</b>	917	<b>2,782</b>	2,958
Professional services	<b>153</b>	133	<b>443</b>	424
Cost recoveries	<b>111</b>	116	<b>328</b>	366
Other operating costs	<b>45</b>	35	<b>117</b>	135
	<b>1,180</b>	1,201	<b>3,670</b>	3,883

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**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

**5. NET FINANCE EXPENSE**

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Finance income				
Bank interest	<b>8</b>	4	<b>13</b>	25
Finance expense				
Bank and interest charges	<b>24</b>	26	<b>43</b>	50
Net finance expense	<b>16</b>	22	<b>30</b>	25

**6. OTHER (INCOME) EXPENSE**

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Net NEM NLH PPA gain	<b>(114)</b>	-	<b>(7,231)</b>	-
Net CBP&PL PPA gain	<b>(918)</b>	-	<b>(918)</b>	-
Financial transmission rights (gains) loss and amortization	<b>(254)</b>	49	<b>(594)</b>	430
Mark-to-market of open market positions	<b>48</b>	69	<b>6</b>	(1)
Unrealized foreign exchange gain	<b>(27)</b>	(8)	<b>(35)</b>	(134)
Realized foreign exchange (gain) loss	<b>(370)</b>	123	<b>(310)</b>	(92)
Other	<b>(1)</b>	(1)	-	-
	<b>(1,636)</b>	232	<b>(9,082)</b>	203

**7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**7.1 Fair Value**

The estimated fair values of financial instruments as at September 30, 2021 and December 31, 2020 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Energy Marketing might receive or incur in actual market transactions.

As some of Energy Marketing's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Energy Marketing as a whole.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).



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The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, Energy Marketing determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurements during the period ended September 30, 2021 and year ended December 31, 2020.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>As at (thousands of Canadian dollars)</i>		<b>September 30, 2021</b>		December 31, 2020	
Financial assets					
Derivative assets	<b>2,3</b>	<b>15,827</b>	<b>15,827</b>	23,255	23,255
Long-term derivative assets	<b>3</b>	<b>1,280</b>	<b>1,280</b>	70	70
Financial liabilities					
Derivative liabilities	<b>2</b>	<b>9</b>	<b>9</b>	3	3

The fair value of cash, trade and other receivables and trade and other payables approximate their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets which, in some cases, are adjusted for factors specific to the asset or liability. Level 2 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. Level 2 fair values of other risk management assets and liabilities are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

Level 3 financial instruments include the PPA derivative with Hydro and financial transmission rights.

The PPA derivative represents the forecasted energy sales net of Recapture power purchases, for the 2021 calendar year. It does not include the value of transmission rights or other transportation and market related costs.

Financial transmission rights are purchased contracts used to mitigate risk associated with congestion in export markets.

The following table summarizes quantitative information about the valuation techniques and unobservable inputs used in the fair value measurement of Level 3 financial instruments as at September 30, 2021.

<i>(thousands of Canadian dollars)</i>	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative asset (Financial transmission rights)	<b>638</b>	Modelled pricing	Price, seasonality and market factors	-39% to +48%
Derivative asset (Power purchase derivative asset)	<b>14,291</b>	Modelled pricing	Volumes (MWh)	25% to 29% of available generation

Methodologies for calculating the fair values of financial transmission rights are determined by using underlying contractual data as well as observable and unobservable inputs. Fair value methodologies are reviewed by Management on a quarterly basis to assess the reasonability of the assumptions made and models are adjusted as necessary for significant expected changes in fair value due to changes in key inputs. As at September 30, 2021, the

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effect of using reasonably possible alternative assumptions regarding the unobservable implied volatilities may have resulted in -\$0.2 million to +\$0.3 million change in the carrying value of the financial transmission rights.

The derivative asset arising under the PPA is designated as a Level 3 instrument as related volumes are not readily determinable to estimate a portion of the fair value of the derivative asset. Hence, fair value measurement of this instrument is based upon a combination of internal and external pricing and volume estimates. As at September 30, 2021, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in \$nil to +\$0.5 million change in the carrying value of the power purchase derivative asset.

## **7.2 Risk Management**

Energy Marketing is exposed to certain credit, liquidity and market risks through its operating, financing and investing activities. Financial risk is managed in accordance with a Board approved policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Energy Marketing's expected future cash flows.

### Credit Risk

Energy Marketing's expected future cash flows are exposed to credit risk through its operating activities, primarily due to the potential for non-performance by its customers, and through its financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on trade receivables is minimal and the receivables are primarily due from independent system operators or approved counterparties, which are either investment-grade or have provided sufficient collateral to support their obligations. Exposure to approved counterparties is continuously monitored to ensure credit limits are adhered to, and in cases where those limits may be exceeded additional collateral is required. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Statement of Financial Position at the reporting date. Credit risk on cash is considered to be minimal, as Energy Marketing's cash deposits are held by a Canadian Schedule 1 Chartered bank with a rating of A+ (Standard and Poor's).

Credit exposure on financial instruments used for hedging is limited by the Financial Risk Management Policy, an internal risk policy approved by the Board of Directors, which restricts available counterparties for hedge transactions to Canadian Schedule 1 Chartered banks and Federally Chartered US banks.

### Liquidity Risk

Energy Marketing is exposed to liquidity risk with respect to its contractual obligations and financial liabilities, including any financial instruments used for hedging. Liquidity risk management is aimed at ensuring cash is available to meet those obligations as they become due.

Short-term liquidity is mainly provided through cash on hand, funds from operations, financial support from Energy Marketing's parent, Nalcor, and a \$20.0 million demand operating credit facility with its bank. This credit facility, which is unconditionally and irrevocably guaranteed by Nalcor, had no amounts outstanding as of September 30, 2021 (December 31, 2020 - \$nil), however \$2.9 million CAD equivalent of the limit was used to issue four irrevocable letters of credit (December 31, 2020 - \$3.0 million CAD equivalent for four irrevocable letters of credit).

As at September 30, 2021, Nalcor, on behalf of Energy Marketing, has issued \$7.5 million CAD equivalent (December 31, 2020 - \$7.8 million CAD equivalent) in letters of credit to various independent system operators, transmission providers, and bilateral counterparties in relation to power purchase and sale contracts. These letters of credit have automatic renewal clauses, unless cancelled with appropriate notice by the issuer or beneficiary.

As at September 30, 2021, Nalcor, on behalf of Energy Marketing, has issued unconditional guarantees and sales contracts in the amount of \$20.7 million CAD equivalent (December 31, 2020 - \$15.0 million CAD), in order to guarantee amounts under power purchase and sale contracts with bilateral counterparties.

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Market Risk

In the course of carrying out its operating, financing and investing activities, Energy Marketing is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements to which Energy Marketing has significant exposure include those relating to foreign exchange rates, most notably USD/CAD, and current commodity prices, most notably the spot prices for electricity. These exposures are addressed as part of the Financial Risk Management Strategy.

Energy Marketing participates in the day-ahead market of several independent system operators and enters into fixed price transactions with bilateral counterparties. Changes in fair value associated with the difference between the committed energy price and real time energy during the hour the energy physically flows are included in energy sales on the Statement of Profit (Loss) and Comprehensive Income (Loss). For the period ended September 30, 2021, \$0.4 million in realized gains (September 30, 2020 - \$0.2 million in realized gains) related to these fair value differences were included in energy sales.

*Foreign Currency and Commodity Exposure*

Energy Marketing's primary exposure to both foreign exchange and commodity price risk arises from its USD denominated electricity sales. Exposures to USD denominated electricity sales are addressed in accordance with the Board-approved Financial Risk Management Policy. Tactics include the use of forward rate agreements and fixed price commodity swaps, when high correlation exists between the hedged item and the hedging item. There were no hedges in place for the period ended September 30, 2021.

For the period ended September 30, 2021, total energy sales denominated in USD were \$27.3 million USD (September 30, 2020 - \$16.3 million USD).

During 2021, additional financial transmission rights with notional values of \$0.4 million (September 30, 2020 - \$1.6 million) were purchased to mitigate risk on congestion for the remainder of 2021, 2022 and a portion of 2023. As the rights have not been designated as hedging instruments, changes in fair value have been recorded in other (income) expense.

The components of change impacting the carrying value of derivative assets and liabilities for the period ended September 30, 2021 and 2020 are as follows:

	<b>Total</b>	
<i>(thousands of Canadian dollars)</i>	<b>Level II</b>	<b>Level III</b>
<b>Balance at January 1, 2021</b>	<b>(3)</b>	<b>23,325</b>
<b>Net Purchases</b>	-	<b>432</b>
<b>Additions</b>	<b>1,375</b>	<b>7,060</b>
	<b>1,372</b>	<b>30,817</b>
<b>Changes to profit (loss)</b>		
<b>Amortization</b>	-	<b>(834)</b>
<b>Mark-to-market</b>	<b>797</b>	<b>18,908</b>
<b>Settlements (a)</b>	-	<b>(33,962)</b>
<b>Total</b>	<b>797</b>	<b>(15,888)</b>
<b>Balance at September 30, 2021</b>	<b>2,169</b>	<b>14,929</b>
Balance at January 1, 2020	4	9,466
Purchases	-	1,622
Additions	-	15,432
	4	26,520
<b>Changes to profit (loss)</b>		
<b>Amortization</b>	-	<b>(1,157)</b>
<b>Mark-to-market</b>	1	337
<b>Settlements (a)</b>	-	<b>(16,967)</b>
<b>Total</b>	<b>1</b>	<b>(17,787)</b>
<b>Balance at September 30, 2020</b>	<b>5</b>	<b>8,733</b>

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(a) Net changes in NEM NLH PPA and CBP&PL PPA fair value

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
PPA gain				
Amortization of deferral	<b>(7,668)</b>	(7,909)	<b>(22,773)</b>	(16,619)
Mark-to-market of derivative	<b>(11,919)</b>	(348)	<b>(19,338)</b>	(348)
	<b>(19,587)</b>	(8,257)	<b>(42,111)</b>	(16,967)
PPA loss				
Mark-to-market of derivative	-	(2,004)	-	-
Settlement of realized profit	<b>18,555</b>	10,261	<b>33,962</b>	16,967
	<b>18,555</b>	8,257	<b>33,962</b>	16,967
Net PPA gain	<b>(1,032)</b>	-	<b>(8,149)</b>	-

**8. RELATED PARTY TRANSACTIONS**

Energy Marketing enters into various transactions with its shareholder and other affiliates. 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. Related parties with which Energy Marketing transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of Energy Marketing
Newfoundland and Labrador Hydro	Wholly-owned subsidiary of Nalcor
Muskrat Falls Corporation	Wholly-owned subsidiary of Nalcor

- (a) For the period ended September 30, 2021, Energy Marketing was charged \$15.3 million (September 30, 2020 - \$15.3 million) for the use of firm transmission rights and \$3.3 million (September 30, 2020 - \$3.0 million) for purchased power from Hydro, as agreed upon in the PPA between Energy Marketing and Hydro.
- (b) For the period ended September 30, 2021, Energy Marketing was charged \$134 thousand (September 30, 2020 - \$145 thousand) by Nalcor for administrative and corporate services.
- (c) For the period ended September 30, 2021, Energy Marketing was charged \$129 thousand (September 30, 2020 - \$153 thousand) by Hydro related to administrative services.
- (d) For the period ended September 30, 2021, Energy Marketing was charged a net \$482 thousand (September 30, 2020 - net \$548 thousand) by Nalcor related to intercompany salaries and associated costs.
- (e) For the period ended September 30, 2021, Energy Marketing was charged a net \$29 thousand (September 30, 2020 - net \$32 thousand) by Hydro related to intercompany salaries and associated costs.
- (f) As at September 30, 2021, Energy Marketing has a net payable to Hydro of \$4.1 million (December 31, 2020 - \$3.6 million) primarily related to intercompany transmission rental and purchase and sale of power.
- (g) As at September 30, 2021, Energy Marketing has a payable to Nalcor of \$99 thousand (December 31, 2020 - \$200 thousand) primarily related to intercompany salaries and benefits, technical, management and administrative charges.
- (h) As at September 30, 2021, Energy Marketing has a net receivable to Muskrat Falls of \$132 thousand (December 31, 2020 - \$108 thousand) related to export energy and transmission tariff transactions.
- (i) For the period ended September 30, 2021, Energy Marketing entered into a power purchase agreement with Muskrat Falls to purchase current period residual block energy at a nominal cost of \$1, for resale to CBP&PL per

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the terms of the CBP&PL Term sheet and government issued OIC. The transaction between Energy Marketing and Muskrat Falls was deemed to be a related party transaction to be valued at the lower of cost and net realizable value. Therefore this transaction was treated as a non cash power purchase expense of \$225 thousand to Energy Marketing with a corresponding contribution from related party recorded through equity.

**9. SUPPLEMENTARY CASH FLOW INFORMATION**

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>2021</b>	2020	<b>2021</b>	2020
Trade and other receivables	<b>(113)</b>	838	<b>(1,696)</b>	2,395
Prepayments	<b>(590)</b>	(56)	<b>(272)</b>	213
Trade and other payables	<b>(590)</b>	1,194	<b>161</b>	1,378
Changes in non-cash working capital balances	<b>(1,293)</b>	1,976	<b>(1,807)</b>	3,986
Operating activities	<b>(1,293)</b>	1,976	<b>(1,784)</b>	3,986
Investing activities	-	-	<b>(23)</b>	-
	<b>(1,293)</b>	1,976	<b>(1,807)</b>	3,986