

NALCOR ENERGY MARKETING CORPORATION
FINANCIAL STATEMENTS
December 31, 2025

Independent Auditor's Report

To the Shareholder of
Nalcor Energy Marketing Corporation

Opinion

We have audited the financial statements of Nalcor Energy Marketing Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2025, and the statements of profit and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the 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 Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, 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.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Deloitte LLP

Chartered Professional Accountants
March 17, 2026

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF FINANCIAL POSITION

<i>As at December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
ASSETS			
Current assets			
Cash		33,805	27,252
Trade and other receivables	5	16,206	13,675
Inventories	6	2,448	5,047
Prepayments		2,716	2,791
Derivative assets	17	109,843	83,930
Total current assets		165,018	132,695
Non-current assets			
Property, plant and equipment	7	141	135
Intangible assets		4	5
Long-term derivative assets	17	-	2
Total assets		165,163	132,837
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	11,948	6,703
Derivative liabilities	17	-	3
Deferred liability	9	109,777	83,907
Total current liabilities		121,725	90,613
Non-current liabilities			
Employee future benefits	10	841	897
Total liabilities		122,566	91,510
Shareholder's equity			
Share capital	11	1	1
Reserves		346	371
Retained earnings		42,250	40,955
Total equity		42,597	41,327
Total liabilities and equity		165,163	132,837

Commitments and contingencies (Note 19)

See accompanying notes

On behalf of the Board:



DIRECTOR



DIRECTOR

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
Energy sales		186,213	117,867
Other revenue	12	9,708	20,144
Net finance income	13	1,622	1,700
Revenue		197,543	139,711
Transmission rental and market fees	14	42,617	49,641
Operating costs	15	4,855	5,445
Power purchased		64,008	40,640
Depreciation and amortization		34	33
Other expense	16	3,734	3,171
Expenses		115,248	98,930
Profit for the year		82,295	40,781
Other comprehensive loss			
Actuarial loss on employee future benefits	10	(25)	(38)
Other comprehensive loss for the year		(25)	(38)
Total comprehensive income for the year		82,270	40,743

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CHANGES IN EQUITY

<i>(thousands of Canadian dollars)</i>	Notes	Share Capital	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2025		1	371	40,955	41,327
Profit for the year		-	-	82,295	82,295
Other comprehensive loss	10	-	(25)	-	(25)
Total comprehensive income for the year		-	(25)	82,295	82,270
Dividends	11	-	-	(81,000)	(81,000)
Balance at December 31, 2025		1	346	42,250	42,597
Balance at January 1, 2024		1	409	48,174	48,584
Profit for the year		-	-	40,781	40,781
Other comprehensive loss	10	-	(38)	-	(38)
Total comprehensive income for the year		-	(38)	40,781	40,743
Dividends	11	-	-	(48,000)	(48,000)
Balance at December 31, 2024		1	371	40,955	41,327

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CASH FLOWS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
Operating activities			
Profit for the year		82,295	40,781
Adjustments to reconcile profit to cash provided from operating activities:			
Loss on fair value of renewable energy certificates (RECs)	16	2,599	4,550
Depreciation and amortization		34	33
Unrealized (gains) losses on derivatives		(29)	83
Finance income	13	(1,800)	(1,781)
Finance expense	13	178	81
Other		(81)	92
		83,196	43,839
Changes in non-cash working capital balances	21	2,874	1,342
Interest received		1,800	1,781
Interest paid		(178)	(81)
Net cash provided from operating activities		87,692	46,881
Investing activities			
Additions to property, plant and equipment	7	(39)	(15)
Additions to financial transmission rights	17	(15)	(116)
Change in non-cash working capital balances	21	(85)	3
Net cash used in investing activities		(139)	(128)
Financing activity			
Dividends paid	11	(81,000)	(48,000)
Net cash used in financing activity		(81,000)	(48,000)
Net increase (decrease) in cash		6,553	(1,247)
Cash, beginning of the year		27,252	28,499
Cash, end of the year		33,805	27,252

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

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. Energy Marketing is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro). The purpose of Energy Marketing is to manage Hydro's participation in extra-provincial electricity markets. Energy Marketing's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0P5, Canada.

- 1.1** Effective January 1, 2025, Nalcor Energy and its wholly owned subsidiary Newfoundland and Labrador Hydro were legislatively amalgamated into Hydro, a new legal corporation that continues under the name "Newfoundland and Labrador Hydro". The amalgamation was accounted for as a business combination under common control. Upon the amalgamation, Energy Marketing is wholly owned and controlled by the amalgamated entity (Hydro).

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited financial statements (financial statements) have been prepared in accordance with IFRS® Accounting Standards, as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss (FVTPL) which have been measured at fair value. The financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest thousand, except when otherwise noted. These financial statements were approved by Energy Marketing's Board of Directors (the Board) on March 5, 2026.

2.2 Cash

Cash and cash equivalents consist of amounts on deposit with Schedule 1 Canadian Chartered banks, as well as highly liquid investments with maturities of three months or less.

2.3 Inventories

Inventories are carried at the lower of cost and net realizable value. Inventory in Energy Marketing consist of RECs acquired through power purchases and held for sale in the normal course of business. The RECs are measured at the fair value on the day the RECs are recorded as inventory which approximates the market value.

2.4 Property, Plant and Equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses, if any. 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 property, plant and equipment are required to be replaced at intervals, Energy Marketing recognizes such parts as individual assets with specific useful lives and depreciation rates. All other repairs and maintenance costs are recognized in profit or loss as incurred. Depreciation of these assets commences when the assets are ready for their intended use. Residual values, useful lives and method of depreciation are reviewed at the end of each year and adjusted prospectively, if appropriate.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware, furniture and equipment	3 to 20 years
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The carrying amount of a replaced asset is derecognized when replaced. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recorded in Other expense.

NALCOR ENERGY MARKETING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

2.5 Intangible Assets

Intangible assets that are expected to generate future economic benefit and are measurable, including computer software costs, are capitalized as intangible assets in accordance with *International Accounting Standard (IAS) 38 - Intangible Assets*.

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. The estimated useful life and amortization method are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

Amortization is calculated on a straight-line basis over the estimated useful lives of the asset as follows:

Computer software	10 years
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2.6 Impairment of Non-Financial Assets

Property, plant and equipment and other non-financial assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Where it is not possible to estimate the recoverable amount of an individual asset, Energy Marketing estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in the Statement of Profit and Comprehensive Income.

2.7 Employee Future Benefits

(i) Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. Contributions by Energy Marketing 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.

(ii) Other Benefits

Energy Marketing provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a retirement allowance.

The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being completed on an annual basis, based on service and Management's best estimate of salary escalation, retirement ages of employees and expected health care costs.

Actuarial gains and losses on Energy Marketing's defined benefit obligation are recognized in reserves in the period in which they occur. Past service costs are recognized in operating costs as incurred.

The retirement benefit obligation recognized in the Statement of Financial Position represents the present value of the defined benefit obligation.

NALCOR ENERGY MARKETING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

2.8 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if Energy Marketing has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Statement of Financial Position date using the current discount rate.

2.9 Revenue Recognition

Revenue from Contracts with Customers

Energy Marketing recognizes revenue from the sale of energy, RECs, and energy scheduling services. Revenue is recognized when Energy Marketing satisfies its performance obligation and is determined when it transfers control of a product or service to the customer. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties.

2.10 Foreign Currencies

Transactions in currencies other than Energy Marketing'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 Statement of Profit and Comprehensive Income as Other expense.

2.11 Income Taxes

Energy Marketing is exempt from paying income taxes under Paragraph 149(1) (d.2) of the Income Tax Act.

2.12 Financial Instruments

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Statement of Financial Position when Energy Marketing becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets are classified at amortized cost, fair value through other comprehensive income (FVTOCI), FVTPL or as derivatives designated as hedging instruments in an effective hedge. Financial liabilities are classified as financial liabilities designated at FVTPL, amortized cost or as derivatives designated as hedging instruments in an effective hedge. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial Assets at Amortized Cost

Financial assets with contractual cash flows arising on specified dates, consisting solely of principal and interest, and that are held within a business model whose objective is to collect the contractual cash flows are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

Energy Marketing's financial assets at amortized cost include cash and trade and other receivables.

Financial Assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

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Energy Marketing's financial assets measured at FVTPL include derivative instruments not part of a designated hedging relationship.

Financial Liabilities at Amortized Cost

Energy Marketing subsequently measures all financial liabilities at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liability is derecognized.

Energy Marketing's financial liabilities at amortized cost include trade and other payables.

Financial Liabilities at FVTPL

Financial liabilities that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL. Financial liabilities at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss to the extent they are not part of a designated hedging relationship.

Energy Marketing's financial liabilities measured at FVTPL include derivative instruments not part of a designated hedging relationship.

Derecognition of Financial Instruments

Energy Marketing derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

Energy Marketing derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of Financial Assets

Energy Marketing recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost or at FVTOCI. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Energy Marketing always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on Energy Marketing's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. Energy Marketing also records 12-month ECL for those financial assets which have low credit risk and where the low credit risk exemption has been applied. The financial asset that has been identified to have low credit risk is cash.

For all other financial instruments, Energy Marketing recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, Energy Marketing measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of these financial statements in conformity with IFRS Accounting Standards requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

3.1 Use of Judgments

(i) Functional Currency

Functional currency was determined by evaluating the primary economic environment in which Energy Marketing operates. As Energy Marketing enters into transactions in multiple currencies, judgment is used in determining the functional currency. Management considered factors regarding currency of sales, costs incurred and operating and financing activities, and determined the functional currency to be Canadian Dollars.

3.2 Use of Estimates

(i) Employee Benefits

Energy Marketing provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a retirement allowance. The expected cost of providing these other employee benefits is accounted for on an accrual basis, and has been actuarially determined using the projected unit credit method prorated on service, and Management's best estimate of salary escalation, retirement ages of employees, and expected health care costs.

(ii) Derivative Assets and Deferred Liabilities

Fair value of financial transmission rights have been based on internal valuation techniques and models that extrapolate observable external market inputs, such as commodity prices, and include significant judgment regarding the expected impact of seasonality and locational adjustments.

For power purchase agreements that are accounted for as derivative instruments, where Energy Marketing determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the derivative transactions are initially measured at fair value and the expected difference is deferred. Subsequently, the deferred difference is recognized in profit or loss on an appropriate basis over the life of the related derivative instrument but not later than when the valuation is wholly supported by observable market data or the transaction has occurred.

Energy Marketing has elected to defer the difference between the fair value of the derivative asset upon initial recognition and the transaction price of the derivative asset, and to amortize the deferred liability on a straight-line basis over its effective term (Note 9). These methods, when compared with alternatives, were determined to more accurately reflect the nature and substance of the transactions.

The terms of the power purchase agreement (PPA) require a 60 day termination notice by either party. Management's assumption is that the term of the PPA at December 31, 2025, will continue for at least the next 12 months.

4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of applicable standards/amendments that have been issued and are effective for accounting periods commencing on or after January 1, 2025, as specified.

- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Amendments to the Classification and Measurement of Financial Instruments*¹
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Contracts Referencing Nature-dependent Electricity*¹
- *IFRS 18 – Presentation and Disclosures in Financial Statements*²

¹ Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

² Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

4.1 Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Amendments to the Classification and Measurement of Financial Instruments

The IASB issued amendments to IFRS 9 and IFRS 7 to provide clarification and enhancement on classification and measurement of financial instruments. The amendments permit an entity to deem a financial liability or part of a financial liability that is settled using an electronic payment system to be discharged and derecognized before the settlement date if specified criteria are met. The amendments also provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, enhance the description of the term 'non-recourse', and clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Furthermore, the amendments add new disclosure requirements for investments in equity instruments designated at FVTOCI and contractual terms that could change the timing or amount of contractual cash flows. The amendments are required to be applied retrospectively. The application of these amendments will not have a material impact on Energy Marketing's financial statements.

4.2 Amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity

The IASB issued amendments to IFRS 9 and IFRS 7 to provide a reasonable basis for an entity to determine the required accounting for contracts referencing nature-dependent electricity which are often structured as power purchase agreements. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if these contracts are used as hedging instruments, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments are applied retrospectively upon adoption. The application of these amendments will not have a material impact on Energy Marketing's financial statements.

4.3 IFRS 18 – Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements of IAS 1 unchanged and introducing new requirements to present specified categories and defined subtotals in the statement of profit or loss. As well, entities will be required to provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation. In addition, some IAS 1 paragraphs have been moved to *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7. Furthermore, the IASB has made minor amendments to *IAS 7 – Statement of Cash Flows*.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after January 1, 2027, with earlier application permitted. The amendments to IAS 7, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions. Management is currently assessing the potential impact on Energy Marketing's financial statements and expects adoption of the standard to result in significant changes to presentation and disclosure, especially as it relates to the presentation of the Statement of Profit and Comprehensive Income.

NALCOR ENERGY MARKETING CORPORATION
NOTES TO THE FINANCIAL STATEMENTS

5. TRADE AND OTHER RECEIVABLES

<i>As at December 31 (thousands of Canadian dollars)</i>	Note	2025	2024
Trade receivables		16,085	13,675
Due from related parties	18	121	-
		16,206	13,675

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
0-60 days	16,206	13,675
60+ days	-	-
	16,206	13,675

6. INVENTORIES

As at December 31, 2025, Energy Marketing held 180,780 RECs in inventory with a book value of \$2.4 million (2024 – 484,776 RECs with a book value of \$5.0 million). The fair value changes in RECs inventory during the year ended December 31, 2025 and 2024 are recorded in Other Expense, as disclosed in Note 16.

7. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Computer Hardware, Furniture and Equipment
Cost	
Balance at January 1, 2024	324
Additions	15
Disposals	(7)
Balance at December 31, 2024	332
Additions	39
Balance at December 31, 2025	371
Depreciation	
Balance at January 1, 2024	172
Depreciation	32
Disposals	(7)
Balance at December 31, 2024	197
Depreciation	33
Balance at December 31, 2025	230
Carrying value	
Balance at January 1, 2024	152
Balance at December 31, 2024	135
Balance at December 31, 2025	141

NALCOR ENERGY MARKETING CORPORATION
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8. TRADE AND OTHER PAYABLES

<i>As at December 31 (thousands of Canadian dollars)</i>	Note	2025	2024
Trade payables and other accruals		1,523	863
Due to related parties	18	10,425	5,840
		11,948	6,703

9. DEFERRED LIABILITY

The deferred liability associated with the Energy Marketing– Hydro PPA represents Energy Marketing’s current liability related to its expected commitments for 2026 under the PPA with 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.

As at December 31, 2025, Management assessed the anticipated term of the contract and determined that a new derivative asset and corresponding deferred liability was required. This resulted in a deferred liability of \$109.8 million to be amortized into income on a straight-line basis over the assumed twelve month term, commencing on January 1, 2026. The components of change are as follows:

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Deferred liability, beginning of the year	83,907	68,131
Additions	109,777	83,907
Amortization	(83,907)	(68,131)
Deferred liability, end of the year	109,777	83,907

10. EMPLOYEE FUTURE BENEFITS

10.1 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, 2025 of \$0.2 million (2024 - \$0.3 million) were expensed as incurred.

10.2 Other Benefits

Energy Marketing provides group life insurance and health care benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a retirement allowance. In 2025, cash payments for its unfunded other employee future benefits were \$0.1 million (2024 - \$nil). An actuarial valuation was performed as at December 31, 2025.

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Accrued benefit obligation, beginning of the year	897	767
Current service cost	61	53
Interest cost	42	39
Benefits paid	(98)	-
Actuarial loss	25	38
Transfers	(86)	-
Accrued benefit obligation, end of the year	841	897

NALCOR ENERGY MARKETING CORPORATION
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<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Component of benefit cost		
Current service cost	61	53
Interest cost	42	39
Total benefit expense for the year	103	92

The significant actuarial assumptions used in measuring the accrued benefit obligation and benefit expense are as follows:

	2025	2024
Discount rate - benefit cost	4.70%	4.65%
Discount rate - accrued benefit obligation	4.95%	4.70%
Rate of compensation increase	3.50%	3.50%

Assumed healthcare trend rates:

	2025	2024
Initial healthcare expense trend rate	5.70%	5.85%
Cost trend decline to	3.60%	3.60%
Current rate 5.70%, reducing linearly to 3.6% in 2040 and thereafter		

A 1% change in assumed healthcare trend rates would have had the following effects:

<i>Increase (thousands of Canadian dollars)</i>	2025	2024
Current service and interest cost	20	18
Accrued benefit obligation	147	153
<i>Decrease (thousands of Canadian dollars)</i>	2025	2024
Current service and interest cost	(14)	(13)
Accrued benefit obligation	(109)	(112)

11. SHAREHOLDER'S EQUITY

11.1 Share capital

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Share capital		
Authorized - unlimited common shares		
Issued and outstanding - 100	1	1

11.2 DIVIDENDS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Declared and paid during the year	81,000	48,000

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12. OTHER REVENUE

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Renewable energy certificates	9,394	20,144
Other	314	-
	9,708	20,144

13. NET FINANCE INCOME

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Finance income		
Bank interest	1,800	1,781
Finance expense		
Bank and interest charges	178	81
Net finance income	1,622	1,700

14. TRANSMISSION RENTAL AND MARKET FEES

On June 1, 2023 the Amended and Restated Transmission Service Agreement for Long-term Point-to-Point Transmission Service was assigned to Energy Marketing from Hydro. This agreement assigned the rights to 500 MWs of reserved capacity for conditional firm point-to-point transmission service for the Newfoundland and Labrador transmission system allowing Energy Marketing to move energy from Muskrat Falls to the Maritime Link.

15. OPERATING COSTS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Salaries and benefits	3,429	3,825
Professional services	660	834
Other operating costs	766	786
Total operating costs	4,855	5,445

16. OTHER EXPENSE

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Loss on fair value of RECs	2,599	4,550
Unrealized foreign exchange loss (gain)	1,171	(1,297)
Net financial transmission rights income and amortization	95	(163)
Realized foreign exchange (gain) loss	(76)	104
Mark-to-market of open market positions	(55)	(23)
Total other expense	3,734	3,171

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17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

17.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2025 and 2024 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).

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 years ended December 31, 2025 and 2024.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		December 31, 2025		December 31, 2024	
<i>As at (thousands of Canadian dollars)</i>					
Financial assets					
Derivative assets	2,3	109,843	109,843	83,930	83,930
Long-term derivative assets	3	-	-	2	2
Financial liabilities					
Derivative liabilities	2	-	-	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.

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The PPA derivative represents Energy Marketing’s forecasted energysales net of Recapture power purchases, for the 2026 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 and the carrying value was immaterial as at December 31, 2025 and 2024.

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 December 31, 2025.

<i>(thousands of Canadian dollars)</i>	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative asset (Power purchase derivative asset)	109,777	Modelled pricing	Volumes (MWh)	37% to 38% of available generation

The derivative asset arising under the PPA is designated as a Level 3 instrument as certain forward market prices and 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 December 31, 2025, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in +\$2.2 million to +\$4.1 million change in the carrying value of the power purchase derivative asset.

17.2 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).

Liquidity Risk

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

Short-term liquidity is provided mainly through cash on hand, funds from operations, and a \$20.0 million demand operating credit facility with its bank. This credit facility, which is unconditionally and irrevocably guaranteed by Hydro, had no amounts outstanding as of December 31, 2025 (2024 - \$nil), however \$3.5 million CAD equivalent of the limit was used to issue irrevocable letters of credit (2024 - \$3.7 million CAD equivalent).

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The following are the contractual maturities of Energy Marketing’s financial liabilities, including principal and interest, as at December 31, 2025:

<i>(thousands of Canadian dollars)</i>	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	11,948	-	-	-	11,948

As at December 31, 2025, Hydro, on behalf of Energy Marketing, has issued \$6.1 million CAD equivalent (2024 - \$6.3 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 December 31, 2025, Hydro, on behalf of Energy Marketing, has issued unconditional guarantees and sales contracts in the amount of \$22.7 million CAD equivalent (2024 - \$23.0 million CAD equivalent), in order to guarantee amounts under power purchase and sale contracts with bilateral counterparties and sale of transmission rights.

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 USD/CAD foreign exchange rates and current commodity prices, most notably the spot prices for electricity and any potential new or revised tariffs.

Foreign Currency and Commodity Exposure

Energy Marketing’s primary exposure to both foreign exchange and commodity price risk arises from its USD denominated electricity and REC sales.

As at December 31, 2025, trade and other receivables included balances of \$7.9 million (2024 - \$9.2 million) denominated in USD. As at December 31, 2025, trade and other payables included balances of \$0.1 million (2024 - \$0.1 million) denominated in USD. Energy Marketing does not have significant exposure to fluctuations in foreign exchange with respect to its trade and other receivables and trade and other payables.

For the year ended December 31, 2025, total energy and REC sales denominated in USD were \$130.2 million USD (2024 - \$99.8 million USD).

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The components of change impacting the carrying value of derivative assets and liabilities for the years ended December 31, 2025 and 2024 are as follows:

<i>(thousands of Canadian dollars)</i>	Total	
	Level II	Level III
Balance at January 1, 2025	(3)	83,932
Net Purchases	-	15
Additions	-	109,777
	(3)	193,724
Changes to profit (loss)		
Amortization	-	(25)
Mark-to-market	55	21,507
Settlements (a)	-	(105,415)
Total	55	(83,933)
Balance at December 31, 2025	52	109,791
Balance at January 1, 2024	(26)	68,146
Net Purchases	-	116
Additions	-	83,907
	(26)	152,169
Changes to profit (loss)		
Amortization	-	(153)
Mark-to-market	23	(460)
Settlements (a)	-	(67,624)
Total	23	(68,237)
Balance at December 31, 2024	(3)	83,932

(a) Net changes in Energy Marketing – Hydro PPA

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
PPA gains		
Amortization of deferral	(83,907)	(68,131)
Mark-to-market of derivative	(21,508)	-
	(105,415)	(68,131)
PPA losses		
Mark-to-market of derivative	-	507
Settlement of realized profit	105,415	67,624
	105,415	68,131
Net PPA gain	-	-

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18. RELATED PARTY TRANSACTIONS

Energy Marketing 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.

Related parties with which Energy Marketing transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of Energy Marketing
Muskrat Falls Corporation (Muskrat Falls)	Wholly-owned subsidiary of Hydro

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

<i>As at December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
Trade and other receivables:			
Parent	5	121	-
Prepayments:			
Parent		2,204	2,204
Derivative asset:			
Parent	17	109,777	83,907
Trade and other payables:	8		
Parent		8,556	4,749
Other related parties		1,869	1,091
Deferred liability:			
Parent	9	109,777	83,907

<i>For the year ended December 31 (thousands of Canadian dollars)</i>		2025	2024
Transmission rental and market fees:			
Parent		40,344	36,812
Operating costs:			
Parent		851	875
Power purchased:			
Parent	(a)	25,533	25,839
Other related parties	(b)	38,262	14,629
Dividends Paid			
Parent	11	81,000	48,000

(a) In April 2022, Energy Marketing and Hydro amended the Energy Marketing – Hydro PPA to allow Energy Marketing to purchase incremental Recapture energy for export and sales to external markets.

(b) In July 2022, Energy Marketing and Muskrat Falls entered into a short-term Service Agreement where Energy Marketing has agreed to purchase Muskrat Falls Residual Block for export and sales to external markets.

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19. COMMITMENTS AND CONTINGENCIES

- (a) Under the terms of the PPA with Hydro, Energy Marketing has committed to purchase available recapture energy and reimburse Hydro for transmission service during 2026. The estimated commitment is approximately \$28.9 million (2024 - \$7.6 million) for Recapture power purchases and \$20.8 million (2024 - \$20.8 million) related to reimbursements for transmission service rights.
- (b) Energy Marketing has entered into a number of transmission services agreements, excluding those under the PPA with Hydro, as follows:

Type	Capacity	Effective Date	Term
Firm	2 MW	2015	14 years
Firm	500 MW	2023	10 years
Firm	2 MW	2025	5 years
Firm	1 MW	2025	1 year

Estimated payments due in each of the next five years are as follows:

<i>(thousands of Canadian dollars)</i>	2026	2027	2028	2029	2030
Transmission service payments	18,110	18,091	18,091	18,071	18,007

20. CAPITAL MANAGEMENT

Energy Marketing's objective when managing capital is to maintain its ability to continue as a going concern. Energy Marketing's capital consists of shareholder's equity, specifically, share capital, and retained earnings. Capital resource requirements are limited to working capital needs, which are funded through cash from operations, support from its parent, and a \$20.0 million demand operating facility with its primary banker.

21. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Trade and other receivables	(2,531)	2,946
Prepayments	75	11
Trade and other payables	5,245	(1,612)
Changes in non-cash working capital balances	2,789	1,345
Related to:		
Operating activities	2,874	1,342
Investing activities	(85)	3
	2,789	1,345