

NALCOR ENERGY - OIL AND GAS INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
June 30, 2026
(Unaudited)

NALCOR ENERGY - OIL AND GAS INC.
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (millions of Canadian dollars)</i>	<i>Notes</i>	June 30 2026	December 31 2025
ASSETS			
Current assets			
Cash		76	40
Trade and other receivables	3	44	38
Inventories		12	19
Prepayments		2	1
Total current assets		134	98
Non-current assets			
Property, plant and equipment	4	779	750
Total assets		913	848
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	49	26
Total current liabilities		49	26
Non-current liabilities			
Decommissioning liabilities		91	89
Total liabilities		140	115
Shareholder's equity			
Share capital		110	110
Shareholder contributions		906	906
Deficit		(243)	(283)
Total equity		773	733
Total liabilities and equity		913	848

See accompanying notes

NALCOR ENERGY - OIL AND GAS INC.
STATEMENT OF PROFIT (LOSS) AND COMPREHENSIVE PROFIT (LOSS)
(Unaudited)

<i>For the period ended June 30 (millions of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2026	2025	2026	2025
Petroleum and natural gas sales		165	81	276	151
Royalties	9	(58)	(22)	(86)	(37)
Revenue, net		107	59	190	114
Operating costs	9	1	1	2	2
Production, marketing and transportation costs		10	7	18	14
Depreciation, depletion and impairment (reversal)	7	26	56	(1)	69
Net finance expense		-	-	1	1
Other (income) expense		(1)	2	(3)	3
Expenses		36	66	17	89
Total profit (loss) for the period		71	(7)	173	25
Total comprehensive profit (loss) for the period		71	(7)	173	25

See accompanying notes

NALCOR ENERGY - OIL AND GAS INC.
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(millions of Canadian dollars)</i>	Notes	Share Capital	Shareholder Contributions	Deficit	Total
Balance at January 1, 2026		110	906	(283)	733
Total profit and comprehensive profit for the period		-	-	173	173
Dividends	6	-	-	(133)	(133)
Balance at June 30, 2026		110	906	(243)	773

Balance at January 1, 2025		110	906	(282)	734
Total profit and comprehensive profit for the period		-	-	25	25
Dividends	6	-	-	(45)	(45)
Balance at June 30, 2025		110	906	(302)	714

See accompanying notes

NALCOR ENERGY - OIL AND GAS INC.
STATEMENT OF CASH FLOWS
(Unaudited)

		Three months ended		Six months ended	
<i>For the period ended June 30 (millions of Canadian dollars)</i>	<i>Notes</i>	2026	2025	2026	2025
Operating activities					
Profit (loss) for the period		71	(7)	173	25
Adjustments to reconcile profit to cash provided from operating activities:					
Depreciation, depletion and impairment (reversal)	7	26	56	(1)	69
Finance income		(1)	(1)	(1)	(1)
Finance expense		1	1	2	2
		97	49	173	95
Changes in non-cash working capital balances	10	39	13	22	20
Interest received		1	1	1	1
Net cash provided from operating activities		137	63	196	116
Investing activities					
Additions to property, plant and equipment	4	(13)	(26)	(26)	(48)
Changes in non-cash working capital balances	10	(4)	1	(1)	5
Net cash used in investing activities		(17)	(25)	(27)	(43)
Financing activity					
Dividends paid	6	(96)	(39)	(133)	(45)
Net cash used in financing activity		(96)	(39)	(133)	(45)
Net increase (decrease) in cash		24	(1)	36	28
Cash, beginning of the period		52	61	40	32
Cash, end of the period		76	60	76	60

See accompanying notes

NALCOR ENERGY - OIL AND GAS INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Nalcor Energy - Oil and Gas Inc. (Oil and Gas or the Company) was incorporated on August 12, 2008 under the laws of the Province of Newfoundland and Labrador (The Province). Oil and Gas has a mandate to engage in the upstream and downstream sectors of the oil and gas industry. Upstream includes exploration, development, and production activities while downstream includes transportation and processing activities. Oil and Gas is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro). Substantially all of Oil and Gas' activities are conducted jointly with others and, accordingly, these financial statements reflect only Oil and Gas' proportionate interest in such activities. The head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0C9, Canada.

2. MATERIAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with International Accounting Standard IAS 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, 2025.

These condensed interim financial statements do not include all of the disclosures normally found in the Company'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. The condensed interim financial statements are presented in Canadian dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The Board of Directors (the Board) has delegated the authority to approve the condensed interim financial statements to the Audit Committee of the Board of Directors of Hydro, which approved the condensed interim financial statements on August 13, 2026.

3. TRADE AND OTHER RECEIVABLES

		June 30	December 31
<i>As at (millions of Canadian dollars)</i>	Note	2026	2025
Trade receivables		44	38
Due from related parties	9	6	6
Loss allowance		(6)	(6)
		44	38

NALCOR ENERGY - OIL AND GAS INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

4. PROPERTY, PLANT AND EQUIPMENT

	Petroleum and Natural Gas Properties
<i>(millions of Canadian dollars)</i>	
Cost	
Balance at January 1, 2025	1,743
Additions	86
Decommissioning liability revisions	8
Balance at December 31, 2025	1,837
Additions	26
Balance at June 30, 2026	1,863
Depreciation, depletion and impairment	
Balance at January 1, 2025	995
Depreciation and depletion	72
Impairment expense	20
Balance at December 31, 2025	1,087
Depreciation and depletion	48
Impairment reversal	(51)
Balance at June 30, 2026	1,084
Carrying value	
Balance at January 1, 2025	748
Balance at December 31, 2025	750
Balance at June 30, 2026	779

On a quarterly basis, the Company assesses its Cash Generating Units (CGUs) for indicators that events or changes in circumstances may have impacted the recoverable amount of the associated assets. The Company determines the recoverable amount of its CGUs using value in use, which is estimated using discounted future cash flows based on forecasted oil prices, forecasted remaining reserves, forecasted future operating and capital costs and a discount rate derived from post-tax weighted average cost of capital, adjusted to reflect specific risks to the CGUs. For the period ended June 30, 2026, the Company recognized an impairment reversal of \$51 million (December 31, 2025 – impairment expense of \$20 million). The impairment reversal was related to the White Rose Extension due to the increase in oil and gas prices, driven by major disruptions to global supply.

5. TRADE AND OTHER PAYABLES

	Note	June 30 2026	December 31 2025
<i>As at (millions of Canadian dollars)</i>			
Due to related parties	9	33	6
Trade payables and accruals		12	17
HST payables		4	3
		49	26

6. DIVIDENDS

	Three months ended 2026	2025	Six months ended 2026	2025
<i>For the period ended June 30 (millions of Canadian dollars)</i>				
Declared and paid during the period	96	39	133	45

NALCOR ENERGY - OIL AND GAS INC.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

7. DEPRECIATION, DEPLETION & IMPAIRMENT (REVERSAL)

	Three months ended		Six months ended	
<i>For the period ended June 30 (millions of Canadian dollars)</i>	2026	2025	2026	2025
Depreciation & depletion	26	23	50	36
Impairment (reversal)	-	33	(51)	33
Total depreciation, depletion & impairment (reversal)	26	56	(1)	69

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

8.1 Fair Value

The estimated fair values of financial instruments as at June 30, 2026 and December 31, 2025 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 Oil and Gas might receive or incur in actual market transactions.

As a significant number of Oil and Gas' assets and liabilities do not meet the definition of a financial instrument, the fair value estimates disclosed do not reflect the fair value of Oil and Gas 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 price (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, the Company 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 for the period ended June 30, 2026 and the year ended December 31, 2025.

As at June 30, 2026 and December 31, 2025, the Company did not have any Level 2 or Level 3 instruments.

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

8.2 Risk Management

Oil and Gas 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 Oil and Gas' expected future cash flows.

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NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

Credit Risk

Oil and Gas' expected future cash flows are exposed to credit risk through its operating activities, primarily through the potential for non-performance by its customers. The degree of exposure to credit risk on cash and the sale of crude oil, including the associated 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 Statement of Financial Position at the reporting date.

Credit risk on cash is considered to be minimal, as Oil and Gas' cash deposits are held by a Schedule 1 Canadian Chartered bank with a rating of A+ (Standard and Poor's). Oil sales are carried out under oil sales and marketing agreements with major oil and gas companies whose creditworthiness has been appropriately assessed prior to execution of the related agreements.

Liquidity Risk

Oil and Gas is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management activities are directed to 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, and a \$40 million (December 31, 2025 - \$40 million) unsecured demand operating facility with the Company's bank. As at June 30, 2026, Oil and Gas had no borrowings outstanding on the credit facility (December 31, 2025 - \$nil), and \$17 million of the borrowing limit had been used (December 31, 2025 - \$17 million) to ensure compliance with service agreements and regulations relating to petroleum and natural gas exploration and production activities.

Market Risk

In the course of carrying out its operating, financing and investing activities, Oil and Gas 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 Oil and Gas has significant exposure include those relating to prevailing interest rates, foreign exchange rates, most notably USD/CAD, and current commodity prices, most notably the spot prices for oil.

Foreign Exchange and Commodity Exposure

Oil and Gas is exposed to foreign exchange and commodity price risk on its sales, which are denominated in USD and based on prevailing market oil prices. For the period ended June 30, 2026, total oil sales denominated in USD were \$201 million (USD) (June 30, 2025 - \$107 million (USD)).

9. RELATED PARTY TRANSACTIONS

Oil and Gas 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 Oil and Gas transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of Oil and Gas
The Province	100% shareholder of Hydro
Oil and Gas Corporation of Newfoundland and Labrador	Wholly-owned subsidiary of the Province
Bull Arm Fabrication	Wholly-owned subsidiary of Oil and Gas Corporation of Newfoundland and Labrador

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

		June 30 2026	December 31 2025
<i>As at (millions of Canadian dollars)</i>			
Trade and other receivables:	Note 3		
Other related parties	(a)	6	6
Trade and other payables:	Note 5		
The Province	(b)	33	6

		Three months ended		Six months ended	
		2026	2025	2026	2025
<i>For the period ended June 30 (millions of Canadian dollars)</i>					
Royalties:					
The Province	(b)	(54)	(22)	(81)	(36)
Operating costs:					
Other related parties		1	1	2	2

(a) Included in trade and other receivables as at June 30, 2026 and December 31, 2025 is \$6 million owing from Bull Arm Fabrication and Oil and Gas Corporation of Newfoundland and Labrador. The balance was allowed for in its entirety during 2021.

(b) During the period June 30, 2026, Oil and Gas incurred \$86 million (June 30, 2025 - \$37 million) in royalty expenses of which \$81 million (June 30, 2025 - \$36 million) were paid to the Province and \$5 million paid to Federal Government (June 30, 2025 - \$1 million). Royalties payable at June 30, 2026 were \$33 million (December 31, 2025 - \$6 million).

10. SUPPLEMENTARY CASH FLOW INFORMATION

		Three months ended		Six months ended	
		2026	2025	2026	2025
<i>For the period ended June 30 (millions of Canadian dollars)</i>					
Trade and other receivables		22	16	(6)	14
Inventories		5	1	5	-
Prepayments		4	1	(1)	1
Trade and other payables		4	(4)	23	10
Changes in non-cash working capital balances		35	14	21	25
Related to:					
Operating activities		39	13	22	20
Investing activities		(4)	1	(1)	5
		35	14	21	25