

NALCOR ENERGY MARKETING CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2015
(Unaudited)

DIRECTORS

KEN MARSHALL
President – Atlantic Region
Rogers Communications

ED MARTIN
President and Chief Executive Officer

TOM CLIFT
Professor
Faculty of Business Administration
Memorial University of Newfoundland and Labrador

GERALD SHORTALL
Chartered Accountant
Corporate Director

DENNIS CLARKE
Lawyer
McInnes Cooper

JOHN GREEN
Lawyer
McInnes Cooper

OFFICERS

KEN MARSHALL
Chairperson

ED MARTIN
President and Chief Executive Officer

DERRICK STURGE
Vice President, Finance and Chief Financial Officer

CHRIS KIELEY
Vice President, Strategic Planning
and Business Development

GREG JONES
General Manager

WAYNE CHAMBERLAIN
General Counsel and Corporate Secretary

PETER HICKMAN
Assistant Corporate Secretary

ROBERT HULL
General Manager, Finance

AUBURN WARREN
General Manager, Commercial, Treasury and Risk

HEAD AND CORPORATE OFFICE

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NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	Notes	March 31 2015	December 31 2014
ASSETS			
Current assets			
Cash and cash equivalents		209	25
Trade and other receivables		49	16
Prepayments		245	345
Derivative assets	6	460	68
Total assets		963	454
LIABILITIES AND SHAREHOLDER'S DEFICIENCY			
Current liabilities			
Trade and other payables		2,352	1,174
Derivative liabilities	6	4,609	980
Total liabilities		6,961	2,154
Shareholder's deficiency			
Share capital	3	1	1
Deficit		(5,999)	(1,701)
Total shareholder's deficiency		(5,998)	(1,700)
Total liabilities and shareholder's deficiency		963	454

Subsequent event (Note 9)

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended 2015
Operating costs	4	(784)
Net finance income and expense	5	3
Other income and expense	6	(3,517)
Loss, being total comprehensive loss for the period		(4,298)

See accompanying notes

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

<i>(thousands of Canadian dollars)</i>	Notes	Issued Shareholder's Capital	Deficiency	Total
Balance at January 1, 2015		1	(1,701)	(1,700)
Loss for the period		-	(4,298)	(4,298)
Total comprehensive loss for the period		-	(4,298)	(4,298)
Balance at March 31, 2015		1	(5,999)	(5,998)
Balance at March 24, 2014		-	-	(Note 1)
Issuance of share capital	3	1	-	1
Balance at March 31, 2014		1	-	1

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

Three months ended

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	2015
		(Note 1)
Cash provided by (used in)		
Operating activities		
Loss for the period		(4,298)
Adjusted for items not involving a cash flow:		
Unrealized loss on derivatives		3,237
		(1,061)
Changes in non-cash working capital balances	7	1,245
Net cash provided from operating activities		184
Net increase in cash		184
Cash and cash equivalents, beginning of period		25
Cash and cash equivalents, end of period		209

Supplementary cash flow information (Note 7)

See accompanying notes

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

1. DESCRIPTION OF BUSINESS

Nalcor Energy Marketing Corporation (Energy Marketing or the Company) was formed under the laws of the Province of Newfoundland and Labrador (the Province) and the federal laws of Canada on March 24, 2014. The purpose of Energy Marketing is to oversee the sale of energy from existing and future resource developments. Energy Marketing is a 100% owned subsidiary of Nalcor Energy (Nalcor).

Energy Marketing's head office is located in St. John's, Newfoundland and Labrador.

As operations did not begin until November 2014, no comparative information has been presented.

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 (IAS) 34 - Interim Financial Reporting and have been prepared using accounting policies consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2014.

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 available for sale financial assets and derivative instruments which have been measured at fair value. The condensed interim financial statements are presented in Canadian dollars and all values rounded to the nearest thousand, except when otherwise noted.

3. SHAREHOLDER'S CAPITAL

The share capital of Energy Marketing as at March 31, 2015 and December 31, 2014 is as follows:

<i>(thousands of Canadian dollars)</i>	2015	2014
Share capital		
Authorized - unlimited		
Issued and outstanding - 100	1	1

4. OPERATING COSTS

	Three months ended
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2015
Salaries and benefits	542
Maintenance and materials	30
Professional services	130
Training	12
Other operating costs	70
	784

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

5. NET FINANCE INCOME AND EXPENSE

	Three months ended
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2015
Finance income	
Gain on foreign exchange	4
	4
Finance expense	
Other interest expense	(1)
	(1)
Net finance income	3

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

6.1 Fair Value

The estimated fair values of financial instruments as at March 31, 2015 and December 31, 2014 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 a significant number 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 measurement during the period ended March 31, 2015 and December 31, 2014.

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

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		March 31, 2015		December 31, 2014	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Cash and cash equivalents	1	209	209	25	25
Trade and other receivables	1	49	49	16	16
Derivative assets	3	460	460	68	68
Financial liabilities					
Trade and other payables	1	2,352	2,352	1,174	1,174
Derivative liabilities	2	4,609	4,609	980	980

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

6.2 Risk Management

Liquidity Risk

Energy Marketing is exposed to liquidity risk with respect to its contractual obligations and financial liabilities, including any derivative liabilities related to hedging activities. 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 and cash equivalents on hand, funds from operations and financial support from its parent, Nalcor. On March 2, 2015, the letter of credit issued by Nalcor Energy, in favour of Energy Marketing, to New York Independent System Operator was increased from USD \$1.4 million to USD \$2.6 million.

Market Risk

In December of 2014, Energy Marketing entered into a series of twelve monthly foreign exchange forward contracts with a notional value of \$41.8 million USD to hedge foreign exchange risk on a portion of planned USD electricity sales to the end of 2015. At March 31, 2015, the change in fair value of \$3,628,000 was recorded in other income and expense.

7. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended
<i>For the period ended March 31 (millions of Canadian dollars)</i>	2015
Trade and other receivables	(33)
Prepayments	100
Trade and other payables	1,178
Changes in non-cash working capital balances	1,245
Interest paid	1

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8. RELATED PARTY TRANSACTIONS

Energy Marketing enters into various transactions with its parent 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:

<u>Related Party</u>	<u>Relationship</u>
Nalcor Energy (Nalcor)	100% shareholder of Energy Marketing
Newfoundland and Labrador Hydro (Hydro)	100% owned subsidiary of Nalcor

As of March 31, 2015, Energy Marketing had outstanding borrowings totalling \$1,680,710 (2014 - \$1,068,652) from Nalcor under the funding arrangement. The facility is non-interest bearing. Borrowings were reflected in trade and other payables at period end.

9. SUBSEQUENT EVENTS

On April 1, 2015, Energy Marketing completed the transition to a full-service trading operation, selling and delivering recapture energy directly into external energy markets. Prior to this date, these activities were carried out under a third party service contract with Emera Energy Inc.