

NALCOR ENERGY MARKETING
CONDENSED INTERIM FINANCIAL STATEMENTS
September 30, 2014
(Unaudited)

DIRECTORS

KEN MARSHALL
Acting Chairperson
President – Atlantic Region
Rogers Cable

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
Acting 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, Nalcor Energy Marketing

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 OFFICE

Nalcor Energy
P.O. Box 12800
Hydro Place, 500 Columbus Drive
St. John's, NL
Canada A1B 0C9

NALCOR ENERGY MARKETING
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at September 30 (thousands of Canadian dollars)</i>	Notes	2014
		(Note 1)
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Trade and other payables	4	109
Total current liabilities		109
Total liabilities		109
Shareholder's equity		
Share capital	5	1
Deficit		(110)
Total shareholder's equity		(109)
Total liabilities and shareholder's equity		-

See accompanying notes

NALCOR ENERGY MARKETING
STATEMENT OF COMPREHENSIVE LOSS
(Unaudited)

For the period from March 24 to September 30 (thousands of Canadian dollars)

2014
(Note 1)

Operating costs	110
Expenses	110
Loss for the period, being total comprehensive loss for the period	(110)

See accompanying notes

NALCOR ENERGY MARKETING
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	Issued Capital	Deficit	Total
Balance at March 24, 2014		-	-	-
Loss for the period		-	(110)	(110)
Issuance of share capital	5	1	-	1
Balance at September 30, 2014		1	(110)	(109)

See accompanying notes

NALCOR ENERGY MARKETING
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period from March 24 to September 30 (thousands of Canadian dollars)</i>	Notes	2014
		(Note 1)
Cash provided by (used in)		
Operating Activities		
Loss for the period		(110)
Changes in non-cash working capital balances		
Trade and other payables		109
Net cash from operating activities		(1)
Financing activities		
Issuance of share capital	5	1
Net cash from financing activities		1
Net increase in cash and cash equivalents		-
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period		-

See accompanying notes

NALCOR ENERGY MARKETING
NOTES TO FINANCIAL STATEMENTS (Unaudited)

1. NATURE AND DESCRIPTION OF THE COMPANY

Nalcor Energy Marketing (NEM) was formed under the laws of the Province of Newfoundland and Labrador and the federal laws of Canada on March 24, 2014. The purpose of NEM is to oversee the sale of excess energy, from existing and future resource developments. NEM's head office is located in St. John's, Newfoundland and Labrador.

As 2014 is the first year of operations for NEM, no comparative information has been presented.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). NEM has adopted accounting policies which are based on the IFRS applicable as at September 30, 2014, and includes individual IFRS, International Accounting Standards (IAS), and interpretations made by the IFRS Interpretations Committee (IFRIC) and the former Standing Interpretations Committee (SIC).

These condensed interim financial statements have been prepared on a historical cost basis. The financial statements are presented in Canadian dollars and all values rounded to the nearest thousands, except when otherwise noted.

2.2 Financial Instruments

Financial assets and financial liabilities are recognized in the statement of financial position when NEM becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement is based on classification. Financial instruments are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), financial liabilities designated as FVTPL, 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial instruments and is determined at the time of initial recognition.

Classification of Financial Instruments

NEM has classified its financial instrument, trade and other payables, into the other financial liabilities category.

Financial Liabilities

- (i) Trade and other payables are classified as 'other financial liabilities'. Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

NALCOR ENERGY MARKETING
NOTES TO FINANCIAL STATEMENTS (Unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

2.3 Derecognition of Financial Instruments

NEM derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of these financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of liabilities and expenses including, but not limited to, allocations of costs among entities. Actual results may materially differ 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 revised if the revision affects only that period or in the revision and future periods if the revision affects both current and future periods.

4. TRADE AND OTHER PAYABLES

The composition of trade and other payables as at September 30, 2014 is as follows:

<i>(thousands of Canadian dollars)</i>	2014
Trade payables	45
Payables due to related parties	64
	109

5. SHAREHOLDER'S EQUITY

The issued capital of NEM as at September 30, 2014 is summarized below:

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

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

6.1 Fair Value

The estimated fair values of financial instruments as at September 30, 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 NEM might receive or incur in actual market transactions.

NALCOR ENERGY MARKETING
NOTES TO FINANCIAL STATEMENTS (Unaudited)

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

6.1 Fair Value

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.

The fair value of trade and other payables approximates its carrying value due to its short-term maturity.

7. RELATED PARTY TRANSACTIONS

NEM 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 NEM transacts are as follows:

<u>Related Party</u>	<u>Relationship</u>
Nalcor Energy (Nalcor)	100.0% shareholder of NEM
Newfoundland and Labrador Hydro	100.0% owned subsidiary of Nalcor

8. SUBSEQUENT EVENTS

On November 26, 2014 NEM's Board of Directors approved a demand credit facility of \$20.0 million. This credit facility had previously been approved by NEM's bank in July 2014, pending approval from NEM's Board of Directors and an unconditional and irrevocable guarantee from Nalcor. Nalcor's Board of Directors approved the guarantee in October 2014. The credit facility has not yet been made available by NEM's bank.