NALCOR ENERGY MARKETING CORPORATION
FINANCIAL STATEMENTS
December 31, 2015

Deloitte.

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Independent Auditor's Report

To the Shareholder of Nalcor Energy Marketing Corporation

We have audited the accompanying financial statements of Nalcor Energy Marketing Corporation, which comprise the statement of financial position as at December 31, 2015, and the statements of comprehensive loss, changes in deficiency and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Nalcor Energy Marketing Corporation as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
March 11, 2016

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of Canadian dollars)	Notes	**2015**	2014 (Note 1)
ASSETS			
Current assets			
Cash and cash equivalents	5	**-**	25
Trade and other receivables	6	**1,097**	16
Prepayments		**454**	345
Derivative assets	7	**61,638**	68
Total current assets		**63,189**	454
Property, plant and equipment	8	**174**	-
Intangible assets	9	**1,121**	-
Total non-current assets		**1,295**	-
Total assets		**64,484**	454
LIABILITIES AND DEFICIENCY			
Current liabilities			
Bank indebtedness	5	**4,791**	-
Trade and other payables	10	**5,159**	1,174
Derivative liabilities	17	**4,051**	980
Deferred liability	11	**61,241**	-
Total current liabilities		**75,242**	2,154
Employee benefits liability	12	**607**	-
Total non-current liabilities		**607**	-
Total liabilities		**75,849**	2,154
Shareholder’s deficiency			
Share capital	13	**1**	1
Reserves		**(1,444)**	-
Deficit		**(9,922)**	(1,701)
Total shareholder's deficiency		**(11,365)**	(1,700)
Total liabilities and deficiency		**64,484**	454

Commitments and contingencies (Note 19)

See accompanying notes

On behalf of the Board:

DIRECTOR

DIRECTOR

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2015**	2014
			(Note 1)
Energy sales		**9,533**	-
Other revenue	18	**697**	-
Revenue		**10,230**	-
Operating costs	14	**10,742**	694
Power purchased		**1,841**	-
Depreciation and amortization	8,9	**68**	-
Net finance (income) expense	15	**149**	14
Other (income) expense	16	**5,651**	993
Loss for the year		**(8,221)**	(1,701)
Other comprehensive loss for the year		**(1,444)**	-
Total comprehensive loss for the year		**(9,665)**	(1,701)

See accompanying notes

NALCOR ENERGY MARKETING
STATEMENT OF CHANGES IN DEFICIT

(thousands of Canadian dollars)	Notes	Share Capital	Fair Value Reserve	Employee Benefit Reserve	Deficit	Total
Balance at January 1, 2015		**1**	**-**	**-**	**(1,701)**	**(1,700)**
Loss for the year		**-**	**-**	**-**	**(8,221)**	**(8,221)**
Change in fair value of cash flow hedge[1]	**17**	**-**	**(1,325)**	**-**	**-**	**(1,325)**
Actuarial loss on employee benefits liability[2]		**-**	**-**	**(119)**	**-**	**(119)**
Total comprehensive loss for the year		**-**	**(1,325)**	**(119)**	**(8,221)**	**(9,665)**
Balance at December 31, 2015		**1**	**(1,325)**	**(119)**	**(9,922)**	**(11,365)**
Balance at March 24, 2014		-	-	-	-	-
Loss for the year		-	-	-	(1,701)	(1,701)
Total comprehensive loss for the year		-	-	-	(1,701)	(1,701)
Issuance of share capital		1			-	1
Balance at December 31, 2014		1	-	-	(1,701)	(1,700)

[1]Subsequently reclassified to profit or loss on derecognition
[2]Not subsequently reclassified to profit or loss

See accompanying notes

NALCOR ENERGY MARKETING CORPORATION
STATEMENT OF CASH FLOWS

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2015**	2014
			(Note 1)
Cash provided by (used in)			
Operating activities			
Loss for the year		**(8,221)**	(1,701)
Adjusted for items not involving a cash flow:			
Depreciation and amortization	8,9	**68**	-
Employee benefits		**488**	-
Unrealized loss on derivatives		**2,581**	1,014
		(5,084)	(687)
Changes in non-cash working capital balances	20	**2,795**	813
Net cash (used in) provided by operating activities		**(2,289)**	126
Investing activities			
Additions to property, plant and equipment	8	**(183)**	-
Additions to intangible assets	9	**(1,180)**	-
Additions to financial transmission rights	7	**(1,164)**	(102)
Net cash used in investing activities		**(2,527)**	(102)
Financing activity			
Issuance of share capital		**-**	1
Net cash provided from financing activity		**-**	1
Net (decrease) increase in cash and cash equivalents		**(4,816)**	25
Cash and cash equivalents, beginning of year		**25**	-
(Bank indebtedness) cash and cash equivalents, end of year		**(4,791)**	25

Supplementary cash flow information (Note 20)

See accompanying notes

1. DESCRIPTION OF BUSINESS

Nalcor Energy Marketing Corporation (Energy Marketing or the Company) was incorporated under the Corporations Act of Newfoundland and Labrador (the Province) 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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Energy Marketing has adopted accounting policies which are based on the IFRS applicable as at December 31, 2015 which includes individual IFRS, International Accounting Standards (IAS), and interpretations made by the IFRS Interpretations Committee and the Standing Interpretations Committee.

These annual audited 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 annual audited financial statements are presented in Canadian Dollars and all values rounded to the nearest thousand, except when otherwise noted. These annual audited financial statements were approved by Energy Marketing's Board of Directors (the Board) on March 2, 2016.

2.2 Cash and Cash Equivalents

Cash and cash equivalents (bank indebtedness) consists of amounts on deposit with a Schedule 1 Canadian Chartered bank, funds drawn on Energy Marketing's operating facility, as well as, highly liquid investments with maturities of three months or less. Investments with maturities greater than three months and less than twelve months are classified as short-term investments. As at December 31, 2015, there were no cash equivalents or short-term investments. Cash and cash equivalents and bank indebtedness are recorded at cost which approximates fair value while short-term investments are measured at fair value.

2.3 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables and are measured at amortized cost using the effective interest method.

2.4 Property, Plant and Equipment

Items of property, plant and equipment are recognized using the cost model and thus are recorded 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, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in profit or loss as incurred. Property, plant and equipment are not revalued for financial reporting purposes. Depreciation of these assets commences when the assets are ready for their intended use.

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

Computer hardware and furniture	5 to 20 years

2.5 Intangible Assets

Intangible assets that are expected to generate future economic benefit and are measurable, including computer software costs and costs of technical services, are capitalized as intangible assets in accordance with IAS 38.

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	5 years

2.6 Impairment of Non-Financial Assets

At the end of each reporting period, Energy Marketing reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

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. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. The recoverable amount is the higher of fair value less costs to sell and value in use. 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. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets.

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 Loss and Comprehensive Loss.

2.7 Employee Benefits Liability

(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 severance payment upon retirement.

The cost of providing these benefits is determined using the projected unit credit method, with actuarial valuations being completed every three years and extrapolated at the end of each reporting period 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.

2.8 Revenue Recognition

Revenue from the sale of energy is recognized when Energy Marketing has transferred the significant risks and rewards of ownership to the buyer, recovery of the consideration is probable, and the amount of revenue can be reliably measured. Energy sales consist solely of export and counterparty sales at market rates in both US and Canadian currencies.

Revenue associated with performing advisory and market trading services is recognized when the revenue can be reliably measured, collection is reasonably assured and performance is complete.

2.9 Net Finance (Income) Expense

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale (AFS), interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

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 Loss and Comprehensive Loss as other (income) expense.

2.11 Income Taxes

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

2.12 Financial Instruments

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. Subsequent measurement is based on classification. Financial instruments are classified into the following specified categories: financial assets at FVTPL, AFS financial assets, loans and receivables, held-to-maturity investments, financial liabilities at FVTPL, financial instruments used for hedging and other financial liabilities. 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

Energy Marketing has classified each of its financial instruments into the following categories: financial assets at FVTPL, loans and receivables, financial instruments used for hedging and other financial instruments.

Cash and cash equivalents	Loans and receivables
Trade and other receivables	Loans and receivables
Derivative instruments	At FVTPL and financial instruments used for hedging
Trade and other payables	Other financial liabilities
Bank indebtedness	Other financial liabilities

(i) Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income or expense is recognized on an effective interest basis for financial instruments other than those financial assets and liabilities classified as at FVTPL.

Financial Assets

(ii) Financial Assets at FVTPL
Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that Energy Marketing manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Energy Marketing's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in other (income) expense. The net gain or loss incorporates any dividends or interest earned. Further information on fair value measurement of financial assets is available in Notes 7 and 17.

(iii) Loans and receivables
Trade receivables, loans and other receivables with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Financial Liabilities and Equity Instruments

(iv) Financial Liabilities at FVTPL
A financial liability may be classified as at FVTPL if the contracted liability contains one or more embedded derivatives, and if the embedded derivative significantly modified the cash flows or if the embedded derivative is not closely related to the host liability. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising from re-measurement recognized in profit or loss.

(v) 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.

(vi) Derivative Instruments and Financial Instruments Used for Hedging

Derivative instruments are utilized by Energy Marketing to manage risk and effectively carry out export market sales. Energy Marketing's policy is not to utilize derivative instruments for speculative purposes. Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging relationship.

Energy Marketing may choose to designate derivative instruments as hedges and apply hedge accounting if there is a high degree of correlation between the price movements in the derivative instruments and the hedged items. Energy Marketing formally documents all hedges and the related risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in the Statement of Loss and Comprehensive Loss for the year.

Amounts recognized as other comprehensive income are transferred to profit or loss for the period when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

2.13 Derecognition of Financial Instruments

Energy Marketing derecognizes a financial asset only 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 entity. If Energy Marketing neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, its retained interest in the asset and any associated liability for amounts it may have to pay is recognized. If Energy Marketing retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes the collateralized borrowing for the proceeds received. Energy Marketing derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

2.14 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the borrower, more probable than not, will enter bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Energy Marketing's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the annual audited financial statements in conformity with IFRS 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 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 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) Property, plant and equipment
Amounts recorded for depreciation are based on the useful lives of Energy Marketing's assets. The useful lives of property, plant and equipment are determined by independent specialists and reviewed annually by Energy Marketing. These useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation recorded.

(ii) Intangible assets
Amounts recorded for amortization are based on the useful lives of Energy Marketing's assets. These useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of amortization recorded.

(iii) Employee Benefits
Energy Marketing provides group life insurance and health care benefits on a cost-shared basis to retired employees, in addition to a severance payment upon retirement. 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.

3.3 Use of Assumptions

(i) Derivative Assets and Deferred Liabilities

Fair value assumptions for 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 power purchase derivative asset upon initial recognition and the transaction price of the power purchase derivative asset, and to amortize the deferred liability on a straight-line basis over its effective term (Note 11). These methods, when compared with alternatives, were determined to more accurately reflect the nature and substance of the transactions.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

Energy Marketing has not applied the following new and revised IFRS that have been issued but are not yet effective:

Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
IFRS 9	Financial Instruments[2]
IFRS 15	Revenue from Contracts with Customers[2]

[1]Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
[2]Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

4.1 Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. Management does not anticipate that the application of these amendments to IAS 1 will have a material impact on Energy Marketing's annual audited financial statements.

4.2 Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using revenue-based depreciation methods for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) When the intangible asset is expressed as a measure of revenue, or
(b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, Energy Marketing uses the straight-line methods for depreciation and amortization of its property, plant and equipment, and intangible assets respectively.

Management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefit inherent in the respective assets and accordingly does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on Energy Marketing's annual audited financial statements.

4.3 IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

(a) impairment requirements for financial assets; and
(b) limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

Key Requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the application of IFRS 9 in the future may have a material impact on the amounts reported and disclosures made in Energy Marketing's annual audited financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until Management performs a detailed review.

4.4 IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a five-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Determine the transaction price.
Step 4: Allocate the transaction price to the performance obligations in the contract.
Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Management anticipates that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in Energy Marketing's annual audited financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until Management performs a detailed review.

5. CASH AND CASH EQUIVALENTS (BANK INDEBTEDNESS)

Bank indebtedness includes cash deposits held by a Canadian Schedule 1 Chartered bank with a rating of A+ (Standard and Poor's) and funds drawn on Energy Marketing's $20.0 million demand operating credit facility with its bank. The balances are as follows:

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Cash	**3,372**	25
Bank indebtedness	**(8,163)**	-
	(4,791)	25

6. TRADE AND OTHER RECEIVABLES

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Trade receivables	**861**	1
Receivables due from related parties	**236**	15
	1,097	16

As at December 31 (thousands of Canadian dollars)	**2015**	2014
0-60 days	**1,097**	16

As at December 31, 2015, trade and other receivables included balances of $811.0 thousand (2014 - $nil) denominated in USD.

7. DERIVATIVE ASSETS

Effective October 1, 2015, Energy Marketing entered into a power purchase agreement (PPA) with Newfoundland and Labrador Hydro (Hydro) which allows for the purchase of available recapture energy from Hydro for resale by Energy Marketing 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-Quebec dated April 1, 2009. The PPA can be terminated with notice at the end of an operating year.

Derivative assets are comprised of purchased contracts of financial transmission rights, the power purchase derivative asset, and anticipated gains or losses on Energy Marketing’s day ahead energy sales in the export market at the period close. Financial transmission rights are used to mitigate risk associated with congestion in export markets. The power purchase derivative asset represents the annual budgeted energy sales net of recapture power purchases pursuant to the PPA with Hydro. The components of change are as follows:

As at December 31 (thousands of Canadian dollars)	Financial Transmission Rights	Power Purchase Derivative Asset	Other Derivative Asset	**Total**
Balance, January 1, 2015	68	-	-	68
Additions	**1,164**	**74,946**	-	**76,110**
Fair value changes recorded in profit (loss)	**(896)**	**(13,705)**	**61**	**(14,540)**
Balance, December 31, 2015	**336**	**61,241**	**61**	**61,638**
Balance, March 24, 2014	-	-	-	-
Additions	102	-	-	102
Fair value changes recorded in profit (loss)	(34)	-	-	(34)
Balance, December 31, 2014	68	-	-	68

8. PROPERTY, PLANT AND EQUIPMENT

(thousands of Canadian dollars)	Computer Hardware and Furniture
Cost	
Balance at January 1, 2015	-
Additions	**183**
Balance at December 31, 2015	**183**
Depreciation	
Balance at January 1, 2015	-
Depreciation	**9**
Balance at December 31, 2015	**9**
Carrying value	
Balance at January 1, 2015	-
Balance at December 31, 2015	**174**

9. INTANGIBLE ASSETS

(thousands of Canadian dollars)	Computer Software
Cost	
Balance at January 1, 2015	-
Additions	**1,180**
Balance at December 31, 2015	**1,180**
Amortization	
Balance at January 1, 2015	-
Amortization	**59**
Balance at December 31, 2015	**59**
Carrying Value	
Balance at January 1, 2015	-
Balance at December 31, 2015	**1,121**

10. TRADE AND OTHER PAYABLES

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Trade payables and other accruals	**1,502**	105
Payables due to related parties	**3,657**	1,069
	5,159	1,174

As at December 31, 2015, trade and other payables included balances of $8.0 thousand (2014 - $nil) denominated in USD.

11. DEFERRED LIABILITY

The deferred liability represents Energy Marketing's current liability related to its annual commitments under the PPA with Hydro. On an annual basis, the deferred liability is amortized into income as revenue from the PPA is recognized. The components of change are as follows:

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Deferred liability, beginning of year	-	-
Additions	**74,946**	-
Amortization	**(13,705)**	-
Deferred liability, end of year	**61,241**	-

12. EMPLOYEE BENEFITS LIABILITY

12.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $168,500 (2014 - $31,100) are expensed as incurred.

12.2 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 severance payment upon retirement. There were no cash payments to beneficiaries for its unfunded other employee benefits during 2015 (2014 - $nil). An actuarial valuation was performed as at December 31, 2015.

As at December 31 (thousands of Canadian dollars)	**2015**
Accrued benefit obligation, beginning of year	**-**
Current service cost	**71**
Interest cost	**27**
Actuarial loss	**(57)**
Transfer from Hydro	**566**
Accrued benefit obligation, end of year	**607**

When an employee transfers to a related party, the associated accrued benefit obligation is allocated to each respective party based upon years of service.

For the year ended December 31 (thousands of Canadian dollars)	**2015**
Component of benefit cost	
Current service cost	**71**
Interest cost	**27**
Total benefit expense for the year	**98**

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

	2015
Discount rate - benefit cost	**4.20%**
Discount rate - accrued benefit obligation	**4.10%**
Rate of compensation increase	**3.50%**

Assumed healthcare trend rates:

	2015
Initial healthcare expense trend rate	**6.00%**
Cost trend decline to	**4.50%**
Year that rate reaches that rate it is assumed to remain at	**2025**

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

Increase (thousands of Canadian dollars)	**2015**
Current service and interest cost	**36**
Accrued benefit obligation	**141**

Decrease (thousands of Canadian dollars)	**2015**
Current service and interest cost	**(24)**
Accrued benefit obligation	**(98)**

13. SHAREHOLDER'S DEFICIENCY

The share capital of Energy Marketing is summarized below:

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Share capital		
Authorized - unlimited		
Issued and outstanding - 100	**1**	1

14. OPERATING COSTS

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Transmission rental	**5,191**	-
Salaries and benefits	**2,498**	624
Professional services	**2,324**	1
Other operating costs	**511**	-
Travel and transportation	**162**	-
Materials and equipment rentals	**56**	69
	10,742	694

15. NET FINANCE (INCOME) EXPENSE

For the year ended December 31 (thousands of Canadian dollars)	**2015**	**2014**
Bank and interest charges	**149**	14
Net finance (income) expense	**149**	14

16. OTHER (INCOME) EXPENSE

For the year ended December 31 (thousands of Canadian dollars)		**2015**	2014
Mark-to-market of commodity swaps		**2,054**	-
Mark-to-market of foreign exchange forward contracts		**(368)**	981
Net foreign exchange loss (gain)		**5,384**	(1)
Financial transmission rights income and amortization		**(1,419)**	13
Net Power Purchase Agreement (gains) losses	(a)	**-**	-
Other (income) expense		**5,651**	993

(a) Power Purchase Agreement (Gains) Losses

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Power Purchase Agreement gains		
Settlement of realized profit	**(8,532)**	-
Mark-to-market of derivative	**(5,173)**	-
	(13,705)	-
Power Purchase Agreement losses		
Amortization of deferral	**13,705**	
	13,705	-
Net Power Purchase Agreement (gains) losses	-	-

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

17.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2015 and 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 year ended December 31, 2015.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
(thousands of Canadian dollars)		**December 31, 2015**		December 31, 2014	
Financial assets					
Derivative assets	**3**	**61,577**	**61,577**	68	68
Derivative assets	**2**	**61**	**61**	-	-
Financial liabilities					
Derivative liabilities	**2**	**4,051**	**4,051**	980	980

The fair values of cash and cash equivalents, 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 and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

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, 2015.

(thousands of Canadian dollars)	Carrying Value	Valuation Techniques	Significant Unobservable Input(s)	Range
Derivative asset (Financial transmission rights)	**336**	Modelled pricing	Implied volatilities	2-4%
Derivative asset (Power purchase derivative asset)	**61,241**	Modelled pricing	Volumes (MWh)	33-41% 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 December 31, 2015, the effect of using reasonably possible alternative assumptions regarding the unobservable implied volatilities may have resulted in +/- $14,000 change in the carrying value of the financial transmission rights.

The derivative asset arising under the PPA is designated as a Level III 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, 2015, the effect of using reasonably possible alternative assumptions for volume inputs to valuation techniques may have resulted in -$0.9 million to +$4.0 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 price 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 and cash equivalents 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 derivative assets 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 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, 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 $8.2 million outstanding as of December 31, 2015, (2014 - $nil). This credit facility is included in bank indebtedness on the Statement of Financial Position.

At December 31, 2015, Nalcor, on behalf of Energy Marketing, has $7.3 million in outstanding issued 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.

The following are the contractual maturities of Energy Marketing's financial liabilities:

As at December 31 (thousands of Canadian dollars)	<1 Year	1-3 Years	3-5 Years	>5 Years	Total
Trade and other payables	5,159	-	-	-	5,159
Deferred liability	61,241	-	-	-	61,241
	66,400	-	-	-	66,400

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 prevailing interest rates, 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.

Interest Rates

Changes in prevailing interest rates will impact the fair value of financial assets and liabilities, which includes Energy Marketing's cash and cash equivalents. The impact of a 0.5% change in interest rates on net loss and comprehensive income (loss) associated with cash and cash equivalents was negligible throughout 2015 due to the short time period to maturity.

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.

The table below shows the impact of a 0.5% change in foreign exchange rates on trade and other receivables as at December 31, 2015:

(thousands of Canadian dollars)	0.5% Decrease	0.5% Increase
Trade and other receivables	(40)	40

As the PPA with Hydro was effective October 1, 2015, $5.9 million in USD export market sales were recorded in Energy Marketing for 2015, while Hydro recorded export sales of $33.9 million in USD for 2015. In 2015, Energy Marketing mitigated foreign exchange risk on these sales through the use of foreign currency forward contracts. In

December 2014, Energy Marketing entered into a series of 12 monthly foreign exchange forward contracts with a notional value of $41.8 million USD to hedge foreign exchange risk on 70% of planned USD electricity sales to the end of 2015. These contracts have an average exchange rate of $1.14 CAD per USD. As the contracts have not been designated as hedged instruments, changes in fair value have been recorded in other (income) expense. During 2015, $5.5 million in losses from these contracts were included in other (income) expense (2014 - $1.0 million).

The related electricity price forward contracts for 2015 were entered into by Hydro, as Energy Marketing did not yet have the required International Swaps and Derivatives Association (ISDA) Master Agreements in place with its banks. The ISDA Master Agreements for Energy Marketing were concluded in November 2015.

In December 2015, Energy Marketing entered into a series of 11 foreign exchange forward contracts to hedge foreign exchange risk on approximately 60% of planned USD electricity sales in 2016. These contracts, with a notional value of $29.0 million USD, provide Energy Marketing with an average rate of $1.34 CAD per USD. At December 31, 2015, $1.3 million in unrealized losses were recognized in other comprehensive income (loss).

Also in December 2015, Energy Marketing entered into a series of 22 fixed price commodity swaps, to hedge commodity price risk on approximately 60% of planned electricity sales in 2016. These contracts, with a notional value of $29.0 million USD, provide Energy Marketing with an average price of USD $41.30 per MWh (Peak) and USD $21.60 per MWh (off-Peak). For the year ended December 31, 2015, there were $2.1 million in unrealized losses on these contracts recognized in other (income) expense.

During 2015, Energy Marketing purchased a series of annual and semi-annual financial transmission rights with notional values of $847,800 USD and $78,900 CAD, respectively to mitigate risk on congestion during peak transmission hours. As the rights have not been designated as hedging instruments, changes in fair value have been recorded in other (income) expense.

18. 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 (Hydro)	100% owned subsidiary of Nalcor

(a) For the year ended December 31, 2015, Energy Marketing was charged $257,000 (2014 - $nil) by Hydro for management and administrative services received.

(b) For the year ended December 31, 2015, Energy Marketing earned revenue of $697,000 (2014 - $nil) from Hydro for advisory and market trading services provided to facilitate export marketing services.

(c) For the year ended December 31, 2015, Energy Marketing’s property, plant and equipment included $174,000 and intangible assets included $1,147,000 in assets transferred from Hydro.

(d) As at December 31, 2015, Energy Marketing has a payable to Nalcor of $549,000 related to intercompany transactions. As at December 31, 2014, there was a loan payable to Nalcor of $1,069,000 which was related to a temporary funding arrangement. The loan was fully repaid during 2015.

(e) As at December 31, 2015, Energy Marketing has a payable to Hydro of $3,096,000 (2014 - $14,000 receivable) primarily related to transmission rights and power purchases.

(f) As at December 31, 2015, Energy Marketing has a receivable from companies under common control of $236,000 (2014 - $nil) related to intercompany transactions.

18.1 Key Management Personnel Compensation

Compensation for key management personnel, which Energy Marketing defines as its executives who have the primary authority and responsibility in planning, directing and controlling the activities of the entity, includes compensation for senior executives. Salaries and employee benefits include base salaries, performance contract payments, vehicle allowances and contributions to employee benefit plans. Post-employment benefits include contributions to the Province's Public Service Pension Plan.

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Salaries and short-term employee benefits	**35**	-
Post-employment benefits	**2**	-
	37	-

19. COMMITMENTS AND CONTINGENCIES

(a) Energy Marketing is subject to legal proceedings in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, Management currently believes Energy Marketing's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, is not expected to materially affect the financial position of Energy Marketing.

(b) Energy Marketing has entered into a one-year agreement with a bilateral counterparty for 7MW of firm transmission rights. Estimated payments in 2016 are $216,000 USD.

(c) Under the terms of the PPA with Hydro, Energy Marketing has committed to purchase available recapture energy and reimburse Hydro for use of its transmission service rights in 2016. As at December 31, 2015, the estimated commitment is approximately $3.7 million for recapture power purchases and $19.5 million related to reimbursements for the use of transmission service rights.

20. SUPPLEMENTARY CASH FLOW INFORMATION

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Trade and other receivables	**(1,081)**	(16)
Prepayments	**(109)**	(345)
Trade and other payables	**3,985**	1,174
Changes in non-cash working capital balances	**2,795**	813
Interest paid	**149**	14