

NALCOR ENERGY - OIL AND GAS INC.
CONDENSED INTERIM FINANCIAL STATEMENTS
September 30, 2020
(Unaudited)

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

As at (thousands of Canadian dollars)

September 30 December 31
2020 2019

	Notes	September 30 2020	December 31 2019
ASSETS			
Current assets			
Cash		13,162	13,600
Trade and other receivables		43,439	45,346
Inventory		14,230	19,385
Prepayments		7,467	7,937
Derivative assets	12	10,754	3,616
Total current assets		89,052	89,884
Non-current assets			
Property, plant and equipment	4	876,077	1,142,644
Intangible assets	5	-	1,149
Other long-term assets		324	323
Total assets		965,453	1,234,000
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		30,903	34,692
Current portion of deferred revenue		-	98
Derivative liabilities	12	158	8,822
Total current liabilities		31,061	43,612
Non-current liabilities			
Deferred revenue		-	718
Decommissioning liabilities	6	98,376	86,838
Long-term payable		250	500
Total liabilities		129,687	131,668
Shareholder's equity			
Share capital		110,000	110,000
Shareholder contributions		906,112	906,112
Reserves		10,596	(5,205)
(Accumulated deficit) retained earnings		(190,942)	91,425
Total equity		835,766	1,102,332
Total liabilities and equity		965,453	1,234,000

Commitments and contingencies (Note 14)

See accompanying notes

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

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Nine months ended	
		2020	2019	2020	2019
Petroleum and natural gas sales		64,060	55,404	183,729	222,045
Royalty expense	13	(7,284)	(2,676)	(23,208)	(28,974)
Other revenue		-	219	80	2,679
Revenue, net		56,776	52,947	160,601	195,750
Operating costs	8	909	1,557	3,200	4,654
Production, marketing and transportation costs	9	10,063	9,554	29,712	28,852
Depreciation, depletion, amortization and impairment		23,032	19,566	307,907	61,513
Exploration and evaluation expense (recovery)		28	11,710	(105)	27,875
Net finance expense	10	733	581	2,140	1,629
Other (income) expense	11	(9,061)	(553)	(39,886)	2,140
Expenses		25,704	42,415	302,968	126,663
Profit (loss) for the period		31,072	10,532	(142,367)	69,087
Other comprehensive income (loss)					
<i>Total items that may or have been reclassified to profit or loss</i>					
Net fair value (losses) gains on cash flow hedges		(791)	2,654	53,273	31
Reclassification adjustments related to:					
Cash flow hedges recognized in profit or loss		(9,965)	166	(37,472)	1,103
Other comprehensive (loss) income for the period		(10,756)	2,820	15,801	1,134
Total comprehensive income (loss) for the period		20,316	13,352	(126,566)	70,221

See accompanying notes

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

(thousands of Canadian dollars)

	Notes	Share Capital	Shareholder Contributions	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings (Deficit)	Total
Balance at January 1, 2020		110,000	906,112	(5,205)	-	91,425	1,102,332
Loss for the period		-	-	-	-	(142,367)	(142,367)
Other comprehensive income		-	-	15,801	-	-	15,801
Total comprehensive loss for the period		-	-	15,801	-	(142,367)	(126,566)
Dividends	7	-	-	-	-	(140,000)	(140,000)
Balance at September 30, 2020		110,000	906,112	10,596	-	(190,942)	835,766

Balance at January 1, 2019		110,000	906,112	(775)	(189)	95,943	1,111,091
Profit for the period		-	-	-	-	69,087	69,087
Other comprehensive loss		-	-	1,134	-	-	1,134
Total comprehensive income for the period		-	-	1,134	-	69,087	70,221
Dividends	7	-	-	-	-	(80,000)	(80,000)
Balance at September 30, 2019		110,000	906,112	359	(189)	85,030	1,101,312

See accompanying notes

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

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	Three months ended 2020	2019	Nine months ended 2020	2019
Operating activities					
Profit (loss) for the period		31,072	10,532	(142,367)	69,087
Adjustment to reconcile profit (loss) to cash provided from operating activities:					
Depreciation, depletion, amortization and impairment		23,032	19,566	307,907	61,513
Finance income	10	(206)	(277)	(491)	(797)
Finance expense	10	90	111	121	185
Accretion	10	849	747	2,510	2,241
Employee benefits		-	45	-	134
Loss on disposal of property, plant and equipment	11	8	-	8	-
Increase in other long-term assets		-	-	-	420
Changes in non-cash working capital balances	15	(7,956)	17,149	(8,522)	7,416
		46,889	47,873	159,166	140,199
Interest received		206	276	491	852
Interest paid		(90)	(91)	(121)	(124)
Net cash provided from operating activities		47,005	48,058	159,536	140,927
Investing activities					
Additions to intangible assets	5	(8)	-	(8)	-
Additions to property, plant and equipment	4	(10,392)	(20,128)	(30,060)	(55,806)
Proceeds on disposal of property, plant and equipment		-	-	988	-
Proceeds on disposal of intangible assets		-	-	1,149	-
Change in non-cash working capital balances	15	4,958	3,573	8,207	2,409
Net cash used in investing activities		(5,442)	(16,555)	(19,724)	(53,397)
Financing activities					
Decrease in long-term payable		-	-	(250)	(250)
Repayment of lease liabilities		-	(83)	-	(250)
Dividends paid to Nalcor Energy	7	(50,000)	(35,000)	(140,000)	(80,000)
Net cash used in financing activities		(50,000)	(35,083)	(140,250)	(80,500)
Net (decrease) increase in cash		(8,437)	(3,580)	(438)	7,030
Cash, beginning of the period		21,599	21,068	13,600	10,458
Cash, end of the period		13,162	17,488	13,162	17,488

See accompanying notes

NALCOR ENERGY - OIL AND GAS INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Nalcor Energy - Oil and Gas Inc. (Oil and Gas or the Company) was incorporated under the Corporations Act 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 Nalcor Energy (Nalcor). 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. SIGNIFICANT ACCOUNTING POLICIES

2.1 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, 2019.

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, except for financial assets and liabilities at fair value through profit or loss which have been measured at fair value. The condensed interim financial statements are presented in Canadian dollars (CAD) and all values rounded to the nearest thousand, 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 Nalcor, which approved the financial statements on November 13, 2020.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the condensed interim 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. Significant accounting judgments, estimates and assumptions used in the preparation of the condensed interim financial statements are described in the Company's annual audited financial statements for the year ended December 31, 2019.

The World Health Organization declared the Coronavirus disease (COVID-19) outbreak a Public Health Emergency of International Concern on January 30, 2020 and a pandemic on March 11, 2020. In order to mitigate the spread of COVID-19 there have been global restrictions on travel, quarantines, self-isolation, social and physical distancing and forced closure of certain types of public places and non-essential businesses. These actions have caused and continue to cause significant disruption to operations and economic uncertainty.

The COVID-19 pandemic has had a material impact on the financial results of the Company, due to a significant decrease in global demand for crude oil and commodity prices leading to asset impairments. COVID-19 is an evolving situation that will continue to have widespread implications for the Company environment, operations and financial results. Management cannot reasonably estimate the duration and magnitude of the COVID-19 impact on the economy and effect on the Company at this time.

NALCOR ENERGY - OIL AND GAS INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

4. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Petroleum and Natural Gas Properties	Other	Total
Cost			
Balance at January 1, 2019	1,487,398	2,193	1,489,591
Additions	73,416	22	73,438
Disposals	-	(32)	(32)
Decommissioning liability revisions	12,967	-	12,967
Balance at December 31, 2019	1,573,781	2,183	1,575,964
Additions	30,060	-	30,060
Disposals	-	(2,183)	(2,183)
Decommissioning liability revisions	9,028	-	9,028
Balance at September 30, 2020	1,612,869	-	1,612,869
Depreciation, depletion and impairment			
Balance at January 1, 2019	340,522	988	341,510
Depreciation and depletion	91,603	234	91,837
Disposals	-	(27)	(27)
Balance at December 31, 2019	432,125	1,195	433,320
Depreciation and depletion	79,245	-	79,245
Impairment	225,422	-	225,422
Disposals	-	(1,195)	(1,195)
Balance at September 30, 2020	736,792	-	736,792
Carrying value			
Balance at January 1, 2019	1,146,876	1,205	1,148,081
Balance at December 31, 2019	1,141,656	988	1,142,644
Balance at September 30, 2020	876,077	-	876,077

On a quarterly basis, the Company assesses its cash generating units (CGUs) for indicators of impairment or when events or changes in circumstances indicate the carrying amount may exceed its recoverable amount. As at March 31, 2020 the impact of the COVID-19 pandemic and foreign overproduction resulted in a significant decline in global demand for crude oil and commodity prices, which was considered an indicator of impairment. The impairment assessments of the Company CGUs were completed based on value in use, estimating discounted future cash flows based on forecasted oil prices, proved and probable reserves and a discount rate derived from post-tax weighted average cost of capital, adjusted to reflect specific risks to the CGUs. As at September 30, 2020, there was no further impairment.

The forecasted oil prices as at March 31, 2020, used to determine future cash flows from oil reserves were:

	2020	2021	2022	2023	2024	Average Annual Change thereafter
Brent Price (CAD/barrel)	30.00	40.00	50.00	51.00	52.02	2.00%

Fluctuations to the discount rate or forecasted oil prices over the life of the reserves would have had the following impact on the impairment as at March 31, 2020, of the White Rose Extension and Hibernia South Extension CGUs:

	Discount Rate		Forecasted Price Estimates	
	1%	1%	5%	5%
<i>(millions of Canadian dollars)</i>	Decrease	Increase	Decrease	Increase
Total impairment – (Decrease) Increase	(10.7)	9.9	19.4	(23.4)

NALCOR ENERGY - OIL AND GAS INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

5. INTANGIBLE ASSETS

<i>(thousands of Canadian dollars)</i>	Computer Software	Total
Cost		
Balance at January 1, 2019	3,090	3,090
Additions	146	146
Balance at December 31, 2019	3,236	3,236
Additions	8	8
Disposals	(3,244)	(3,244)
Balance at September 30, 2020	-	-
Amortization		
Balance at January 1, 2019	1,902	1,902
Amortization	185	185
Balance at December 31, 2019	2,087	2,087
Disposals	(2,087)	(2,087)
Balance at September 30, 2020	-	-
Carrying value		
Balance at January 1, 2019	1,188	1,188
Balance at December 31, 2019	1,149	1,149
Balance at September 30, 2020	-	-

6. DECOMMISSIONING LIABILITIES

Oil and Gas' decommissioning liabilities result from net ownership interests in petroleum and natural gas properties and related well sites. The reconciliation of the beginning and ending carrying amounts of decommissioning liabilities is as follows:

<i>As at (thousands of Canadian dollars)</i>	September 30 2020	December 31 2019
Decommissioning liabilities, beginning of the period	86,838	70,883
Accretion	2,510	2,988
Revisions	9,028	12,967
Decommissioning liabilities, end of the period	98,376	86,838

7. SHAREHOLDER'S EQUITY

7.1 Dividends	Three months ended		Nine months ended	
<i>For the period ended September 30 (thousands of Canadian dollars)</i>	2020	2019	2020	2019
Declared and paid during the period	50,000	35,000	140,000	80,000

NALCOR ENERGY - OIL AND GAS INC.

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

8. OPERATING COSTS

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2020	2019	2020	2019
Management fee	1,050	-	3,150	-
Professional services	10	610	34	1,717
Other operating costs	12	72	22	235
Insurance	2	10	22	37
Cost recoveries	3	70	19	218
Travel	-	54	-	219
Advertising, donations and community involvement	-	2	-	10
Building rental and maintenance	-	45	-	136
Salaries and benefits	(168)	694	(47)	2,082
	909	1,557	3,200	4,654

9. PRODUCTION, MARKETING AND TRANSPORTATION COSTS

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2020	2019	2020	2019
Project operating costs	6,738	7,538	18,843	20,109
Processing and marketing	1,437	370	4,561	3,114
Transportation and transshipment	1,586	1,587	5,371	4,701
Insurance	302	59	937	928
	10,063	9,554	29,712	28,852

10. NET FINANCE EXPENSE

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2020	2019	2020	2019
Finance income				
Interest income	206	277	491	797
	206	277	491	797
Finance expense				
Accretion	849	747	2,510	2,241
Other finance expense	90	111	121	185
	939	858	2,631	2,426
Net finance expense	733	581	2,140	1,629

11. OTHER (INCOME) EXPENSE

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2020	2019	2020	2019
Settlement of commodity swaps	(10,233)	299	(39,677)	365
Settlement of foreign exchange forward contracts	268	(133)	2,205	738
Realized foreign exchange loss (gain)	628	902	(1,356)	434
Unrealized foreign exchange loss (gain)	268	(1,621)	(1,066)	603
Loss on disposal of property, plant and equipment	8	-	8	-
Other (income) expense	(9,061)	(553)	(39,886)	2,140

NALCOR ENERGY - OIL AND GAS INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

12. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

12.1 Fair Value

The estimated fair values of financial instruments as at September 30, 2020 and December 31, 2019 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 below 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 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, 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 September 30, 2020 and for the year ended December 31, 2019.

As at September 30, 2020 and December 31, 2019, the Company did not have any Level 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		September 30, 2020		December 31, 2019	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Derivative assets	2	10,754	10,754	3,616	3,616
Financial liabilities					
Derivative liabilities	2	158	158	8,822	8,822

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

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which, in some cases, are adjusted for factors specific to the asset or liability. Level 2 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. Level 2 fair values of other risk management assets and liabilities are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

12.2 Risk Management

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

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). Receivables resulting from oil sales are carried out under oil marketing agreements with major oil and gas companies whose creditworthiness has been appropriately assessed prior to execution of the related agreements. In cases where there may be concerns regarding the creditworthiness of a customer, Oil and Gas mitigates this credit risk by insuring the sale under the provisions of its marketing agreements.

Liquidity Risk

Oil and Gas 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 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 \$30.0 million (December 31, 2019 - \$30.0 million) unsecured demand operating facility with the Company's bank. As at September 30, 2020 Oil and Gas had no borrowings outstanding on the credit facility (December 31, 2019 - \$nil), and \$22.2 million of the borrowing limit had been used to issue two irrevocable letters of credit (December 31, 2019 - \$22.2 million).

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. Commodity price exposure on USD denominated oil sales is addressed through the use of fixed price commodity swaps and foreign exchange exposure on sales is partially offset by USD denominated capital expenditures and foreign exchange forward contracts.

During 2020, total oil sales denominated in USD were \$137.3 million (September 30, 2019 - \$166.4 million). To mitigate foreign exchange risk and commodity price risk on a portion of sales, Oil and Gas have used foreign currency forward contracts and fixed price commodity swaps, respectively.

On November 27, 2019 Oil and Gas entered into a series of commodity price swap contracts to hedge commodity price risk on approximately 50% of anticipated 2020 production. These contracts had a notional value of \$119.0 million USD and an average price of \$59.50 USD per barrel.

NALCOR ENERGY - OIL AND GAS INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

As at September 30, 2020, Oil and Gas has 12 commodity price swaps remaining with a notional value of \$28.4 million USD, and an average fixed price of \$58.20 USD per barrel. As the contracts have been designated as hedging instruments, changes in fair value have been recorded in other comprehensive (loss) income. During 2020, \$39.7 million in realized gains (2019 - \$0.4 million in realized losses) have been recorded in other (income) expense and \$10.8 million in unrealized gains (2019 - \$0.4 million in unrealized gains) remain in other comprehensive (loss) income.

On November 27, 2019 Oil and Gas entered into a series of foreign exchange forward contracts to hedge foreign exchange risk on 50% of anticipated 2020 USD oil sales. These contracts had a notional value of \$119.0 million USD and an average fixed rate of \$1.33 CAD per USD.

As at September 30, 2020, Oil and Gas has 4 foreign exchange forward contracts remaining with a notional value of \$38.1 million USD, and an average fixed rate of \$1.33 CAD per USD. As the contracts have been designated as hedging instruments, the effective portion of changes in fair value have been recorded in other comprehensive (loss) income, and the ineffective portion of changes in fair value have been recognized immediately in profit and loss. During 2020, \$2.2 million in realized losses (2019 - \$0.7 million in realized losses) have been recorded in other (income) expense and \$0.2 million in unrealized losses (2019 - nil) remain in other comprehensive (loss) income.

The components of change impacting the carrying value of financial instruments are as follows:

	Commodity and Forward Contracts
<i>(thousands of Canadian dollars)</i>	Level 2
Balance at January 1, 2020	(5,205)
Purchases	-
Transfers	-
	(5,205)
Changes to profit (loss)	
Changes in other comprehensive income	
Mark-to-market	53,273
Settlements realized in profit (loss)	(37,472)
Total	15,801
Balance at September 30, 2020	10,596
Balance at January 1, 2019	(775)
Purchases	-
Transfers	-
	(775)
Changes in other comprehensive loss	
Mark-to-market	31
Settlements realized in profit (loss)	1,103
Total	1,134
Balance at September 30, 2019	359

NALCOR ENERGY - OIL AND GAS INC.
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

13. RELATED PARTY TRANSACTIONS

Oil and Gas 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 Oil and Gas transacts are as follows:

<u>Related Party</u>	<u>Relationship</u>
Nalcor	100% shareholder of Oil and Gas
Newfoundland and Labrador Hydro (Hydro)	Wholly-owned subsidiary of Nalcor
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
The Province	100% shareholder of Nalcor

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Outstanding balances due to or from related parties are non-interest bearing with no set terms of repayment, unless otherwise stated.

Significant related party transactions and balances are as follows:

- (a) As at September 30, 2020, Oil and Gas had a net payable to Nalcor of \$1.2 million (December 31, 2019 - \$1.3 million net payable).
- (b) For the period ended September 30, 2020, Oil and Gas expensed \$23.2 million (September 30, 2019 - \$29.0 million) to the Province for royalties on its oil and gas operations.
- (c) As at September 30, 2020, Oil and Gas had a net receivable from Bull Arm Fabrication of \$2.8 million (December 31, 2019 - \$2.8 million).
- (d) As at September 30, 2020, Oil and Gas had a net receivable from the Oil and Gas Corporation of Newfoundland and Labrador of \$1.8 million (2019 - \$nil).
- (e) For the period ended September 30, 2020, Oil and Gas was charged \$3.2 million (September 30, 2019 - \$nil) by Oil and Gas Corporation of Newfoundland and Labrador for management services.
- (f) For the period ended September 30, 2020, Oil and Gas was charged \$0.2 million (September 30, 2019- \$0.3 million) by Nalcor for intercompany salaries.

14. COMMITMENTS AND CONTINGENCIES

Oil and Gas 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 Oil and Gas' 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 Oil and Gas.

NALCOR ENERGY - OIL AND GAS INC.**NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

15. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2020	2019	2020	2019
Trade and other receivables	(7,834)	33,595	1,907	14,293
Inventory	948	(481)	1,915	(2,752)
Prepayments	(54)	280	470	1,269
Trade and other payables	3,942	(12,638)	(3,791)	(2,187)
Deferred revenue	-	(34)	(816)	(798)
Changes in non-cash working capital balances	(2,998)	20,722	(315)	9,825
Related to:				
Operating activities	(7,956)	17,149	(8,522)	7,416
Investing activities	4,958	3,573	8,207	2,409
	(2,998)	20,722	(315)	9,825