



Oil and Gas Corporation of Newfoundland and Labrador

2022 Annual Performance Report

June 2023



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Message from the Board of Directors

Honourable Andrew Parsons, KC
Minister of Industry, Energy and Technology
Government of Newfoundland and Labrador
P.O. Box 8700
St. John's, NL
A1B 4J6

Dear Minister Parsons:

In accordance with the **Oil and Gas Corporation Act** and the **Transparency and Accountability Act**, I am pleased to provide the 2022 Annual Performance Report for the Oil and Gas Corporation of Newfoundland and Labrador (OilCo or Corporation), on behalf of the Board of Directors (Board).

This report presents OilCo's performance results and accomplishments during the 2020-2022 planning cycle, and is the third and final report under the Corporation's 2020-2022 Strategic Plan. As the Board of Directors of OilCo, we are accountable for the preparation of this report and the results.

We thank the OilCo staff for their continued dedication to the Corporation, the industry, and our province. OilCo's team of just over 20 multi-skilled people have extensive experience in the oil and gas industry and understand how to maximize the value from our offshore.

The Board is also proud of OilCo's sustainability work and partnerships as we actively take steps towards achieving Canada's and Newfoundland and Labrador's commitment to reaching net zero emissions in offshore Newfoundland and Labrador by 2050. We look forward to the exciting opportunities that lay ahead for OilCo and the province's oil and gas industry as we progress our growth and sustainability initiatives.

In March 2023, the Government of Newfoundland and Labrador (Government) announced it was moving ahead with an external review of the province's oil and gas assets and holdings. There is intrinsic value in these oil and gas interests and in OilCo.

The Board, management, and staff look forward to working with the Department of Industry, Energy, and Technology, and Government as it makes important decisions on its future investments and participation in offshore Newfoundland and Labrador.

A handwritten signature in black ink, appearing to read "Charles Randell". The signature is fluid and cursive, with a prominent loop at the end.

Dr. Charles Randell
Chair, Board of Directors
Oil and Gas Corporation of Newfoundland and Labrador

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1. Overview

Established in 2019 by the Government of Newfoundland and Labrador (Government), the Oil and Gas Corporation of Newfoundland and Labrador (OilCo or Corporation) is wholly owned by Government and leads oil and gas activities in offshore Newfoundland and Labrador. OilCo is a Category 1 public body under the **Transparency and Accountability Act**.

The Corporation has enhanced the province's oil and gas potential by providing knowledge and insight to attract new investments to the oil and gas industry in offshore Newfoundland and Labrador. OilCo has focused on maximizing returns through equity investments and positioning this province as a globally-preferred location for development.

The Corporation leads the exploration of the province's frontier and deepwater basins by strategically investing in data acquisition and analysis to evaluate Newfoundland and Labrador's undiscovered oil and gas resource potential.

In addition to its exploration pursuits, OilCo is responsible for managing equity ownership in existing and potential future offshore developments.

On behalf of Government, OilCo manages Nalcor Energy-Oil and Gas' (Nalcor-Oil and Gas) equity ownership in three producing offshore oil projects – Hibernia Southern Extension, Hebron, and the White Rose Extension project – and can participate in future projects by acquiring equity at the development and production stage of a project.

OilCo is also responsible for the management of its subsidiary company, Bull Arm Fabrication Inc. (BAF).

OilCo is moving beneficial opportunities forward in the oil and gas industry, acting as stewards of these resources while capturing value at every stage of exploration and development. We accomplish this through proactive leadership, thoughtful guidance, and investment-grade science, while caring for the environment.

OilCo has created value by attracting new entrants and investments to Newfoundland and Labrador. Since 2015, our work has contributed approximately \$4 billion in foreign direct investment to the province.

Mandate

OilCo is responsible for maximizing opportunities for growth in the province's offshore oil and gas industry. Established in 2019 by the **Oil and Gas Corporation Act**, OilCo's mandate is to invest in, engage in, and carry out the following activities in the province and elsewhere, in accordance with the priorities of Government, including:

- a) Exploring for, developing, producing, refining, marketing, and transporting hydrocarbons and products from hydrocarbons.
- b) Research and development.

OilCo has operational autonomy; however, the Corporation receives human resource, financial and other shared services support from core Government intended to create savings – in line with Government's goal of creating a more efficient public sector.

Vision

A prosperous future full of economic opportunity for generations of Newfoundlanders and Labradorians.

Lines of Business

OilCo has the following business focus areas: Exploration; Development and Production; Facilities Management - Bull Arm Fabrication; and, Sustainability. A description of each business segment is provided below with additional information pertaining to OilCo's strategic issues for the 2020-2022 planning period included in Section 3 of this report.

Learn more about OilCo and our business operations at www.oilconl.com.

Exploration

OilCo's exploration work includes identifying leads and characterizing the oil and gas resource potential of offshore Newfoundland and Labrador's frontier basins; defining new areas for industry exploration; and, increasing Newfoundland and Labrador's competitiveness to attract global exploration investment.

OilCo's strategy is to drive investment decisions through world-leading geophysical science that diminishes investment risk and enhances the likelihood of commercial exploration success. This

strategy results in mutual success and greater shareholder value for Government and the people of Newfoundland and Labrador.

OilCo is executing an exploration strategy to identify new oil and gas resources in our offshore. Our data strategy has attracted nine new entrants to offshore Newfoundland and Labrador since 2015.

Development and Production

OilCo is focused on environmentally-responsible and sustainable growth and development of Newfoundland and Labrador's oil and gas resources.

OilCo manages existing participating interests under a Management Services Agreement (MSA) with Nalcor-Oil and Gas. Future exploration activities and investments in prospective production developments reside with OilCo.

Currently, OilCo manages participating interests in three producing assets:

- 8.7 per cent working interest in the Hibernia Southern Extension.
- 4.9 per cent working interest in the Hebron oil field.
- 5.0 per cent working interest in the White Rose Extension project. This project includes the North Amethyst field, West White Rose, and South White Rose Extension.

In 2018, a framework agreement with Government was finalized for the deepwater Bay du Nord development project located in the Flemish Pass. This agreement provides OilCo with the option to acquire a 10 per cent participating interest in the project on behalf of Government.

OilCo is maximizing returns through equity investments. Since 2010, Newfoundland and Labrador's equity investments in offshore oil and gas projects have earned more than \$780 million in dividends.

Facilities Management – Bull Arm Fabrication

The Bull Arm Fabrication Site (BAF Site or Site) is a premier fabrication facility owned by Government and operated by BAF.

BAF leases all or portions of the Site to industrial tenants while typically managing core Site operations on behalf of tenants. This strategic approach enables local participation in the industrial, marine, and energy sectors by providing global and local companies competitively-priced, as-needed access to large-scale waterside assets. This makes the BAF Site a critical asset for the execution of large-scale industrial work.

Our strategy is to maximize utilization of the Bull Arm Fabrication Site through new opportunities.

Sustainability

While the province's offshore projects are among some of the world's lowest carbon intensity emitting facilities, the industry recognizes that opportunities exist to further reduce emissions. OilCo, along with governments and industry stakeholders and partners, are actively taking steps towards achieving Canada's and Newfoundland and Labrador's commitment to achieving net zero emissions in offshore Newfoundland and Labrador by 2050.

We are working with government, industry, environmental and educational partners, supporting federal and provincial carbon commitments of advancing low emission and clean technologies in the offshore oil and gas industry.

From an emissions intensity perspective, Newfoundland and Labrador's offshore produces one of the lowest carbon intensive barrels in the world.

OilCo Team

Headquartered in St. John's, OilCo had 23 staff members at the end of 2022, with all staff located in St. John's. The gender composition of OilCo's employee group in 2022 was 52 per cent male and 48 per cent female.

The OilCo team has extensive experience in engineering, science, investment attraction, and business aspects of oil and gas. In 2022, the team consisted of Geoscientists, Geophysicists, Engineers, Technologists, Accountants, IT Specialists, Lawyer, Communications, and Corporate Service professionals.

OilCo's team has over 300 years of combined experience in the petroleum industry, with an unparalleled understanding of offshore Newfoundland and Labrador.

The OilCo team is high performing and competent, fully trained in the industry, and has a wide range of industry experience. In addition, our team has extensive knowledge derived from years of work in the upstream sector and the supply chain across North and South America, the Middle East, and other areas now competing with Newfoundland and Labrador for capital investment.

Board of Directors

The OilCo Board of Directors is comprised of individuals from across the province with a variety of professional backgrounds and extensive experience in executive roles. As of December 31, 2022, the OilCo Board of Directors included:

- Dr. Charles Randell, Chair
- Wayne Chipman
- Bernard J. Collins
- Richard J. Daw
- Leslie Grattan
- Shelly Leighton
- Jennifer Warren

Biographies for the Board of Directors are provided in Appendix 1.

2022 Consolidated Revenues and Expenses

In 2022, OilCo had revenues from continuing operations of \$25.3 million (M). The majority of OilCo's revenues were generated from Government contributions (\$17.3M) and a management fee charged to Nalcor-Oil and Gas (\$4.2M).

Approximately 56 per cent of OilCo's expenditures from continuing operations relate to operating costs, which are comprised primarily of salaries and wages (\$4.0M), utilities (\$0.8M), professional services (\$1.7M), and software maintenance (\$1.2M).

2022 Key Business Highlights:

- \$211M in dividends earned from the equity investments that OilCo manages in our offshore developments.
- Approximately 40 per cent of estimated proven and probable reserves produced, with more than \$700 million in value remaining.
- Average production in 2022 was approximately 8,500 barrels of oil equivalent per day.

Table 1: OilCo Consolidated Revenue and Expenses for the year ended December 31, 2022

For the period ended December 31, 2022 (in thousands of Canadian Dollars)	\$	%
Continuing operations		
Grant revenue	17,263	68.3
Other revenue	6,575	26
Lease revenue	1,195	4.7
Net finance income	250	1.0
Revenue	25,283	
Operating costs	9,733	56.3
Amortization of tangible capital assets	6,980	40.3
Amortization of exploration assets	588	3.4
Exploration expenses	8	-
Expenses	17,309	
Annual surplus from continuing operations	7,974	
Discontinued operations		
Loss for the year from discontinued operations	-	-
Annual surplus	7,974	-

OilCo's 2022 Audited Consolidated Financial Statements are provided in Appendix 3.

2. Highlights and Partnerships

Since inception, OilCo and our employees have worked diligently to build strong and collaborative relationships with a variety of agencies, departments, commissions, and businesses. Throughout 2022, OilCo worked closely with the following organizations to execute our mandate and support the strategic directions of Government related to the oil and gas sector.

Department of Industry, Energy and Technology

Throughout 2022, OilCo worked with the Department of Industry, Energy and Technology (IET) to promote offshore Newfoundland and Labrador and encourage and de-risk additional investment in our offshore oil and gas industry. An example of OilCo's and IET's collaboration in 2022 was the release of two independent resource assessments. In partnership with IET, OilCo has engaged Beicip-Franlab to conduct detailed independent resource assessments for offshore Newfoundland and Labrador. Nine resource assessments have been conducted and released publicly since 2015.

Department of Finance

The Department of Finance works with OilCo to address requirements related to financial structure, financial forecasts, and grant revenue for the Corporation's operating activities. During 2022, OilCo's economic modelling and preparation of financial forecasts, including required grant funding, are examples of interactions between the Department of Finance and OilCo.

Other Departments, Organizations and Public Bodies

OilCo continues to work closely with Nalcor-Oil and Gas. Under a MSA, OilCo manages existing participating interests in offshore developments on behalf of Nalcor-Oil and Gas.

Throughout 2022, OilCo demonstrated its commitment to environmental stewardship by engaging with a variety of aligned entities and by participating in several environmental-focused committees. Working with governments, industry, environmental, and educational partners, OilCo supports federal and provincial carbon commitments of advancing low emission and clean technologies in our offshore oil and gas industry.

One example is our collaboration with econext and Energy NL. OilCo is part of a consortium, the Net Zero Project, evaluating the technical and economic feasibility of various emission reduction technologies, including electrifying offshore production facilities. Working with econext and Energy NL, the Net Zero Project is looking at advancing environmentally- and economically-sustainable initiatives to progress achieving net zero emissions in the offshore

sector by 2050. The Net Zero Project will aid the development, demonstration, and adoption of clean growth strategies and technologies in four areas related to Newfoundland and Labrador's offshore: low emissions, renewable energy, electrification, and hydrogen.

The Net Zero Project partnership engaged consultants for various projects. Two reports progressed in 2022, including Aker Solutions' report on the feasibility of Blue Hydrogen Production in offshore Newfoundland and Labrador, and Hatch's report, focused on Net Zero Pathways in the offshore is ongoing. Both reports provide encouraging results relating to the sustainability of Newfoundland and Labrador's offshore.

OilCo also continued collaborating with Energy Research & Innovation Newfoundland & Labrador (ERI). ERI is a member-based organization that identifies research and technology development opportunities that deliver value to its oil and gas industry participants. OilCo and ERI are working on a digital technologies roadmap with a goal of identifying digital technologies that will improve the efficiency of Newfoundland and Labrador's offshore oil and gas industry, and lead to reduced greenhouse gas emissions.

OilCo has also established a working group comprised of OilCo staff and academics at Memorial University to evaluate the carbon capture and storage (CCS) potential both onshore and offshore Newfoundland and Labrador. The group, called CO2MinNL, is progressing several carbon dioxide storage initiatives.

3. Report on Performance

The 2020-2022 Strategic Plan for OilCo highlighted two strategic issues and their associated goals and objectives. For each strategic issue, the information provided below reflects the work completed across the 2020-2022 planning period, including work completed in 2022, the third year of the three-year planning period. These issues encompass the activities of OilCo and BAF.

These two strategic issues reflect the key priorities of OilCo, are necessary to enable OilCo to realize its mandate, and support the strategic directions of Government:

- Issue 1: Exploring Newfoundland and Labrador's Offshore
- Issue 2: Offshore Development and Operations

Issue 1: Exploring Newfoundland and Labrador's Offshore

Our job is to enhance the attractiveness of offshore Newfoundland and Labrador by conducting leading-edge geoscience that identifies and characterizes Newfoundland and Labrador's undiscovered oil and gas resource potential, reduces potential investor risk, and raises our standing at the decision-making tables of leading exploration companies.

OilCo leads the exploration of Newfoundland and Labrador's frontier offshore basins and evaluates the petroleum prospectivity based on the key elements that make up a commercial-grade petroleum deposit. Since 2010, our team has identified more than 650 leads and prospects within Newfoundland and Labrador's frontier basins. These leads and prospects continue attracting the interest of the geoscientists and investment decision makers of the most capable and reputable firms in the global industry.

OilCo has developed and is executing an exploration strategy based upon global best practices to identify and deliver new oil and gas resources in Newfoundland and Labrador's offshore. This strategy entails preparing a detailed multi-year schedule to acquire, process, interpret, and release data before a license round is issued by the Canada-Newfoundland & Labrador Offshore Petroleum Board (C-NLOPB). This strategy ensures that we have high-quality data for each license round that informs global investors.

Through the 2020-2022 planning period, OilCo made strategic investments in new data acquisition and analysis at the front end of the exploration cycle. With the acquisition of new seismic in 2020 and 2021, OilCo has planned and acquired over 180,000 line km of new 2D seismic data and more than 50,000 km² of new 3D seismic data in the Newfoundland and Labrador offshore to date.

In early 2022, Government announced a one-year suspension of the seismic data collection program¹; therefore, OilCo did not acquire any new seismic data in offshore Newfoundland and Labrador in 2022. While no new seismic was acquired by OilCo in 2022, our exploration team continued to advance its work. Throughout 2022, OilCo team members met with and presented to exploration and production companies to inform them of the potential prospectivity of Newfoundland and Labrador offshore and advise them of the 2022 C-NLOPB license round.

In collaboration with Government, OilCo has engaged Beicip-Franlab to conduct detailed independent resource assessments for offshore Newfoundland and Labrador. OilCo completed and released two independent resource assessments related to the C-NLOPB's 2022 call for bids in the Eastern and the South Eastern Newfoundland regions. These assessments were based on previously collected data covering parcels offered by the C-NLOPB in the Orphan and southern Salar basins. Four parcels in the Orphan basin and all 10 parcels in the southern Salar basin were newly posted acreage. The C-NLOPB received five bids totalling almost \$240 million in work commitments for parcels in the Orphan basin.

Nine resource assessments have been conducted since 2015. Each area covered by a resource assessment is approximately two per cent or 20,000 km² of Newfoundland and Labrador's offshore basin area.

OilCo, along with our partners, undertakes work and assessments in various regions of offshore Newfoundland and Labrador. OilCo has been cataloging these results in papers and publications since 2010. This work continued through 2022.

OilCo's exploration work has and will continue to drive the company's mission of ensuring benefit for the province, thereby aligning with Government's strategic direction for the oil and gas sector.

¹ In January 2022, IET notified OilCo of Government's decision to take a pause in the allocation of funding for new seismic acquisition for the 2022 season.

Issue 1: Exploring Newfoundland and Labrador's Offshore

Goal: By December 31, 2022, OilCo will have advanced opportunities to increase oil and gas exploration and investment activities in the province.

Indicator	2020-2022 Activities and Accomplishments
<p>Advanced knowledge of resource potential through execution of multi-year exploration strategy</p>	<p>In 2020 and 2021, OilCo successfully executed its planned 3D seismic surveys with partners PGS and TGS. In 2020, three separate multi-client 3D seismic surveys were completed within three separate prospective basins (Orphan, Carson and Chidley basins). The area covered by the 3D surveys totalled 8,190km² over prospective frontier basins in offshore Newfoundland and Labrador. The area covered by the 2021 3D surveys totalled 10,000 km² in the Central Orphan basin.</p> <p>OilCo's exploration team also continued mapping newly acquired 3D surveys and lead and prospect evaluation. This work resulted in very large prospects in multiple basins being imaged and mapped.</p> <p>OilCo completed and released four Independent Resource Assessments. Resource Assessments were completed for the Labrador South, Eastern and South Eastern Newfoundland regions. The 2021 Independent Resource Assessment was the first exploration round for the newly imaged and defined Chidley Basin off the coast of Labrador.</p>

Objective: By December 31, 2022, OilCo will have further progressed its exploration strategy in support of upcoming license rounds.

Indicators	2022 Activities and Accomplishments
<p>Continued to implement OilCo’s multi-year exploration strategy</p>	<p>In 2022, OilCo interpreted previously collected seismic data to and issued two resource assessments in September 2022. These resource assessments are based on new data covering parcels offered by the C-NLOPB in the Orphan and the southern Salar basins. The 2022 resource assessments show a potential of 50.3 billion barrels of oil equivalent (P50 unrisks volumes). In addition, seismic collected over this area from previous 2D and 3D data acquisition programs was incorporated into the 2022 resource assessments.</p>
<p>Delivered information on geoscience results and benefits of offshore Newfoundland and Labrador to the international oil and gas industry and local stakeholders, as well as to Government</p>	<p>Through 2022, OilCo engaged with more than 20 exploration and production companies from around the world to inform them of the potential prospectivity of upcoming bid rounds in offshore Newfoundland and Labrador. In addition, OilCo representatives attended and spoke at more than 15 technical and business conferences and events promoting offshore Newfoundland and Labrador and the November 2022 license round.</p> <p>The OilCo team is recognized as the leading authority on frontier exploration in the province’s offshore and as a go-to source for the global industry. In 2022, members of the OilCo team co-authored five published and peer-reviewed journal papers on offshore Newfoundland and Labrador explaining and promoting our resources. With these latest publications, OilCo has published 70 global conference and journal papers since 2010.</p>

Issue 2: Offshore Development and Operations

OilCo's goal is to have advanced current and future equity investment opportunities in the province's offshore. Through the 2020-2022 planning period, OilCo accomplished this goal through three core efforts: continuing to be actively involved in current joint ventures at the committee and voting level; continuing to evaluate equity growth opportunities and providing the shareholder advice to ensure that the province received maximum value from its existing and potential future investments; and, supporting industrial development projects.

Throughout 2022, OilCo continued to prioritize offshore development and operations activity with joint venture partners to advance work plans and achieve project milestones. The revenues from these projects remain with Nalcor-Oil and Gas and are managed by OilCo through a MSA.

OilCo manages working interests in three offshore projects – Hibernia Southern Extension, Hebron, and the White Rose Extension project. As of December 31, 2022, Government had invested \$171 million to purchase the equity in these three projects, in addition to development costs. At the end of 2022, the initial purchase price plus costs had been recovered, and an additional \$786 million in free cash flow had been generated (\$211 million in 2022). This money is in addition to the royalties and taxes earned Government that are paid by the project partners.

The following information provides an overview of key activities for each project.

Hibernia Southern Extension: At the end of 2022, production is in natural decline at Hibernia South. One infill well is planned in 2023 to provide additional pressure support. The focus remains on the management of the production decline.

Hebron: At the end of 2022, Hebron achieved payout through excellent drilling and production performance from Pool 1. A drilling rig shutdown commenced in late 2022. Required maintenance will be conducted through 2023. The ongoing focus post start-up of the drilling rig will be on deeper and longer wells into additional pools.

White Rose Extension: At the end of 2022, White Rose Extension produced at low production rates from North Amethyst and South White Rose Extension.

In May 2022, an agreement was reached between project partners and Government to restart the West White Rose project (WWRP). The ongoing focus remains on managing the capital expenditures required to achieve first oil from WWRP, which is expected in 2026. At the end of 2022, the project was approximately 65 per cent complete.

In addition to advancing our equity investment opportunities, OilCo is focused on supporting the growth of our provincial oil and industrial sector by maximizing the utilization of the BAF Site. BAF leases all or portions of the Site to industrial tenants for the execution of their project or work while managing core Site operations on behalf of tenants.

In 2022, BAF welcomed a new tenant to the Site. In May, Kelson & Kelson moved into the 2,600m² Blast and Paint building. Kelson & Kelson conducted blasting and painting of steel components for surface preparation and coatings on structural steel and application of fireproofing for the upgrade at Braya Renewable Fuels Come by Chance Refinery Site. This leasing arrangement allowed for occupancy and upgrades at the Blast and Paint building.

In December 2018, BAF leased portions of the Site to DF Barnes. During the lease, DF Barnes executed various service contracts related to the oil and gas industry. These lease agreements have enabled the BAF Site to support different aspects of drill rig Floating Production Storage and Offloading work. In 2022, BAF extended DF Barnes' lease for an additional year.

Issue 2: Offshore Development and Operations	
Goal: By December 31, 2022, OilCo will have advanced current and future equity investment opportunities in the province's offshore.	
Indicator	2020-2022 Activities and Accomplishments
Managed equity interests in offshore development in support of planned project advances	<p>OilCo manages Nalcor-Oil and Gas' existing working interests in offshore developments under a MSA. Through the three-year period, OilCo developed partnerships in joint ventures with industry participants and continued to pursue developments and approvals that maximize value from equity interests.</p> <p>OilCo evaluates and assesses equity growth opportunities as they arise. Throughout the planning period, the OilCo team worked with IET to ensure that the province received maximum value from its existing and potential future investments in offshore Newfoundland and Labrador.</p>

	<p>OilCo and its partners also discussed the long-term focus to maximize the economic value for each asset while meeting net zero 2050 emissions goals.</p>
<p>Objective: By December 31, 2022, OilCo will have progressed current joint venture capital projects supporting the long-term viability of the projects.</p>	
Indicators	2022 Activities and Accomplishments
<p>Continued to exercise Joint Venture voting rights and committee representation in the three offshore developments as outlined in a MSA with Nalcor-Oil and Gas</p>	<p>The activities under the MSA include participating in partner joint venture groups and committees that oversee and approve decisions pertaining to the projects and the oversight of sales specific to the ownership shares. Throughout 2022, OilCo continued to pursue developments and approvals that maximize value from these equity interests. In 2022, the equity investments managed by OilCo earned \$211 million in dividends.</p> <p>OilCo held discussions with partners related to the restart of various capital projects within the three fields. OilCo also worked with partners to assess future development potential.</p> <p>OilCo and its partners discussed the long-term focus to maximize the economic value for each asset while meeting net zero 2050 emissions goals.</p>
<p>Continued to evaluate equity growth opportunities and provided advice to the Shareholder on new potential acquisitions</p>	<p>OilCo evaluates and assesses equity growth opportunities as they arise. Throughout 2022, the OilCo team worked with IET to ensure that Government received maximum value from its existing and potential future investments in offshore Newfoundland and Labrador.</p> <p>The Bay du Nord development project was released from environmental review in spring 2022. Through OilCo, Government has an option to purchase a 10 per cent participating interest in the project. Throughout the year, OilCo staff continued to progress their</p>

	<p>understanding of the development and the subsurface in this emerging area through ongoing geoscience and engineering analysis. In addition, OilCo representatives met with IET and project partners to discuss and assess a possible equity participation in the project should the operators sanction the project.</p>
<p>Supported local industrial activity development projects within the oil and gas sector</p>	<p>BAF extended its lease with DF Barnes, who has been almost continually leasing the Site since December 2018. In 2022, DF Barnes continued to support drilling companies through coldstacking and rig reactivation as well as provide offhire port space for offshore supply vessels and testing facilities for inflatable building components.</p> <p>In May 2022, Kelson & Kelson began occupying the Blast and Paint building and in November a Site warehouse. Kelson & Kelson is conducting blasting and painting of steel components to support their work in the province.</p> <p>BAF also conducted business development activities related to future potential project work in the province, including promoting the Site to potential tenants.</p>
<p>Supported multi-stakeholder initiatives and projects to advance clean energy and reduced emissions within the oil and gas sector</p>	<p>The Net Zero Project is a partnership between OilCo, Energy NL, and econext. In 2022, the Net Zero Project progressed various projects and studies. Two recent reports undertaken by consultants included a report by Aker Solutions on the feasibility of Blue Hydrogen Production in offshore Newfoundland and Labrador, and a report by Hatch focused on Net Zero Pathways in the offshore. Both reports provide encouraging results related to the performance of Newfoundland and Labrador’s offshore through the energy transition.</p>

	<p>The Net Zero Project, with support from OilCo and econext, organized a carbon capture, utilization and storage workshop in September 2022. The workshop was well attended by oil and gas industry stakeholders.</p> <p>OilCo supported Memorial University to evaluate the carbon capture and storage (CCS) potential onshore and offshore Newfoundland and Labrador. In 2022, a component of this work included sponsoring an earth science graduate student to assess the carbon dioxide storage potential of ultramafic rocks in western Newfoundland. Part of the rationale for progressing the carbon dioxide storage potential onshore Newfoundland is an effort to advance “made in Newfoundland and Labrador” carbon offsets, which can be used to offset difficult to abate offshore oil and gas emissions to meet 2050 net zero commitments. Members of this multi-disciplinary group are also progressing engineering aspects of offshore carbon dioxide storage.</p> <p>In late 2022, OilCo released a request for proposals for a scope of work to evaluate the carbon dioxide storage potential in the offshore. This work is phase one of a three-phase process with phase one being a regional scoping analysis, phase two focusing on the economics and technical feasibility of CCS in the Jeanne d’Arc Basin, and phase three focusing on analysis of carbon dioxide storage at a fine scale into prioritized targets through phases one and two.</p>
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4. Opportunities and Challenges

Globally, 2022 was marked by an upheaval in energy markets. With the steep rise in many commodity prices, energy security is top of mind for countries around the world. European governments have called for more exploration and production to offset their dependence on energy imports from Russia. The year also saw Brent crude surge past \$100 US per barrel.

However, despite the need for increased production and the oil price surge, investments in oil and gas developments around the world showed only a modest increase in 2022 compared to the previous two years. The collective challenge the world is facing is the need for investments to meet future (clean) energy needs. This makes managing the energy transition in a way that ensures the security of supply at affordable prices towards a future of net zero emissions very challenging.

The world continues to rely heavily on fossil fuels and there remains a strong demand for offshore exploration of new plays. Offshore Newfoundland and Labrador remains well positioned to help meet this demand while playing an essential role in the transition to a lower-carbon economy.

Since 2010, our team has identified more than 650 leads and prospects within our frontier basins. A large majority of these leads currently exist within Crown lands available in upcoming license rounds. The scale of these fields, together with clean energy technologies and the advantages of deepwater developments, means that Newfoundland and Labrador has what the world wants. This includes very competitive costs, lower-carbon emissions, and a stable and predictable regulatory regime enabling investors to make well-informed investment decisions.

Given that oil and gas will continue to be a key component in the world's energy mix for decades to come, it is critical to find a balance between supporting and growing Newfoundland and Labrador's offshore oil and gas industry while protecting our environment. Therefore, the next five years are critical to identifying the advantaged barrels that should go into the global energy mix.

OilCo remains focused on exploring Newfoundland and Labrador's offshore by applying rigorous exploration best practices and technical innovation to ensure the province's offshore basins are evaluated to discover new oil and gas resources for the benefit of Newfoundland and Labrador. The province is poised for growth as a direct result of the exploration strategy to date. New basins in frontier areas have been mapped and delineated, and geological analogs that have never been seen in our offshore are being imaged.

OilCo is not just focused on identifying these world-class exploration prospects. OilCo recognizes the challenges of climate change and the need to transition to a lower-carbon economy. Our team will continue collaborating with key stakeholders in advancing our environmental initiatives to ensure that our competitive offshore remains climate conscious and sustainable throughout the clean energy transition over the coming decades.

Appendix 1 Biographies for the Board of Directors

Dr. Charles Randell, Chair

Dr. Randell began his oil and gas career in 1981 on seismic survey vessels. His foray into research and development began as a technician at C-CORE. He went on to become President and CEO of C-CORE in 2006 and led the corporation through significant growth and expansion. Dr. Randell has degrees in Electrical Engineering from Lakehead University, and M.A.Sc. and Ph.D. degrees in Engineering and Computer Science from University of Victoria. He was named one of Atlantic Canada's Top 50 CEOs (2012), and was inducted as a Fellow of the Canadian Academy of Engineering (2014). Retired from C-CORE (2017), he consults through his company Magellan Consulting Ltd.

Wayne Chipman

Wayne Chipman is a graduate of Memorial University (Bachelor of Mechanical Engineering). Mr. Chipman started his 35-year oil and gas industry career in Calgary before returning to Newfoundland and Labrador to work with the Newfoundland and Labrador Petroleum Directorate. Following the signing of the Atlantic Accord, Mr. Chipman spent more than 20 years with the Canada-Newfoundland & Labrador Offshore Petroleum Board where he was responsible for conservation; coordinating reservoir engineering; and, petrophysical, and measurement and production reporting activities. Mr. Chipman was instrumental in setting up the Nalcor-Oil and Gas division. While working with Nalcor Energy he was a member of the team that negotiated equity interests in the White Rose Extension project, Hebron and Hibernia Southern Extension fields. In 2013, Mr. Chipman was awarded Noia's Outstanding Contribution Award in recognition of his contribution to the oil and gas industry in Newfoundland and Labrador.

Bernard J. Collins, B.BA, P.Log, CCS

Bernard J. Collins is the Chair and former President of PF Collins. Tasked with developing PF Collins' involvement in the emerging offshore petroleum industry, under his leadership the company grew from a small customs brokerage firm into a progressive integrated logistics provider employing over 100 professionals in Newfoundland and Labrador, Nova Scotia, and Alberta. Mr. Collins has received numerous recognitions, including Noia's Outstanding Contribution Award (2005) and the Gardiner Centre Entrepreneur of the Year Award (2012). He has been listed among Atlantic Business Magazine's Top 50 CEOs, and inducted into the Junior Achievement Business Hall of Fame. Mr. Collins holds a Bachelor of Business Administration from St. Francis Xavier University.

Richard J. Daw, FCPA, FCA, CMC

Richard J. Daw was a partner with Deloitte for almost 30 years where he practiced as a Chartered Accountant, advising oil and gas contractors on tax and organizational matters. After retirement, Mr. Daw became an Executive in Residence with Memorial University's Faculty of Business and a founding member of the Institute of Corporate Directors – NL Chapter. He was also the Vice-Chair of the Audit Committee and the Chair of the HR Committee with the Canada Revenue Agency Board of Management (2010-2016). Mr. Daw served as the Vice Chair and Director of the Dr. H. Bliss Murphy Cancer Care Foundation (2008-2014). Mr. Daw is a member of the Institute of Certified Management Consultants of Atlantic Canada and the Association of Chartered Professional Accountants of Newfoundland and Labrador. He currently serves as independent director on the board of Muskrat Falls Corporation and on the Advisory Board for Memorial University's Faculty of Business Administration.

Leslie Grattan, FRCGS

As the owner of Leslie Grattan and Associates Inc., Ms. Grattan provides environmental consulting services. Ms. Grattan has held senior leadership positions in environmental management in the private and public sectors. She has extensive experience in offshore oil and gas, hydroelectricity generation, civil construction, and aquaculture. Ms. Grattan is Chair of the Oceans Learning Partnership, Director of the Atlantic Regional Board of the Nature Conservancy Canada, winner of the NEIA 2018 Industry Champion Award, and a committee member of the Coastal Zone Canada Association. She is a Fellow of both the Royal Canadian Geographical Society and Women in Science and Engineering NL, and is an Honorary Member of the Professional Engineers and Geoscientists of Newfoundland and Labrador.

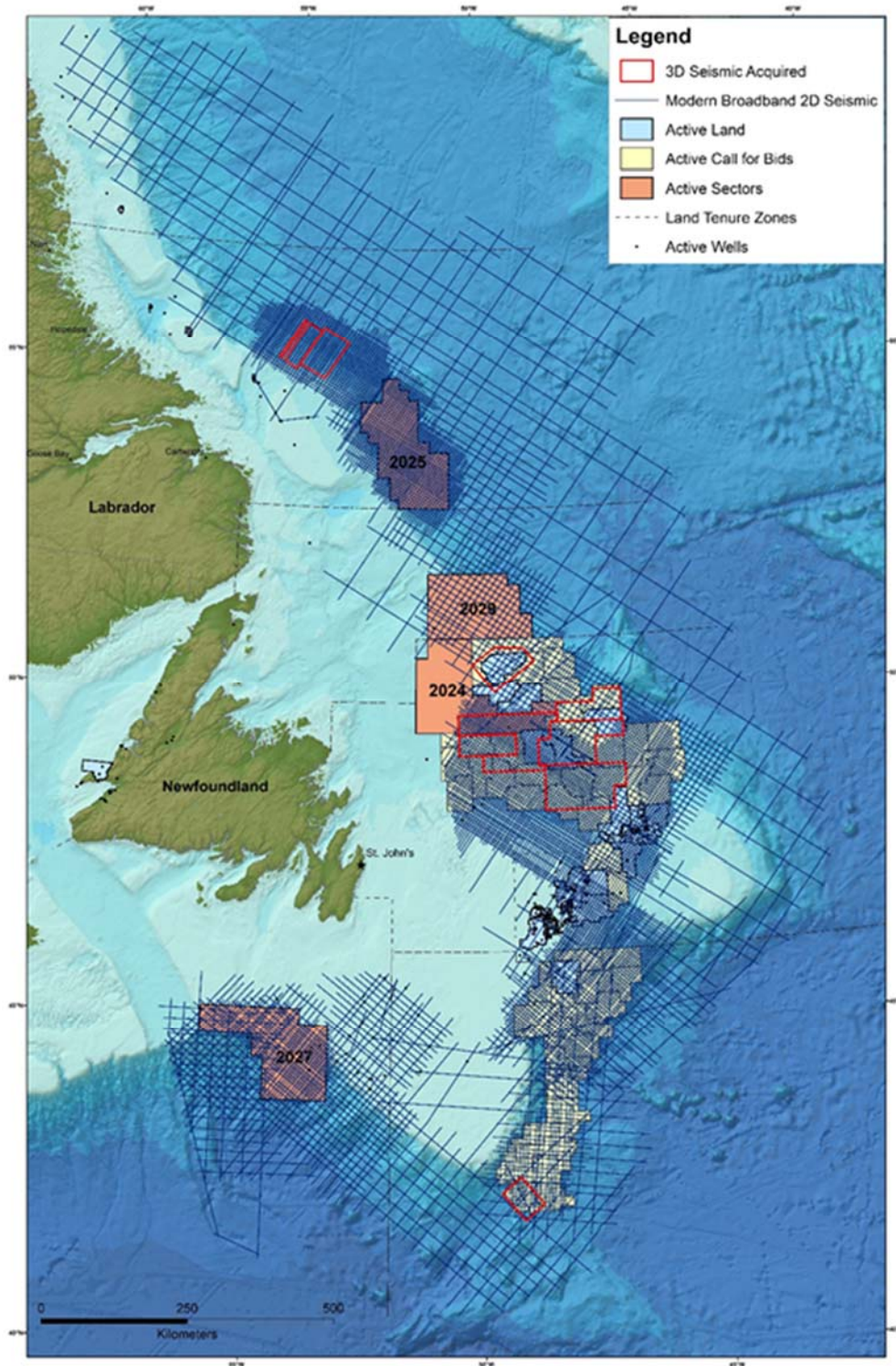
Shelly Leighton, P. Eng, CLS

Shelly Leighton is a graduate of University of New Brunswick (Bachelor of Science and Engineering in Geodesy and Geomatics, 2007) and Memorial University (Masters in Oil and Gas Engineering, 2015). Ms. Leighton has spent several years working in the offshore oil and gas industry as well as on heavy civil projects in Newfoundland and Labrador. She is the owner and CEO of Advanced Access Engineering – an engineering firm specializing in autonomous vehicles, both in water and in air. Ms. Leighton is an instructor with the School of Ocean Technology at the Marine Institute and Chair of the school's Ocean Mapping Program. She is an advocate for women in STEM and is a role model for young women interested in careers in science and technology.

Jennifer Warren

Jennifer Warren is a graduate of Memorial University, Bachelor of Commerce Co-Op (2002) and is a Chartered Professional Accountant (2004). Ms. Warren has over 16 years' experience in finance, risk, and compliance for large, complex and Crown corporations and has extensive experience in the natural resource sector and highly-regulated industries. Ms. Warren's broad range of experiences and skills include financial management and reporting, regulatory compliance, corporate governance, internal controls, and risk management. Ms. Warren has held progressively senior roles with Deloitte, Voisey's Bay Nickel, Fortis Inc., Nalcor Energy, and RSA Canada. She is currently the Director, Compliance and Governance with Johnson Insurance.

Appendix 2 Offshore Newfoundland and Labrador Map



Appendix 3 2022 Audited Consolidated Financial Statements

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated financial statements
December 31, 2022



Management's responsibility for financial reporting

The accompanying consolidated financial statements and supplementary financial information schedules of **Oil and Gas Corporation of Newfoundland and Labrador** are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements have been prepared by management in accordance with Canadian public sector accounting standards prescribed for governments as recommended by the Public Sector Accounting Board. Management is responsible for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The external auditors, Ernst & Young LLP, conduct an audit in accordance with Canadian generally accepted auditing standards, and express their opinion on the consolidated financial statements. The external auditors have access to financial management of **Oil and Gas Corporation of Newfoundland and Labrador** and meet when required.



Director



Director

Independent auditor's report

To the Board of Directors of
Oil and Gas Corporation of Newfoundland and Labrador

Opinion

We have audited the consolidated financial statements of **Oil and Gas Corporation of Newfoundland and Labrador** ["Oilco"], which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of operations and accumulated surplus, consolidated statement of change in net assets and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Oilco as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of Oilco in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing Oilco's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Oilco or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Oilco's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Oilco's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Oilco's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Oilco to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

St. John's, Canada
April 21, 2023

Ernst & Young LLP

Chartered Professional Accountants



Oil and Gas Corporation of Newfoundland and Labrador

Consolidated statement of financial position

[in thousands of Canadian dollars]

As at December 31

	2022	2021
	\$	\$
Assets		
Cash	11,370	7,080
Accounts receivable <i>[note 4]</i>	3,498	4,707
	<u>14,868</u>	<u>11,787</u>
Liabilities		
Accounts payable <i>[notes 6 and 10]</i>	2,575	7,238
Deferred contribution <i>[note 8]</i>	510	533
Deferred revenue	715	724
	<u>3,800</u>	<u>8,495</u>
Net assets	<u>11,068</u>	<u>3,292</u>
Non-financial assets		
Tangible capital assets, net <i>[note 5]</i>	6,898	4,944
Exploration assets <i>[note 7]</i>	44,082	45,851
Prepaid expenses	532	519
	<u>51,512</u>	<u>51,314</u>
Accumulated surplus	<u>62,580</u>	<u>54,606</u>

Contingencies *[note 14]*

Subsequent events *[note 16]*

See accompanying notes

On behalf of the Board:


Director


Director

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated statement of operations and accumulated surplus

[in thousands of Canadian dollars]

Year ended December 31

	Budget	2022	2021
	\$	\$	\$
Revenue			
Grant revenue	26,100	17,263	30,427
Lease revenue	224	1,195	3,613
Other revenue <i>[note 12]</i>	5,213	6,575	11,486
Net finance income	(1)	250	14
	<u>31,536</u>	<u>25,283</u>	<u>45,540</u>
Expenses			
Operating costs <i>[note 11]</i>	11,902	9,733	11,437
Amortization of exploration assets	4,563	6,980	2,333
Amortization of tangible capital assets	584	588	685
Exploration	13	8	367
	<u>17,062</u>	<u>17,309</u>	<u>14,822</u>
Annual surplus for the year	14,474	7,974	30,718
Accumulated surplus, beginning of year	54,606	54,606	23,888
Accumulated surplus, end of year	<u>69,080</u>	<u>62,580</u>	<u>54,606</u>

See accompanying notes

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated statement of change in net assets

[in thousands of Canadian dollars]

Year ended December 31

	2022	2021
	\$	\$
Annual surplus for the year	7,974	30,718
Amortization of tangible capital assets	588	685
Acquisition of tangible capital assets	(2,558)	(1,841)
Disposal of tangible capital assets	16	—
Amortization of exploration assets	6,980	2,333
Acquisition of exploration assets	(5,211)	(24,147)
Prepaid expenses	(13)	80
Change in net assets	7,776	7,828
Net assets (debt), beginning of year	3,292	(4,536)
Net assets, end of year	11,068	3,292

See accompanying notes

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated statement of cash flows

[in thousands of Canadian dollars]

Year ended December 31

	2022	2021
	\$	\$
Operating transactions		
Annual surplus for the year	7,974	30,718
Adjustments for items not affecting cash		
Amortization of tangible capital assets	588	685
Amortization of exploration assets	6,980	2,333
Loss (gain) on sale of tangible capital assets	16	(500)
	15,558	33,236
Changes in non-cash assets and liabilities related to operations		
Decrease (increase) in accounts receivable	1,209	(1,299)
Decrease (increase) in prepaid expenses	(13)	80
Decrease in accounts payable	(4,663)	(4,417)
Decrease in deferred revenue	(9)	(31)
Decrease in deferred contribution	(23)	(10)
Cash provided by operating transactions	12,059	27,559
Capital transactions		
Purchase of tangible capital assets	(2,558)	(1,841)
Proceeds on sale of tangible capital assets	—	500
Purchase of exploration assets	(5,211)	(24,147)
Cash used in capital transactions	(7,769)	(25,488)
Net increase in cash during the year	4,290	2,071
Cash, beginning of year	7,080	5,009
Cash, end of year	11,370	7,080

See accompanying notes

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

1. Nature of the entity

Oil and Gas Corporation of Newfoundland and Labrador ["Oilco"] is a Crown corporation established under its enabling statute, the *Oil and Gas Corporation Act* (NL), which was proclaimed on January 1, 2020. Reporting directly to the Minister of Industry, Energy and Technology, Oilco focuses on maximizing opportunities for growth in the Newfoundland and Labrador's offshore oil and gas industry and aims to position the Province of Newfoundland and Labrador [the "Province"] as a globally preferred location for oil and gas development. As well, Bull Arm Fabrication Inc., a subsidiary of Oilco, operates on a site leased from the Province for a term of 30 years for a nominal amount of \$1 per annum, which expired March 2022 but was renewed for a further 10 year term [note 16]. This site is Atlantic Canada's largest industrial fabrication site and has a fully integrated infrastructure to support large scale fabrication. Oilco's activities are aimed at maximizing exploration investments in Newfoundland and Labrador, to acquire and manage the Province's equity interests in Oilco projects and enhance local supply chain development opportunities in support of Advance 2030 – the Way Forward on Oil and Gas.

Oilco is exempt from paying income taxes under Section 149(1) (d.2) of the *Income Tax Act* (Canada).

2. Summary of significant accounting policies

Basis for accounting

These consolidated financial statements have been prepared in accordance with Canadian public sector accounting standards prescribed for government organizations, as recommended by the Public Sector Accounting Board.

Basis of consolidation

Bull Arm Fabrication Inc. is a 100% owned subsidiary of Oilco. These consolidated financial statements reflect the assets, liabilities, revenue and expenses for the activity of these entities. All inter-entity assets, liabilities, revenue, and expenses have been eliminated.

Revenue recognition

Grant revenue is recognized when the grant is authorized and any eligibility criteria are met, except to the extent that grant stipulations give rise to an obligation that meets the definition of a liability. Grants are recognized as deferred revenue when transfer stipulations give rise to a liability. Grant revenue is recognized in the consolidated statement of operations and accumulated surplus as the stipulation liabilities are settled.

Lease revenue is recognized when services have been rendered, recovery of the consideration is probable, and the amount of revenue can be reliably measured.

Revenue related to fees for services received in advance of the services being performed is deferred and recognized when the service is performed, the amount of revenue can be reasonably measured and collection is reasonably assured.

Revenue associated with the sale of geoscientific data is recognized when the terms and conditions governing sales have been met, the amount of revenue can be reliably measured, and recovery of the consideration is probable.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

Tangible capital assets

Tangible capital assets are recorded at cost less accumulated amortization. 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 tangible capital assets are required to be replaced at intervals, Oilco recognizes such parts as individual assets with specific useful lives and amortization. Repairs and maintenance costs are expensed as incurred.

Amortization is recorded on a straight-line basis over the estimated life of the respective tangible capital asset commencing once the asset is available for productive use as follows:

Computer hardware	5 years
Computer software	10 years
Office furniture and equipment	20 years
Leasehold improvements	5–50 years
Buildings	18 years
Module hall door	26 years
Visitor centre	42 years
Other	5–25 years

Tangible capital assets are written down when conditions indicate that they no longer contribute to Oilco's ability to provide goods and services, or when the future economic benefits associated with the tangible capital assets is less than their net book value. The net write-downs are accounted for as expenses in the consolidated statement of operations and accumulated surplus. Construction in progress is not amortized until the asset is put in use.

Exploration assets

Costs related to the purchase of seismic surveying are capitalized and amortized over their expected useful lives of six years. Exploration assets are tested for impairment when events or circumstances indicate that their carrying amount may not be recoverable.

Employee future benefits

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. Contributions by Oilco 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.

Foreign currency translation

Transactions in currencies other than Oilco's functional currency are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month's 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 year end date. Foreign exchange gains and losses are included in the consolidated statement of operations and accumulated surplus as other expense.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

Use of estimates

The preparation of the consolidated financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities during the reporting period. These estimates include useful lives of tangible capital assets and employee future benefits. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Changes in accounting policy

In fiscal 2022, Oilco early adopted PS Section 3280, Asset Retirement Obligations ["PS 3280"]. PS 3280 requires the recognition of a liability for an asset retirement obligation when there is a legal obligation to incur retirement costs in relation to a tangible capital asset or leased asset; the past transactions or event giving rise to the liability has occurred; it is expected that future economic benefits will be given up; and a reasonable estimate of the amount can be made.

PS 3280 is effective for fiscal years beginning on or after April 1, 2022; however, early adoption is permitted. Oilco completed a detailed assessment of the Group's assets and leased assets and concluded that there were no legal obligations to incur retirement costs in relation to these assets. As a result, there was no impact on Oilco's financial statements as a result of adopting PS 3280.

4. Accounts receivable

As at December 31 [thousands of Canadian dollars]

	2022	2021
	\$	\$
0-60 days	3,302	3,326
60+ days	156	—
HST receivable	40	1,381
	<u>3,498</u>	<u>4,707</u>

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

5. Tangible capital assets

As at December 31 [thousands of Canadian dollars]

	Computer hardware \$	Computer software \$	Office furniture and equipment \$	Leasehold improvements \$	Module hall door \$	Visitor centre \$	Buildings \$	Other \$	Construction in progress \$	Total \$
Cost										
Balance, January 1, 2022	449	1,271	39	701	240	532	31	951	2,085	6,299
Additions	24	—	—	—	—	—	—	123	2,411	2,558
Disposals	—	—	—	—	—	—	—	—	(16)	(16)
Balance, December 31, 2022	473	1,271	39	701	240	532	31	1,074	4,480	8,841
Accumulated amortization										
Balance, January 1, 2022	297	401	4	487	32	32	10	92	—	1,355
Amortization	76	209	2	212	16	16	4	53	—	588
Balance, December 31, 2022	373	610	6	699	48	48	14	145	—	1,943
Net book value, December 31, 2022	100	661	33	2	192	484	17	929	4,480	6,898

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

	Computer hardware	Computer software	Office furniture and equipment	Leasehold improvements	Module hall door	Visitor centre	Buildings	Other	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Cost										
Balance, January 1, 2021	430	1,154	39	700	240	532	31	848	484	4,458
Additions	19	117	—	1	—	—	—	103	1,601	1,841
Disposals	—	—	—	—	—	—	—	—	—	—
Balance, December 31, 2021	449	1,271	39	701	240	532	31	951	2,085	6,299
Accumulated amortization										
Balance, January 1, 2021	159	197	2	237	16	16	5	38	—	670
Amortization	138	204	2	250	16	16	5	54	—	685
Balance, December 31, 2021	297	401	4	487	32	32	10	92	—	1,355
Net book value, December 31, 2021	152	870	35	214	208	500	21	859	2,085	4,944

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

6. Accounts payable

As at December 31 [thousands of Canadian dollars]

	2022	2021
	\$	\$
Trade payables	2,492	6,511
Due to related parties [note 10]	38	62
HST payable	45	665
	2,575	7,238

7. Exploration assets

Exploration assets comprise expenditures related to 2D and 3D seismic data, geoscientific studies and a resource assessment.

As at December 31 [thousands of Canadian dollars]

	2022	2021
	\$	\$
Cost, January 1, 2022	48,358	24,211
Additions	5,211	24,147
Balance, December 31, 2022	53,569	48,358
Accumulated amortization, January 1, 2022	2,507	174
Amortization	6,980	2,333
Balance, December 31, 2022	9,487	2,507
Net carrying amount, December 31, 2022	44,082	45,851

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

8. Deferred contribution

During 2020, Bull Arm Fabrication Inc. received Mooring Bollards with a fair value of \$616K from an unrelated party in exchange for a rent concession in the amount of \$52K. The difference between the fair value and the rent concession was recorded as a deferred contribution and is amortized over the useful life of the asset, which is determined to be 25 years.

During 2021, an unrelated party completed work on a sewage system for Bull Arm Fabrication Inc. with a fair value of \$13K. This has been recorded as a deferred contribution and will be amortized over the useful life of the asset, which is determined to be 20 years.

As at December 31 [thousands of Canadian dollars]

	2022	2021
	\$	\$
Deferred contribution, beginning of year	533	543
Additions	—	13
Less revenue recognized	(23)	(23)
Deferred contribution, end of year	510	533

9. Employee future benefits

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the year ended December 31, 2022 of \$310K [2021 – \$354K] were expensed as incurred [note 11].

10. Related party transactions

- [i] Oilco operates on a site leased from the Province for a term of 30 years for a nominal amount of \$1 per annum, which expired in March 2022 but was renewed for a further 10 year term.
- [ii] For the year ended December 31, 2022, Oilco earned \$4.2 million [2021 – \$4.2 million] for the management of Nalcor Energy – Oil and Gas Inc.'s [Nalcor Energy] assets, as set out in the management services agreement.
- [iii] As at December 31, 2022, Oilco had a net payable to Nalcor Energy of \$38K [2021 – \$62K] related to operations.
- [iv] For the year ended December 31, 2022, Oilco was charged \$250K [2021 – \$233K] by Nalcor Energy for IT-related services [note 11].

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

11. Operating costs

Year ended December 31 [thousands of Canadian dollars]

	2022	2021
	\$	\$
Salaries and benefits [note 9]	3,992	4,298
Professional services	1,735	1,963
Software maintenance [note 10]	1,226	1,363
Utilities	775	2,111
Site maintenance and materials	618	585
Building rental	515	513
Insurance	416	404
Other operating costs	456	200
	9,733	11,437

12. Other revenue

Year ended December 31 [thousands of Canadian dollars]

	2022	2021
	\$	\$
Forgiveness of payable to Nalcor Energy – Oil and Gas Inc. related to the transition of 2019 operations	—	4,984
Management fee related to management of Nalcor Energy – Oil and Gas Inc.'s assets	4,203	4,215
Seismic revenue	2,212	2,064
Loss (gain) on sale of tangible capital assets	(16)	500
Amortization of deferred contribution [note 8]	9	23
Foreign currency gains (losses)	167	(300)
	6,575	11,486

13. Financial instruments and risk management

Financial instruments are classified in one of the following categories: [i] fair value or [ii] cost or amortized cost. Oilco determines the classification of its financial instruments at initial recognition.

Cash is classified at fair value. Other financial instruments, including accounts receivable and accounts payable, are initially recorded at their fair value and are subsequently measured at amortized cost, net of any provisions for impairment.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2022

Oilco is exposed to certain credit, liquidity and foreign exchange risks from its financial instruments. This note describes Oilco's objectives, policies and processes for managing those risks and the methods used to measure them. Further qualitative and quantitative information in respect of these risks is presented below.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Oilco is exposed to credit risk through its accounts receivable. The degree of exposure to credit risk on cash and 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 consolidated statement of financial position at the reporting date. As at December 31, 2022, there was no allowance [2021 – nil] for doubtful accounts included in accounts receivable.

Liquidity risk

Liquidity risk is the risk that Oilco will encounter difficulty in meeting obligations associated with financial liabilities. Oilco is exposed to liquidity risk through its accounts payable, and its potential inability to pay as a result of cash flow constraints. Oilco's liquidity risk management activities are directed to ensuring cash is available to meet those obligations as they become due. Oilco mitigates its liquidity risk through cash on hand and financial support from the Government of Newfoundland and Labrador.

Foreign exchange risk

Oilco is exposed to foreign exchange price risk on its sales, payables and purchases, some of which are denominated in US dollars.

14. Contingencies

Oilco is subject to various legal proceedings and claims in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, management currently believes Oilco'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 Oilco.

16. Subsequent events

In March 2023, the Government of Newfoundland and Labrador announced an approval of a \$13,000,000 budget for the 2023 seismic program, which had previously been suspended in January 2022.