



Oil and Gas Corporation of Newfoundland and Labrador

2023 Annual Performance Report

June 2024



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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 2023 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 for the 2023 calendar year, and is the first report under the Corporation's 2023-2025 Strategic Plan. As the Board of Directors of OilCo, we are accountable for the preparation of this report and the results.

We express our gratitude to the OilCo staff for their unwavering commitment to the Corporation, the industry, and our province. The team at OilCo comprises 20 employees with diverse skills and extensive expertise in the oil and gas sector, demonstrating their ability to optimize the value derived from our offshore endeavours.

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 the future of Government's ownership of its oil and gas interests and OilCo's future operations.



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.

OilCo leads the exploration of the province's frontier slope 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).

The Corporation actively advances beneficial opportunities in the oil and gas industry, stewarding these resources while capturing value at every stage of exploration and development. We achieve this by providing proactive leadership, offering thoughtful guidance, and employing investment-grade science.

Offshore Newfoundland and Labrador offers opportunities for further exploration and development, with the potential of significant discoveries and prospectivity. OilCo's team holds unique insights into these key opportunities.

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; and,
- c) the corporation may invest in and engage in those other activities that the Lieutenant-Governor in Council may approve.

OilCo has operational autonomy; however, the Corporation receives financial and other shared services support from core Government intended to create savings and a more efficient public sector. The Corporation also relies on Government for human resources support.

Vision

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

Lines of Business

OilCo has four 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 2023 included in Section 3 of this report.

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 geoscience 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 has created value by attracting new entrants and investments to Newfoundland and Labrador. Our successful exploration strategy has attracted over \$4 billion in foreign direct investment to the province since 2015.

Development and Production

OilCo manages participating interests in three producing oil and gas assets under a Management Services Agreement (MSA) with Nalcor-Oil and Gas:

- 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.

Future exploration activities and investments in prospective production developments reside with OilCo. A 2018 framework agreement with Government for the deepwater Bay du Nord development project 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, earning more than \$940 million in dividends since 2010.

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 approach is to optimize the utilization of the BAF Site by pursuing new opportunities.

Sustainability

While Newfoundland and Labrador's offshore projects are among some of the lowest carbon intensity emitting facilities in the world, OilCo recognizes the issue of climate change and the need to transition to a lower-carbon economy.

In collaboration with various levels of government, industry and community stakeholders, OilCo is helping to lead the oil and gas industry towards achieving net zero emissions in the offshore sector. OilCo works with stakeholders to support current and future development projects and explore partnerships and technologies that further improve the lower-carbon advantage of Newfoundland and Labrador's offshore resources.

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OilCo Team

Headquartered in St. John's, OilCo had 20 staff at the end of 2023, with all staff located in St. John's. The gender composition of OilCo in 2023 was 50 per cent female and 50 per cent male.

The OilCo team has extensive experience in engineering, geoscience, investment attraction, and business aspects of oil and gas. In 2023, the team consisted of Geologists, Geophysicists, Engineers, Technologists, Accountants, IT Specialists, Communications, and Corporate Service professionals. The group is high performing and competent, fully trained in the industry, and has deep global industry knowledge and vast perspectives gained from working across multiple corporations and companies.

OilCo has an experienced team with a combined 300+ years of petroleum industry experience in Canada and around the world including in prolific petroleum basins.

Board of Directors

OilCo's Board of Directors is comprised of individuals from across the province with a variety of professional backgrounds and extensive experience in executive roles. The following individuals were on the Board at December 31, 2023:

- 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.

2023 Consolidated Revenues and Expenses

In 2023, OilCo had revenues from continuing operations of \$15.3 million (M). The majority of OilCo's revenues were generated from a management fee charged to Nalcor-Oil and Gas (\$4.2M), the lease of the BAF Site (\$4.5M), the sale of geoscientific data (\$3.5M), and Government contributions (\$2.8M).

Approximately 50 per cent of OilCo's expenditures from continuing operations relate to operating costs, which are comprised primarily of salaries and wages (\$2.8M), professional services (\$2.3M), software maintenance (\$1.5M), and utilities (\$0.7M).

2023 Key Business Highlights:

- \$160M in dividends earned from the equity investments that OilCo manages in our offshore developments.
- As of December 31, 2023, approximately 46 per cent of estimated proven and probable reserves produced, with more than 34 million barrels remaining.
- Average production in 2023 was approximately 6,500 barrels of oil equivalent per day.

Table 1: OilCo Consolidated Revenue and Expenses for the year ended December 31, 2023

For the period ended December 31, 2023 (in thousands of Canadian Dollars)	\$	%
Continuing operations		
Grant revenue	2,751	17.9
Other revenue	7,738	50.5
Lease revenue	4,467	29.1
Net finance income	560	3.7
Other (expenses)	(187)	(1.2)
Revenue	15,329	
Operating costs	9,333	50.1
Amortization of exploration assets	8,936	47.9
Amortization of tangible capital assets	370	2.0
Exploration expenses	8	-
Expenses	18,647	
Annual loss from continuing operations	(3,318)	
Discontinued operations		
Loss for the year from discontinued operations	-	-
Annual loss	(3,318)	-

OilCo's 2023 Audited Consolidated Financial Statements is provided in Appendix 3.

2. Highlights and Partnerships

OilCo has built strong, collaborative working relationships with regulators, government, operators, and the broader oil and gas industry in Newfoundland and Labrador and our employees have dedicated themselves to fostering robust and cooperative ties with numerous agencies, departments, commissions, and businesses. Through 2023, OilCo collaborated with the following groups and organizations.

Department of Industry, Energy and Technology

OilCo worked with the Department of Industry, Energy and Technology (IET) to promote offshore Newfoundland and Labrador and encourage additional investment in our oil and gas industry. OilCo and IET collaborated on several international oil and gas conferences to promote opportunities in offshore Newfoundland and Labrador as well as the prospectivity of the region.

OilCo also supported Government as it initiated a review of the province's offshore oil and gas interests. OilCo is working with Government's consultant, Rothschild & Co. US Inc. (Rothschild & Co), as it presents the province's portfolio of oil and gas assets and interests to potential buyers in 2024.

OilCo also supported Government's Request for Proposals (RFP) for the sale or lease of the BAF Site. Government issued its RFP in December 2023.

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 2023, 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 participating interests in offshore developments on behalf of Nalcor-Oil and Gas.

OilCo continued its partnership with two environmental business industry associations, econext, and Energy NL, on the Net Zero Project. The Net Zero Project is actively advancing environmentally- and economically-sustainable initiatives to progress towards achieving net zero emissions in the offshore sector by 2050. Throughout the year, the Net Zero Project evaluated the technical and economic feasibility of various emission reduction technologies, including the electrification of offshore production facilities.

3. Report on Performance

The 2023-2025 Strategic Plan for OilCo highlighted four strategic issues and their associated goals and objectives. For each strategic issue, the information presented in our Report on Performance reflects the work completed in 2023, the first year of the three-year planning period.

The following 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 3: Bull Arm Fabrication Site Optimization
- Issue 4: Advance Sustainability Initiatives

Issue 1: Exploring Newfoundland and Labrador's Offshore

OilCo's exploration work enhances the attractiveness of offshore Newfoundland and Labrador through leading-edge geoscience that identifies and characterizes Newfoundland and Labrador's undiscovered oil and gas resource potential.

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 and executing a detailed multi-year schedule to assist and oversee the planning, acquisition, and processing of seismic data; and, conducting strategic studies and focused projects to address key risks and scientific uncertainties possibly impeding new industry investment. It also entails interpreting and utilizing the data for advanced analysis for the public release of a resource assessment in advance of a licence round issued by the Canada-Newfoundland and Labrador Offshore Petroleum Board (C-NLOPB)¹.

In Budget 2023, Government announced the resumption of a one-year budget for OilCo to resume its seismic data collection program. OilCo executed its plan to acquire new seismic data in the Jeanne d'Arc basin. Interpretation and analysis on this data will commence in 2024.

¹ Newfoundland and Labrador's offshore regulator, the C-NLOPB sets the land tenure schedule and licence round area. The areas OilCo will promote will be based on the C-NLOPB's call for bid areas.

OilCo also initiated planning for an upcoming resource assessment. OilCo's Exploration team will commence a resource assessment for Southern Labrador in 2024. The C-NLOPB's next scheduled licence round for this region is 2025. OilCo expects to release a resource assessment on this area in advance of this upcoming licence round.

Attending and presenting at industry conferences and trade shows offers valuable networking opportunities within the oil and gas industry. This activity provides OilCo with the opportunity to connect with professionals, experts, and potential investors. Throughout 2023, OilCo team members met with and presented to exploration and production companies to inform them on the potential prospectivity of Newfoundland and Labrador offshore.

Issue 1: Exploring Newfoundland and Labrador's Offshore	
Indicator	2023 Activities and Accomplishments
Increased promotion of the prospectivity of offshore Newfoundland and Labrador through presentations and attendance at industry conferences and events	Attending conferences, participating on panels, and delivering technical talks boosts the visibility of offshore Newfoundland and Labrador, with the goal of attracting potential investors to our region. These activities provide a platform to discuss emerging trends, challenges, and opportunities within the oil and gas sector, fostering knowledge exchange and collaboration. In 2023, OilCo representatives attended 10 international oil and gas technical and business conferences, presented

² In Budget 2023, Government announced the resumption of a one-year budget for OilCo's seismic data collection program. At the time of the funding allocation, OilCo was unable to secure a seismic vessel for data collection in 2023. The funds were used to purchase new seismic data in early 2024.

	<p>at seven of these events, and developed tradeshow posters and brochures showcasing our offshore resource potential. OilCo collaborated with IET on several of these events.</p> <p>In 2023, OilCo updated its promotional material and published fact sheets about Newfoundland and Labrador's offshore resource potential. This material was provided to participants at conferences and was promoted through OilCo's updated website and social platforms.</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 2023, two OilCo employees published and presented two abstracts at the European Association of Geoscientists and Engineers conference. These employees shared their expert knowledge on the material prospectivity of offshore Newfoundland and Labrador to a global audience. With these latest publications, OilCo has published 72 global conference and journal papers since 2010.</p>
Inventoried leads and prospects into OilCo's internal library/platform	Through 2023, OilCo's Exploration Team inventoried 12 prospects, of which seven are included in the 2024 licence round, and identified around 25 additional leads in the 2024 and 2025 licence rounds. The 12 prospects show about 30 billion barrels of unrisked resource potential in offshore Newfoundland and Labrador.
Promoted exploration potential of 2023 licence round area	OilCo engaged with more than 100 exploration and production companies and organizations from around the world to inform them of the potential prospectivity of the 2023 bid rounds in offshore Newfoundland and Labrador.

	<p>Presentations specific to the 2023 call for bids were delivered to conference attendees in Canada, United States, and Europe. In addition, members of OilCo's exploration team delivered in-depth, one-on-one presentations and briefings with three exploration companies.</p>
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The objective and indicators for 2024 are consistent with the direction outlined in the 2023-2025 Strategic Plan.

2024 Objective

By December 31, 2024, OilCo will have collected data and continued interpretation to advance geoscience knowledge in frontier basins of Newfoundland and Labrador in advance of scheduled call for bids.

2024 Indicators

- Acquired and interpreted geophysical and geoscientific data in the Jeanne d'Arc basin.
- Promoted exploration potential of defined licence round areas.
- Continued promotion and communication of the advanced understanding of our overall offshore petroleum resource potential to the local, national and global oil and gas industry.

Issue 2: Offshore Development and Operations

Over the three-year planning period, OilCo's goal is to have supported efforts to advance offshore project milestones and further enhance knowledge of the province's oil and gas investment potential. Through 2023, OilCo worked towards achieving this goal through the following core efforts: continuing active involvement in current joint ventures at the committee and voting level; and, carrying out business development activities highlighting the growth potential opportunities in offshore Newfoundland and Labrador.

OilCo prioritized 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.

In March 2023, Government announced the phased review by Rothschild & Co of the province's offshore oil and gas interests. In support of this process, OilCo developed and is executing business development activities aimed at increasing interest in our provincial oil and gas interests and attracting potential bidders to the sales process. Through 2023, OilCo representatives met with more than 50 individuals and companies who expressed interested in investing in our offshore and taking part in this process.

OilCo manages working interests in three offshore projects – Hibernia Southern Extension, Hebron, and White Rose Extension. As of December 31, 2023, Government had invested \$170 million to purchase the equity in these three projects, in addition to development costs. At the end of 2023, the initial purchase price plus costs had been recovered, and an additional \$946 million in free cash flow had been generated (\$160 million in 2023).

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

Hibernia Southern Extension: Hibernia Southern Extension continues to produce from existing blocks and horizons, with additional infill well drilling planned over the coming years to sustain production. Since coming online in 2011, Hibernia Southern Extension has continued to exceed original expectations.

Hebron: In December 2023, the C-NLOPB announced approval of the development plan amendment for the Hebron Field and update of volume estimates. The approval enables ExxonMobil and its partners to produce from additional sands within the Jeanne d'Arc Formation that were not covered in the original Hebron Development Plan. Drilling will resume at the Hebron field in 2024, with planned wells in Pools 1, 4, and 5. Pool 3 development plans at Hebron continue to be assessed and refined.

White Rose Extension: In late 2023, Cenovus executed a contract for the Sea Rose Asset Life Extension campaign. The drydocking will support Cenovus' Certificate of Fitness, which will allow the vessel to operate for at least another 14+ years and enable continued safe and reliable operation at the White Rose Field. Cenovus aims to have SeaRose back in the White Rose field before the end of 2024. While production at White Rose has slowed in recent years down to under 20,000 barrels per day; once upgraded, the SeaRose is expected to receive 80,000 barrels per day from the West White Rose extension project once it reaches plateau.

Construction on the White Rose extension project progressed to about 85 per cent completed at the end of 2023. The project reached a major milestone in June 2023 with the completion of the conical slip form operation for the concrete gravity structure. The concrete gravity structure is expected to be mechanically completed in late 2024 with tow out and installation in 2025, and first oil expected in 2026.

White Rose Extension project partners submitted a Development Plan Amendment to the C-NLOPB in 2023 for stand-alone well technology, which will enable the development of future tiebacks such as North White Rose Hibernia, originally discovered by the A-24 delineation well in 2018. A decision is expected mid-2024.

Issue 2: Offshore Development and Operations

Goal: By December 31, 2025, OilCo will have supported efforts to advance offshore project milestones and further enhance knowledge of the province's oil and gas investment potential.

Objective: By December 31, 2023, OilCo will have continued to promote provincial oil and gas interests for potential investments by private and/or public industry partners.

Indicator	2023 Activities and Accomplishments
Continued to participate in international investment forums and meetings with potential partners interested in continued oil and gas investment in producing assets and/or exploration licences	By attending conferences, and joining and participating in face-to-face and virtual forums, OilCo is enhancing international awareness and visibility of offshore Newfoundland and Labrador, with the goal of drawing potential investors and partners to our region. In 2023,

	<p>OilCo representatives attended five international investment events and met with more than 50 representatives from equity and capital investment companies to garner interest in investing in offshore Newfoundland and Labrador.</p>
Continued to participate in joint venture partner meetings/decisions related to capital projects in support of achieving project milestones	<p>OilCo manages Nalcor-Oil and Gas' existing working interests in offshore developments under a MSA. 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.</p> <p>Throughout 2023, OilCo continued to pursue developments and approvals that maximize value from these equity interests. In 2023, the equity investments managed by OilCo earned \$160 million in dividends.</p> <p>OilCo held discussions with partners related to various capital projects within the three fields. OilCo also worked with partners to assess future development potential.</p> <p>OilCo evaluates and assesses equity growth opportunities as they arise. Throughout 2023, 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>
Continued focus on conventional and alternative investors in growth in Newfoundland and Labrador oil and gas industry, with at least one new development under way	<p>Intrafield developments with joint venture partners progressed internally in 2023.</p> <p>OilCo continued to meet with conventional and alternative oil and gas investors through a challenging investment climate, with a focus on</p>

	<p>medium to long-term development opportunities given the stability and profitability metrics in the Newfoundland and Labrador offshore.</p> <p>Gas development potential in our offshore continues to be assessed and OilCo held discussions with several proponents of gas development in 2023. Technology and market dynamics continue to be assessed for a potential gas development in the Jeanne d'Arc basin.</p>
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The objective and indicators for 2024 are consistent with the direction outlined in the 2023-2025 Strategic Plan.

2024 Objective

By December 31, 2024, OilCo will have progressed current joint venture capital projects supporting the long-term viability of the projects.

2024 Indicators

- Continued to participate in joint venture voting rights and committee representation in the three offshore developments as outlined in a MSA with Nalcor-Oil and Gas.
- Continued to evaluate equity growth opportunities and provided advice to Government on new potential acquisitions or divestitures.

Issue 3: Bull Arm Fabrication Site Optimization

BAF leases all or portions of the Site to industrial tenants while typically managing core Site operations on behalf of its tenants. Through the adoption of open and transparent Site use terms, reliable up-to-date infrastructure, and a reputation for environmental stewardship, BAF offers the most viable and competitive fabrication centre in Atlantic Canada.

BAF prioritizes preparing the Site for both present and future opportunities while actively seeking ways to optimize its utilization. Throughout the year, the Site experienced significant interest and activity. In addition to welcoming the Terra Nova Floating Production Storage and Offloading (FPSO) to the Site, BAF extended leases with existing tenants and made infrastructure upgrades.

Through a contract awarded to DF Barnes by Suncor Energy, the BAF Site was selected as the location for the Terra Nova FPSO Quayside Services work scope. The 172m long deepwater berthing at the South Quay hosted the FPSO. The Terra Nova FPSO was docked at the BAF Site from April to August 2023.

BAF also secured, with DF Barnes as the service provider and leaseholder, the continued coldstacking of Transocean's Henry Goodrich for an additional year in the Marine Yard drydock basin and continued equipment storage lease of Seadrill drill rig equipment.

In 2023, BAF also extended its lease with Kelson & Kelson's for the Blast and Paint Building to the end of April 2023. Kelson & Kelson also leased other portions of the Site through 2023. Through Kelson & Kelson's work, about 20 people were employed at the Site, and some upgrades to the Blast and Paint Building were made.

BAF also executed several infrastructure upgrades at the Site during the year. Two significant upgrades were roof replacements for two key buildings and lighting enhancements.

In December 2023, IET issued a RFP for the sale or lease of the BAF Site. BAF is working with IET representatives to assist Government in its process. This work will continue through 2024.

Issue 3: Bull Arm Fabrication Site Optimization

Goal: By December 31, 2025, OilCo will have completed activities to optimize utilization of the Bull Arm Fabrication Site for industrial activity.

Objective: By December 31, 2023, OilCo will have continued successful management of current lease(s) and promoted the Site for industrial use.

Indicator	2023 Activities and Accomplishments
Maintained common Site facilities and services (roads, security) for tenant usage	BAF signed a contract for key Site Services (water, sewer, and snow clearing). BAF renewed its Federal Government permit to act as an International Ship and Port Facility approved port.
Executed lease(s) and implemented lease monitoring activities	BAF extended its lease with DF Barnes, who has been almost continually leasing the Site since December 2018. In 2023, DF Barnes continued to support drilling companies through coldstacking and rig equipment storage, and provide offhire port space for offshore supply vessels. BAF also extended the lease with Kelson & Kelson. Kelson & Kelson started leasing the Blast and Paint Building in May 2022, and BAF extended the lease until the end of April 2023. Kelson & Kelson also signed an additional lease for the Marine Yard warehouse to the end of 2023. BAF continued lease monitoring through use of its Management of Change process.

Assessed infrastructure repair and maintenance requirements for tenant usage	<p>BAF established a site maintenance contract for execution of some preventative and corrective maintenance in 2023.</p> <p>BAF made infrastructure repairs and enhancements including the finalization of a roof replacement on the General Shops and a new roof replacement project for the Module Hall. BAF also took steps to reduce energy consumption at the Site by switching from standard to LED lighting in almost every industrial building. The upgrade is expected to save BAF and Site tenants more than 2.2 million kilowatt hours of energy per year.</p>
Recommended strategies to ensure that site utilization is optimized	<p>BAF updated its schedule of rates to encourage short-term work at the Site.</p> <p>BAF management also drafted a plan for the development of a new lease and lease rate structure. Components of the plan included how lease rates are set and approved, how changes to the rates for specific leases are approved, and the parameters by which the Board and BAF management may sign leases. Work on the policy occurred through 2023; however, adopting the policy was put on hold pending the result of Government's RFP.</p>
Continued engagement with community and industry stakeholders	<p>BAF conducted business development activities related to future potential work and utilization of the Site. Discussions were held with several contractors related to the Bay-du-Nord development.</p> <p>BAF was also actively engaged with four companies regarding their proposal submission to Government for Wind-Hydrogen projects.</p>

	<p>In 2022, BAF established a Community Liaison Committee (CLC) with representatives from the communities neighbouring the BAF Site. The CLC met several times through 2023 to discuss business opportunities for the region as it relates to usage at the BAF Site.</p> <p>BAF employees attended several business development events in 2023 to promote leasing opportunities at the Site. One such event was a speaking engagement at the Opportunity Placentia Bay 2023 where management discussed opportunities for industry to utilize the Site.</p> <p>BAF provides usage of its main Administration Building to the local Chamber of Commerce, which has provided a common meeting space for the Chamber and local municipalities to meet, including meetings with potential site tenants.</p>
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The objective and indicators for 2024 are consistent with the direction outlined in the 2023-2025 Strategic Plan.

2024 Objective

By December 31, 2024, OilCo will have progressed planned engagement and Site assessment activities to optimize utilization of the BAF Site for industrial activity.

2024 Indicators

- Supported Government's work as it explores options for the possible sale or lease of the BAF Site.
- Continued assessment of required Site infrastructure repairs and maintenance with priority initiatives completed.
- Continued engagement with stakeholders.
- Continued management of Site leases.

Issue 4: Advance Sustainability Initiatives

The oil and gas industry is increasingly embracing clean energy initiatives to mitigate environmental impacts and adapt to changing energy landscapes. Collaborations with governments, research institutions, and other stakeholders are fostering innovation in sustainable practices.

We are working with stakeholders to support current and future development projects and are exploring partnerships and technologies that further improve the lower-carbon advantage of our province's offshore resources. Through 2023, OilCo continued to focus on initiatives related to emissions reduction and supported various studies and projects while leveraging funding from external sources.

OilCo's collaboration with partners continued through 2023. Through its role as a partner in the Net Zero Project, OilCo was involved in a number of sustainable initiatives including participating in a report outlining pathways to achieve net zero by 2050 in the Newfoundland and Labrador offshore to be released in 2024, supporting a webinar and white paper on Carbon Capture, Utilization and Storage (CCUS), and, supporting a carbon offsets workshop.

The primary objective of our initiatives is to ensure the long-term sustainable future of the Newfoundland and Labrador's offshore oil and gas industry by embracing and analyzing lower-emission pathways in line with broader provincial and national objectives of achieving net zero by 2050.

One of the initiatives was progressing the understanding of CCUS potential in our offshore. In 2023, OilCo awarded a contract to Beicip-Franlab to conduct a regional carbon dioxide storage study of our offshore producing and frontier regions. Utilizing the vast database of seismic information collected since 2011, OilCo and Beicip-Franlab are progressing the understanding of the total storage potential in our offshore. The report is anticipated to be finalized in mid-2024.

In addition, in 2023 a report on the feasibility of blue hydrogen production in offshore Newfoundland and Labrador was completed. Aker Solutions' report on blue hydrogen will help industry stakeholders further understand the potential of hydrogen production from the offshore oil and gas industry.

In 2023, Natural Resources Canada issued an expression of interest for proposals related to "CCUS Research, Development and Demonstration". OilCo participated in two proposals for this funding call. OilCo supported the project "Evaluation of Carbon Storage Potential in Atlantic

Canada" where the applicant is Memorial University and the co-applicant is Dalhousie University by providing a letter of support, and committing to providing resources and expertise in CCUS.

Through its involvement with the Net Zero Project, OilCo also participated in the project "An Assessment of Existing Infrastructure for Carbon Storage Offshore Newfoundland and Labrador" by helping to construct the application and review request for proposals for partners. The primary applicant for this project is Energy NL. OilCo expects to learn about the results of the call for proposals in mid-2024.

While OilCo's collaboration with partners Energy NL and econext on the Net Zero Project continued through 2023, this is the final year for OilCo's financial commitment to the Net Zero Project. Going forward, OilCo will continue to provide advice to the oil and gas industry and environmental stakeholders in relation to advancing lower-carbon initiatives for offshore Newfoundland and Labrador.

Issue 4: Advance Sustainability Initiatives

Goal: By December 31, 2025, OilCo will have supported the advancement of clean energy and reduced emissions initiatives that assist the oil and gas industry in achieving net zero emissions in a growing offshore sector.

Objective: By December 31, 2023, OilCo will have explored options to advance carbon reduction initiatives and technologies for offshore Newfoundland and Labrador.

Indicator	2023 Activities and Accomplishments
Evaluated the technical and economic feasibility of various emission reduction technologies	OilCo engaged Beicip-Franlab on a study to evaluate carbon dioxide storage potential in offshore Newfoundland and Labrador. The report will be published in 2024. OilCo provided feedback to the Net Zero Project on its Developing Net Zero Pathways for Canada's Offshore Oil and Gas Industry report. The final report will be published in 2024.

Supported partnership initiatives between government, industry associations, academia and industry	<p>OilCo supported the Net Zero Project's work on the Feasibility of Blue Hydrogen Production in Canada's Offshore Oil & Gas Industry. A webinar was held in June 2023 with the final report presented at the event.</p> <p>OilCo continued to work with Memorial University and other groups on research and development applications. Recent applications supported included ultramafic rock carbon dioxide storage potential onshore Newfoundland and Labrador, and a CCUS application with Memorial and Dalhousie universities for multi-year regional funding.</p> <p>OilCo also supported Energy NL's application for federal funding for utilization of existing fields for carbon dioxide storage.</p>
Promoted offshore Newfoundland and Labrador's lower emissions and environmental advantages	<p>Promoted NL's oil and gas advantages at five provincial and international conferences.</p> <p>As part of the Net Zero Project, a webinar was held to present priorities outlined in its white paper on CCUS in offshore Newfoundland and Labrador in February 2023. In addition, the Net Zero Project participated in a carbon neutrality forum with the other Atlantic Provinces in 2023.</p>

The objective and indicators for 2024 are consistent with the direction outlined in the 2023-2025 Strategic Plan.

2024 Objective

By December 31, 2024, OilCo will have advanced environmentally- and economically-sustainable initiatives to progress low-emission technology.

2024 Indicators

- Continued to provide in-kind support on multi-stakeholder initiatives and projects focused on clean energy and reduced emissions.
- Continued promotion of Newfoundland and Labrador's low-carbon and environmentally-advantaged oil and gas to the oil and gas sector.
- Participated in discussions to further technologies.

4. Opportunities and Challenges

In 2024, offshore oil and gas activity in Newfoundland and Labrador presents both opportunities and challenges amid evolving global energy dynamics. With significant resource potential off its coast, the province remains an important player in the global energy sector.

One prominent opportunity lies in the potential to attract investors to our shores and our assets. From an exploration perspective, the province's offshore basins are rich in hydrocarbon resources. There remains substantial untapped potential, with discoveries like the Bay du Nord development project indicating the presence of significant resource potential. Continued exploration efforts will likely unveil more prospects with significant oil and gas resources.

In 2023, Government made two significant announcements in relation to the future of the provincially-owned oil and gas assets and OilCo's operations.

In March 2023, Government announced it was proceeding with an external review of the province's oil and gas assets and interests. OilCo is assisting Government's consultant on the work required for this review and looks forward to advancing this work in 2024 as Rothschild & Co presents the province's portfolio of oil and gas assets to potential buyers.

In December 2023, IET issued a RFP for the sale or lease of the BAF Site. BAF is working with IET representatives to assist Government in its process. BAF is pleased with Government's action to ensure that the Site continues to be used in a manner that provides the maximum economic and benefit to the province. However, having an active RFP process for the future use of the Site has made it challenging for BAF to pursue new long-term lease opportunities. While the RFP is ongoing, BAF will continue promoting the Site to prospective tenants.

Offshore Newfoundland and Labrador presents a landscape rich with opportunities for exploration and development. While favorable market conditions and technological advancements offer prospects for growth and development, the industry must address market volatility, regulatory compliance, and the transition to renewable energy to ensure its long-term sustainability and competitiveness. Successfully navigating these challenges will be essential for sustaining the province's position as a key player in Canada's and the world's energy sector while ensuring responsible resource extraction and long-term environmental stewardship.

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) and served on the Advisory Board of Memorial University's Faculty of Business Management (2010-2023). 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.

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, and currently is a committee member for the Regional Assessment of Offshore Wind Development in Newfoundland and Labrador. Ms. Grattan is a Director of the Atlantic Regional Board of the Nature Conservancy Canada, winner of the NEIA 2018 Industry Champion Award, and a 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.

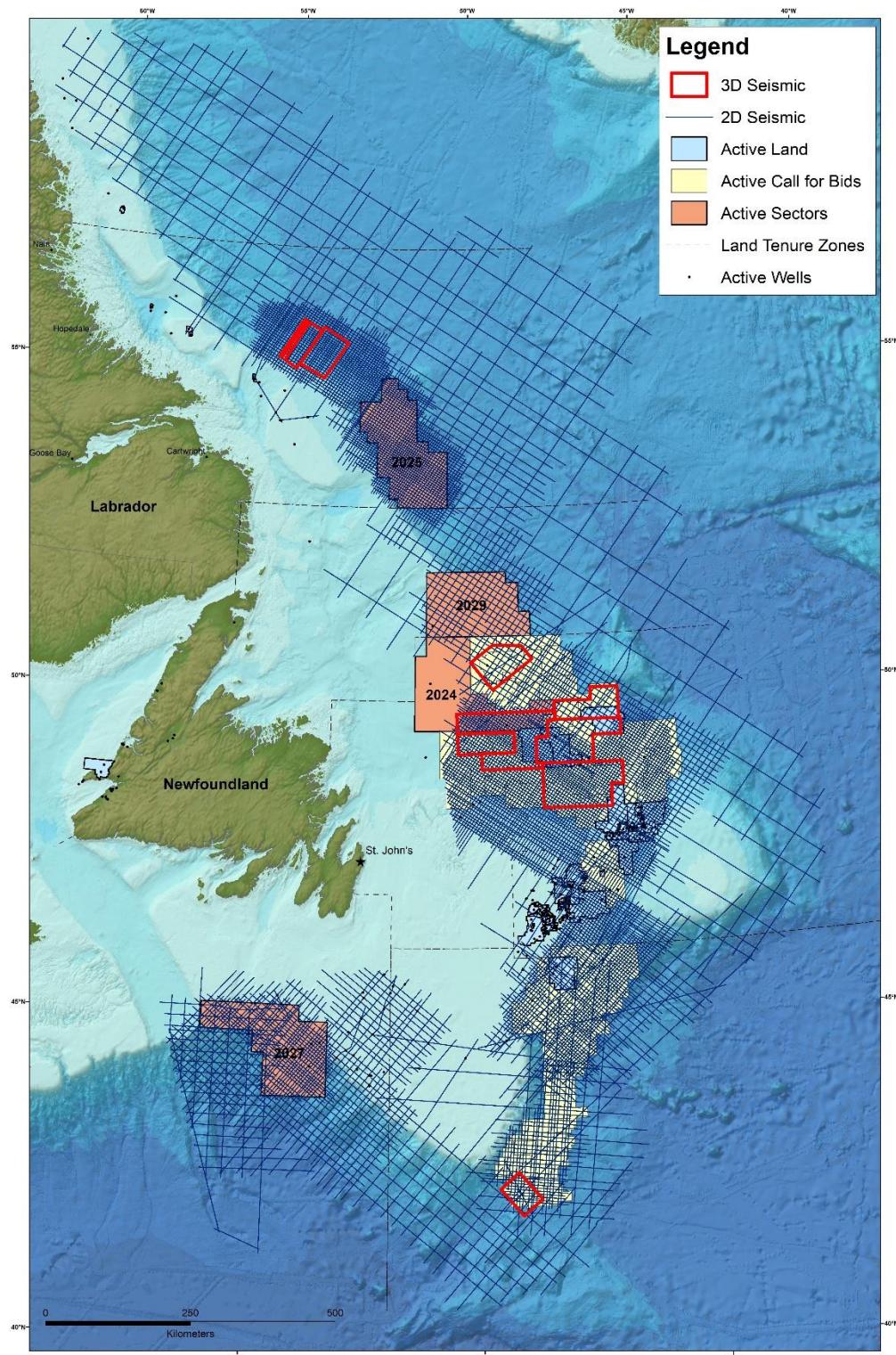
Shelly Leighton, P. Eng, CLS

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 2023 Audited Consolidated Financial Statements

Oil and Gas Corporation of Newfoundland and Labrador

**Consolidated financial statements
December 31, 2023**

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 fulfills its responsibilities for financial reporting and internal control and is ultimately responsible for reviewing and approving the consolidated financial statements.

The external auditors, the Office of the Auditor General of Newfoundland and Labrador, 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



OFFICE OF THE AUDITOR GENERAL
NEWFOUNDLAND AND LABRADOR

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Oil and Gas Corporation of Newfoundland and Labrador
St. John's, Newfoundland and Labrador

Opinion

I have audited the consolidated financial statements of Oil and Gas Corporation of Newfoundland and Labrador and its subsidiary (the Group), which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statements of operations and accumulated surplus, change in net assets and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

I conducted my audit in accordance with Canadian generally accepted auditing standards. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Group in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in Canada, and I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Matter

The financial statements of the Group for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on April 21, 2023.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the consolidated financial statements and my auditor's report thereon. The annual report is expected to be made available to me after the date of this auditor's report.

Independent Auditor's Report (cont.)

My opinion on the consolidated financial statements does not cover the other information and I will not express any form of assurance conclusion thereon.

In connection with my audit of the consolidated financial statements, my responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. When I read the annual report, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance.

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 the Group'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 the Group or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My 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 my 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, I exercise professional judgment and maintain professional scepticism throughout the audit. I 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 my 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.

Independent Auditor's Report (cont.)

- 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 the Group'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 the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Group 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. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I 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 I identify during my audit.



DENISE HANRAHAN, CPA, CMA, MBA, ICD.D
Auditor General

April 23, 2024
St. John's, Newfoundland and Labrador

Oil and Gas Corporation of Newfoundland and Labrador

Consolidated statement of financial position

[in thousands of Canadian dollars]

As at December 31

	2023	2022
	\$	\$
Assets		
Cash	15,992	11,370
Accounts receivable [notes 4 and 13]	2,074	3,498
	18,066	14,868
Liabilities		
Accounts payable [notes 5 and 13]	2,234	2,575
Deferred contributions [note 6]	487	510
Deferred revenue [note 7]	673	715
	3,394	3,800
Net assets	14,672	11,068
Non-financial assets		
Exploration assets [note 8]	36,516	44,082
Tangible capital assets, net [note 9]	7,708	6,898
Prepaid expenses	366	532
	44,590	51,512
Accumulated surplus	59,262	62,580

Commitments and contingencies [note 15]

Subsequent events [note 17]

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 \$	2023 \$	2022 \$		
	Unaudited <i>[note 16]</i>	Comparative <i>figures [note 18]</i>			
Revenue					
Management fee related to management of Naicor Energy					
– Oil and Gas Inc. assets <i>[note 13]</i>	4,200	4,200	4,203		
Seismic revenue	1,000	3,496	2,212		
Grant revenue <i>[note 13]</i>	—	2,751	17,263		
Other revenue <i>[note 7]</i>	13	42	9		
Lease revenue	316	4,467	1,195		
Net finance income	(1)	560	250		
Other (expenses) income <i>[note 10]</i>	—	(187)	151		
	5,528	15,329	25,283		
Expenses					
Operating costs <i>[notes 11 and 13]</i>					
Amortization of exploration assets	11,443	9,333	9,733		
Amortization of tangible capital assets	6,980	8,936	6,980		
Exploration expenses	788	370	588		
	13	8	8		
	19,224	18,647	17,309		
Annual (deficit) surplus	(13,696)	(3,318)	7,974		
Accumulated surplus, beginning of year	62,580	62,580	54,606		
Accumulated surplus, end of year	48,884	59,262	62,580		

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

	2023	2022
	\$	\$
Annual (deficit) surplus	(3,318)	7,974
Amortization of exploration assets	8,936	6,980
Acquisition of exploration assets	(1,370)	(5,211)
Amortization of tangible capital assets	370	588
Acquisition of tangible capital assets	(1,180)	(2,558)
Disposal of tangible capital assets	—	16
Decrease (increase) in prepaid expenses	166	(13)
Change in net assets	3,604	7,776
Net assets, beginning of year	11,068	3,292
Net assets, end of year	14,672	11,068

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

	2023	2022
	\$	\$
Operating transactions		
Annual (deficit) surplus	(3,318)	7,974
Adjustments for		
Amortization of exploration assets	8,936	6,980
Amortization of tangible capital assets	370	588
Loss on disposal of tangible capital assets	—	16
	5,988	15,558
Changes in non-cash assets and liabilities related to operations		
Decrease in accounts receivable	1,424	1,209
Decrease in accounts payable	(341)	(4,663)
Decrease in deferred contributions	(23)	(23)
Decrease in deferred revenues	(42)	(9)
Decrease (increase) in prepaid expenses	166	(13)
Cash provided by operating transactions	7,172	12,059
Capital transactions		
Purchase of exploration assets	(1,370)	(5,211)
Purchase of tangible capital assets	(1,180)	(2,558)
Cash used in capital transactions	(2,550)	(7,769)
Net increase in cash during the year	4,622	4,290
Cash, beginning of year	11,370	7,080
Cash, end of year	15,992	11,370

See accompanying notes

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2023

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 40 years for a nominal amount of \$1 per annum, which expires March 2032. 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.

Oilco does not prepare a statement of remeasurement gains and losses as Oilco does not enter into relevant transactions or circumstances that are addressed by that statement.

Basis of consolidation

Bull Arm Fabrication Inc. is a 100% owned subsidiary of Oilco. These consolidated financial statements reflect the assets, liabilities, revenues and expenses for the activity of these entities. All inter-entity assets, liabilities, revenues, 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, 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, 2023

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 value of future economic benefits associated with the tangible capital assets are 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 Provident 10.

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 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 revenue.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2023

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 exploration assets and tangible capital assets. Actual results could differ from management's best estimates as additional information becomes available in the future.

3. Accounting changes

In fiscal 2020, Oilco early adopted Public Sector Guideline 8, *Purchased intangibles* ("PSG-8"). PSG-8 requires the recognition of purchased intangibles in the consolidated financial statements. It is effective for fiscal years beginning on or after April 1, 2023; however, early adoption is encouraged. The adoption resulted in the recognition of intangibles assets in the consolidated statement of financial position of \$54.9 million [2022 – \$53.6 million]. Oilco also recognized \$8.9 million [2022 – \$7.0 million] in amortization of intangible assets related to the purchased intangibles *[note 8]*.

In the current year, Oilco early adopted PS3400 *Revenue* ("PS3400") effective for fiscal years beginning on or after April 1, 2023; however, early adoption is encouraged. PS3400 establishes the standards on how to account for and report on revenue. The adoption of this standard did not have any impact on the financial statements.

4. Accounts receivable

As at December 31 [thousands of Canadian dollars]

	2023	2022
	\$	\$
0–60 days	203	2,899
60+ days	1,275	156
Due from related parties <i>[note 13]</i>	468	403
HST receivable	128	40
	<hr/> 2,074	<hr/> 3,498

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2023

5. Accounts payable

As at December 31 [thousands of Canadian dollars]

	2023 \$	2022 \$
Trade payables	2,078	2,492
Due to related parties [note 13]	58	38
HST payable	98	45
	2,234	2,575

6. Deferred contributions

During 2020, Bull Arm Fabrication Inc. received Mooring Bollards with a fair value of \$615,895 from an unrelated party in exchange for a rent concession in the amount of \$51,700. 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 \$13,000. 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]

	2023 \$	2022 \$
Deferred contribution, beginning of year	510	533
Less revenue recognized	(23)	(23)
Deferred contribution, end of year	487	510

7. Deferred revenues

Oilco received funding from the Province towards two initiatives. The first is the Petroleum Exploration Enhancement Program (PEEP) which is designed to boost new petroleum exploration in Western Newfoundland through acquisition and assessment of seismic data. The second is the Offshore Geoscience Data Project (OGDP) which is designed to encourage new offshore petroleum exploration in Newfoundland and Labrador through the acquisition and assessment of seismic data. The funding is recognized as other revenue when the related expenditures are incurred.

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2023

7. Deferred revenues continued...

As at December 31 [thousands of Canadian dollars]

	2023 \$	2022 \$
Deferred revenue, beginning of year	715	724
Less revenue recognized	(42)	(9)
Deferred revenue, end of year	673	715

8. 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]

	2023 \$	2022 \$
Cost, January 1, 2023	53,569	48,358
Additions	1,370	5,211
Balance, December 31, 2023	54,939	53,569
Accumulated amortization, January 1, 2023	9,487	2,507
Amortization	8,936	6,980
Balance, December 31, 2023	18,423	9,487
Net carrying amount, December 31, 2023	36,516	44,082

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2023

9. Tangible capital assets

As at December 31 [thousands of Canadian dollars]

Cost	Computer hardware	Computer software	Office furniture and equipment	Leasehold improvements	Module hall door	Visitor centre	Buildings	Other	Construction in progress	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance, January 1, 2023	473	1,271	39	701	240	532	31	1,074	4,480	8,841
Additions	—	—	—	—	—	—	—	18	—	1,162
Transfers	—	—	—	—	—	—	—	825	(825)	1,180
Balance, December 31, 2023	473	1,271	39	701	240	532	31	1,917	4,817	10,021
Accumulated amortization										
Balance, January 1, 2023	373	610	6	699	48	48	14	146	—	1,943
Amortization	37	209	2	2	16	16	4	84	—	370
Balance, December 31, 2023	410	819	8	701	64	64	18	229	—	2,313
Net book value, December 31, 2023	63	452	31	—	176	468	13	1,688	4,817	7,708

Oil and Gas Corporation of Newfoundland and Labrador

Notes to consolidated financial statements

December 31, 2023

9. Tangible capital assets continued...

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

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10. Other (expense) income

Year ended December 31 [thousands of Canadian dollars]

	2023	2022
	\$	\$
	Comparative figures (Note 18)	
(Loss) on disposal of tangible capital assets	-	(16)
Foreign currency (losses) gains	(187)	167
	(187)	151

11. Operating costs

Year ended December 31 [thousands of Canadian dollars]

	2023	2022
	\$	\$
Salaries and benefits [note 12]	2,791	3,992
Professional services [note 13]	2,332	1,735
Software maintenance [note 13]	1,458	1,226
Utilities	718	775
Site maintenance and materials	709	618
Building rental	515	515
Insurance	429	416
Other operating costs	381	456
	9,333	9,733

12. 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, 2023 of \$232,363 [2022 – \$310,125] were expensed as incurred [note 11].

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13. Related party transactions

- [i] Bull Arm Fabrication Inc. operates on a site leased from the Province for a term of 40 years for a nominal amount of \$1 per annum, which expires March 2032.
- [ii] Oilco received grants from the Province totaling \$2.8 million [2022 - \$17.3 million] for operating costs and the purchase of tangible capital assets and exploration assets.
- [iii] For the year ended December 31, 2023, Oilco earned \$4.2 million [2022 - \$4.2 million] for the management of Nalcor Energy – Oil and Gas Inc. assets. As at December 31, 2023, \$468,300 [2022 - \$402,500] is receivable [note 4].
- [iv] For the year ended December 31, 2023, Nalcor Energy charged Oilco \$199,464 [2022 - \$249,789] for software maintenance, and \$457,430 [2022 - \$466,208] for professional services [note 11]. As at December 31, 2023, \$57,882 [2022 - \$38,211] is payable [note 5].

14. 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.

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. Credit risk on accounts receivable is considered minimal as receivables are made up of amounts owed from a small pool of customers with whom the Company is familiar with and have no previous collections issues. As at December 31, 2023, there was no allowance [2022 - nil] for doubtful accounts included in accounts receivables.

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14. Financial instruments and risk management continued...

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.

15. Commitments and 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. Budgeted figures

Budgeted figures have been provided for comparison purposes and have been derived from estimates approved by the Board of Directors of the Corporation. Budget numbers are unaudited.

17. Subsequent events

Prior to year end, the Government of Newfoundland and Labrador initiated a request for proposals for the possible sale or lease of the assets related to the Bull Arm Fabrication Site. As of the date of the auditor's report, the process of selling or leasing the assets was still ongoing. Management has assessed the potential impact of this subsequent event on the financial statements and has determined that as of the date of the auditor's report it is not possible to determine the outcome or estimate the financial impact of this event on the Company.

Accordingly, the financial statements do not reflect any adjustments related to this subsequent event.

18. Comparative figures

During the year, certain prior year figures have been restated for comparative purposes and to conform to the current year presentation.