LABRADOR - ISLAND LINK OPERATING CORPORATION
FINANCIAL STATEMENTS
December 31, 2021

LABRADOR - ISLAND LINK OPERATING CORPORATION
STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of Canadian dollars)	Notes	**2021**	2020
			(Note 14)
ASSETS			
Current assets			
Short term investments		**11**	11
Other receivables	5	**3,046**	2,865
Current portion of prepaid rent	6	**72,600**	-
Total current assets		**75,657**	2,876
Non-current assets			
Prepaid rent	6	**19,100**	71,400
Total assets		**94,757**	74,276
LIABILITIES AND EQUITY			
Current liabilities			
Other payables	7	**198**	176
Total liabilities		**198**	176
Shareholder's equity			
Share capital	8	**9,041**	9,041
Shareholder contributions		**85,621**	65,151
Deficit		**(103)**	(92)
Total equity		**94,559**	74,100
Total liabilities and equity		**94,757**	74,276

Commitments and contingencies (Note 12)

See accompanying notes

On behalf of the Board:

DIRECTOR

DIRECTOR

LABRADOR - ISLAND LINK OPERATING CORPORATION
STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31 (thousands of Canadian dollars)	Note	**2021**	2020
Finance income		**10**	12
Operating costs	9	**21**	25
Total loss and comprehensive loss for the year		**(11)**	(13)

See accompanying note

LABRADOR - ISLAND LINK OPERATING CORPORATION
STATEMENT OF CHANGES IN EQUITY

(thousands of Canadian dollars)	Notes	Share Capital	Shareholder Contributions	Deficit	Total
Balance at January 1, 2021		**9,041**	**65,151**	**(92)**	**74,100**
Total loss and comprehensive loss for the year		**-**	**-**	**(11)**	**(11)**
Shareholder contributions	**11**	**-**	**20,470**	**-**	**20,470**
Balance at December 31, 2021		**9,041**	**85,621**	**(103)**	**94,559**
Balance at January 1, 2020	14	9,041	54,609	(79)	63,571
Total loss and comprehensive loss for the year		-	-	(13)	(13)
Shareholder contributions	11	-	10,542	-	10,542
Balance at December 31, 2020		9,041	65,151	(92)	74,100

See accompanying notes

LABRADOR - ISLAND LINK OPERATING CORPORATION
STATEMENT OF CASH FLOWS

For the year ended December 31 (thousands of Canadian dollars)	Note	**2021**	2020
Operating activities			
Loss for the year		**(11)**	(13)
Adjustments to reconcile loss to cash used in operating activities:			
Finance income		**(10)**	(12)
		(21)	(25)
Changes in non-cash working capital balances:			
Increase in other receivables		**(181)**	(494)
Increase in other payables		**22**	24
Interest received		**10**	13
Net cash used in operating activities		**(170)**	(482)
Investing activity			
Increase in prepaid rent	11	**(20,300)**	(19,100)
Net cash used in investing activity		**(20,300)**	(19,100)
Financing activity			
Shareholder contributions	11	**20,470**	19,582
Net cash provided from financing activity		**20,470**	19,582
Net increase (decrease) in cash		-	-
Cash, beginning of the year		-	-
Cash, end of the year		-	-

See accompanying note

1. DESCRIPTION OF BUSINESS

Labrador-Island Link Operating Corporation (LIL Opco or the Company), was incorporated on November 13, 2013 under the laws of Newfoundland and Labrador. LIL Opco is a 100% owned subsidiary of Nalcor Energy (Nalcor). LIL Opco's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M5, Canada.

LIL Opco was formed to operate and maintain the Labrador-Island Link (LIL). The LIL consists of equipment and facilities constructed between the Labrador Transmission Assets and the Newfoundland and Labrador Island Interconnected System.

LIL Opco has entered into the LIL Lease Agreement (LIL Lease) with the Labrador-Island Link Limited Partnership (LIL LP) and the Transmission Funding Agreement (TFA) with Newfoundland and Labrador Hydro (Hydro). As a result of these agreements, LIL Opco will be the transmission provider for purposes of offering transmission service to Hydro over the LIL during the term of the TFA.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited financial statements (financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared on a historical cost basis and are presented in Canadian dollars with all values rounded to the nearest thousand, except when otherwise noted. The financial statements were approved by LIL Opco's Board of Directors on March 3, 2022.

2.2 Restricted Cash

Cash held in accounts administered by the Collateral Agent, under the terms of the LIL Collateral Agency Agreement and Blocked Account Agreement, is classified as restricted cash.

2.3 Short-term Investments

Investments with maturities greater than three months and less than twelve months are classified as short-term investments.

2.4 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if the Company has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Statement of Financial Position date using the current discount rate.

2.5 Revenue Recognition

LIL Opco recognizes revenue from contracts with customers related to the right to use the LIL. Revenue is measured based on the consideration specified in the contract with a customer, forecasted over the term of the contract and constrained where applicable. Sales are at rates under the terms of the applicable contracts, or at market rates.

Revenue is recognized when LIL Opco satisfies its performance obligation and is determined when it transfers control of a product or service to a customer. Variable components that meet the allocation exemption are recognized as incurred. A contract asset/liability is recognized when the timing of satisfying the performance obligation and the timing of payments are not aligned.

2.6 Leasing

Lessee Accounting

LIL Opco assesses whether a contract is or contains a lease, at inception of a contract. LIL Opco recognizes a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low-value assets. For these leases, LIL Opco recognizes the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, LIL Opco uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed (and in-substance) lease payments, less any lease incentives;
- variable lease payments that depend on an index or rate; and
- payments expected under residual value guarantees and payments relating to purchase options and renewal option periods that are reasonably certain to be exercised (or periods subject to termination options that are not reasonably certain to be exercised).

The lease liability is subsequently measured at amortized cost using the effective interest rate method. Lease liabilities are remeasured, with a corresponding adjustment to the related right-of-use assets, when there is a change in variable lease payments arising from a change in an index or rate, or when LIL Opco changes its assessment of whether purchase, renewal or termination options will be exercised. LIL Opco did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever LIL Opco incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under *International Accounting Standard (IAS) 37 - Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that LIL Opco expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognized as an expense in operating costs in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. LIL Opco has elected to apply this practical expedient.

2.7 Income Taxes

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

2.8 Financial Instruments

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Statement of Financial Position when LIL Opco becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

Financial assets are classified at amortized cost, fair value through other comprehensive income, fair value through profit or loss (FVTPL) or as derivatives designated as hedging instruments in an effective hedge. Financial liabilities are classified at FVTPL, amortized cost or as derivatives designated as hedging instruments in an effective hedge. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial Assets at Amortized Cost

Financial assets with contractual cash flows arising on specified dates, consisting solely of principal and interest, and that are held within a business model whose objective is to collect the contractual cash flows are subsequently measured at amortized cost using the effective interest rate method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

LIL Opco’s financial assets at amortized cost include short-term investments and other receivables.

Financial Liabilities at Amortized Cost

LIL Opco subsequently measures all financial liabilities at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liability is derecognized.

LIL Opco’s financial liabilities at amortized cost include other payables.

Derecognition of Financial Instruments

LIL Opco derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

LIL Opco derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Impairment of Financial Assets

LIL Opco recognizes a loss allowance for expected credit losses (ECL) on investments in debt instruments that are measured at amortized cost. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

LIL Opco always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on LIL Opco’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. LIL Opco also records 12-month ECL for those financial assets which have low credit risk and where the low credit risk exemption has been applied. The classes of financial assets that have been identified to have low credit risk are restricted cash and short-term investments.

For all other financial instruments, LIL Opco recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, LIL Opco measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

In 2020, the outbreak of the Coronavirus disease (COVID-19) has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. For the year ended December 31, 2021, COVID-19 did not have a significant financial impact on LIL Opco's results of operations, financial position or cash flow. There continues to be uncertainty around the duration and magnitude of the pandemic and therefore the extent of any future effect on LIL Opco is unknown at this time. Management will continue to assess the impact of COVID-19 on LIL Opco's operations and financial results.

3.1 Use of Judgments

(i) Revenue

Management uses judgment in estimating the variable consideration in a contract, such as future sustaining capital costs, and assessing whether a variable component is constrained. Management also uses judgment in allocating amounts to performance obligations and determining the timing of satisfaction of performance obligations. Revenue related to the right to use the LIL is recognized evenly over the time elapse of the term.

(ii) Leases

Definition of a Lease

At inception of a contract, LIL Opco assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, LIL Opco assesses whether the contract involves the use of an identified asset, LIL Opco has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and LIL Opco has the right to direct the use of the asset.

Lease Extension and Termination Options

In determining the lease term, LIL Opco considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs within its control. The assessment requires the consideration of facts and circumstances such as contractual terms and conditions for option periods, significant leasehold improvements undertaken, costs to terminate the lease, the importance of the asset to the lessee's operations and past practice.

3.2 Use of Estimates

Leases Incremental Borrowing Rate

LIL Opco uses its incremental borrowing rates in measuring its lease liabilities. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The determination of the incremental borrowing rate requires the consideration of different components, all of which are to incorporate a number of important lease characteristics.

4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of standards/interpretations that have been issued and are effective for accounting periods commencing on or after January 1, 2021, as specified.

- *IFRS 16 – Leases – COVID-19 Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)*[1]
- *IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)*[2]
- *IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*[3]
- *IAS 1 – Presentation of Financial Statements– Disclosure of Accounting Policies (Amendments to IAS 1)*[3]
- *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments to IAS 8)*[3]

[1] Effective for annual periods beginning on or after April 1, 2021
[2] Effective for annual periods beginning on or after January 1, 2022, with earlier application permitted.
[3] Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.

4.1 IFRS 16 – Leases – COVID-19-Related Rent Concessions beyond June 30, 2021 (Amendment to IFRS 16)

The IASB issued an extension to the practical expedient available to lessees that permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. The extension allows the application of the practical expedient to reductions in lease payments originally due on or before June 30, 2022. Since LIL Opco does not have any COVID-19 related rent concessions, the application of this amendment does not have an impact on LIL Opco's financial statements.

4.2 IAS 37 – Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Costs of Fulfilling a Contract (Amendments to IAS 37)

The amendments to IAS 37 specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract, such as direct labour and materials, or an allocation of other costs that relate directly to fulfilling contracts, such as the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract. These amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments and are currently not applicable to LIL Opco, however, may apply to future transactions.

4.3 IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The IASB issued amendments to IAS 1 to promote consistency in applying the requirements by helping companies determine whether, in the Statement of Financial Position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The classification is based on rights that are in existence at the end of the reporting period and specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments are applied retrospectively upon adoption. Management is currently assessing the amendments and any potential impact on LIL Opco's financial statements.

4.4 IAS 1 – Presentation of Financial Statements– Disclosure of Accounting Policies (Amendments to IAS 1)

The IASB issued amendments to IAS 1, which change the requirements with regard to the disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The application of these amendments is not expected to have an impact on LIL Opco's financial statements.

4.5 IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments to IAS 8)

The IASB issued amendments to IAS 8 to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are intended to improve the understanding of the existing requirements and therefore are not expected to have an impact on LIL Opco's financial statements.

5. OTHER RECEIVABLES

As at December 31 (thousands of Canadian dollars)	**2021**	2020
HST receivable	**3,045**	2,865
Accrued interest	**1**	-
	3,046	2,865

6. PREPAID RENT

Under the terms and conditions of the LIL Lease, LIL Opco shall have, at its sole discretion and option, the right to prepay all or a portion of the rent due and payable for a future year(s) to LIL LP. The amount of prepaid rent as of December 31, 2021 was $91.7 million (2020 - $71.4 million) of which $72.6 million is current (2020 - $nil). The prepaid rent will be applied to rent following in-service of the LIL.

7. OTHER PAYABLES

As at December 31 (thousands of Canadian dollars)	**2021**	2020
Payables due to related parties	**193**	164
Accrued liabilities	**5**	12
	198	176

8. SHAREHOLDER'S EQUITY

Share Capital

As at December 31 (thousands of Canadian dollars)	**2021**	2020
Common shares without nominal or par value		
Authorized - unlimited		
Issued - fully paid and outstanding - 200	**9,041**	9,041

9. OPERATING COSTS

For the year ended December 31 (thousands of Canadian dollars)	**2021**	2020
Professional services	**12**	12
Cost recoveries	**9**	10
Salaries and benefits	**-**	2
Other operating costs	**-**	1
	21	25

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

10.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2021 and 2020 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates disclosed are not necessarily indicative of the amounts that LIL Opco might receive or incur in actual market transactions.

As a significant number of LIL Opco's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates disclosed do not reflect the fair value of LIL Opco as a whole.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurements during the years ended December 31, 2021 and 2020.

As at December 31, 2021 and 2020, the Company did not have any Level 2 or Level 3 instruments. The fair values of short-term investments, other receivables and other payables approximate their carrying values due to their short-term maturity.

10.2 Risk Management

The Company is exposed to certain credit, liquidity and market price risks through its operating, financing and investing activities. Financial risk is managed in accordance with a Board-approved policy, which outlines the objectives and strategies for the management of financial risk. Permitted financial risk management strategies are aimed at minimizing the volatility of the Company's expected future cash flows.

Credit Risk

LIL Opco's expected future cash flows are exposed to credit risk through financing activities, based on the risk of non-performance by counterparties to its financial instruments. Credit risk on investments is minimal, as LIL Opco's deposits are held by a Canadian Schedule 1 Chartered Bank with a rating of AA- (Standard and Poor's). The degree of exposure to credit risk on other receivables is determined by the financial capacity and stability of the counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying value on the Statement of Financial Position at the reporting date.

Liquidity Risk

LIL Opco is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management activities are directed at ensuring cash is available to meet those obligations as they become due. Short-term liquidity is provided through equity contributions. Long-term liquidity risk is considered minimal as LIL Opco's obligations are to LIL LP and are funded entirely by Hydro under the terms of the TFA.

Market Risk

LIL Opco may be exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities.

Interest Rates

Changes in prevailing interest rates will impact the fair value of financial assets and liabilities. Expected future cash flows from these assets and liabilities are also impacted in certain circumstances.

11. RELATED PARTY TRANSACTIONS

LIL Opco enters into various transactions with its parent and other affiliates. These transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Related parties with which LIL Opco transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of LIL Opco
Hydro	Wholly-owned subsidiary of Nalcor
Lower Churchill Management Corporation (LCMC)	Wholly-owned subsidiary of Nalcor
LIL LP	Limited partnership between Labrador-Island Link Holding Corporation and Emera Newfoundland and Labrador Island Link Inc.
LIL Construction Project Trust	Party to the LIL Project Finance Agreement (LIL PFA) and the IT Project Finance Agreement

Outstanding balances due to or from related parties are non-interest bearing with no set terms of repayment, unless otherwise stated.

(a) For the year ended December 31, 2021, LIL Opco has prepaid $20.3 million (2020 - $19.1 million) in rent for future services of the LIL.

(b) As at December 31, 2021, LIL Opco has related party payables totaling $0.2 million (2020 - $0.2 million) with Nalcor and LCMC. These payables consist of various intercompany administrative expenses.

(c) For the year ended December 31, 2021, LIL Opco received contributions from Nalcor totaling $20.5 million (2020 - $19.6 million).

12. COMMITMENTS AND CONTINGENCIES

(a) On November 30, 2013, LIL Opco entered into the LIL Lease to rent the LIL assets from LIL LP. Under the terms of the agreement, LIL Opco assumes the responsibility for operating and maintaining the LIL and will make rent payments to LIL LP as consideration for the LIL LP renting, sub-letting, assigning or licensing as applicable, all assets and rights associated with the LIL. The rent payments will be sufficient to recover all costs associated with the LIL over the term of its service life. LIL Opco's obligation to make rent payments to LIL LP is absolute, unconditional and irrevocable until the initial financing obtained by LIL LP has been paid in full.

(b) In conjunction with the LIL Lease, LIL Opco also entered into the TFA with Hydro. The TFA payments will be sufficient for LIL Opco to recover all costs associated with rent payments under the LIL Lease, all costs associated with operating and maintenance incurred by LIL Opco and an administrative fee of $30 thousand per year. The TFA payments ensure LIL Opco can meet its obligations under the LIL Lease. Hydro's obligation to make payments under the TFA is absolute, unconditional and irrevocable once the LIL is commissioned.

(c) LIL Opco has irrevocably, absolutely and unconditionally guaranteed the due and timely payment of all obligations of LIL LP in accordance with the LIL PFA, dated November 30, 2013. This guarantee is that of payment and not merely a guarantee of collection. LIL Opco has also granted first ranking liens on all its respective present and future assets other than excluded deposits and contributed surplus.

(d) LIL Opco 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 believes the Company's exposure to such claims and litigation will not materially affect its financial position or results of operations.

13. CAPITAL MANAGEMENT

Capital includes share capital and shareholder contributions. LIL Opco's objectives when managing capital are to maintain its ability to continue as a going concern and ensure timely payment of its contractual obligations as it relates to the operations and maintenance of the LIL.

14. COMPARATIVE FIGURES

Certain comparative figures have been corrected during the current reporting period. The changes have been summarized as follows:

(thousands of Canadian dollars)	Previously reported	**Reclassified balance at December 31, 2020**
Statement of financial position		
Share capital	1	9,041
Shareholder contributions	74,191	65,151
Statement of changes in equity		
Share capital	1	9,041
Shareholder contributions	74,191	65,151