

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
INTERIM FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at June 30 (thousands of Canadian dollars)</i>	Notes	2022
		(Note 1)
ASSETS		
Current assets		
Cash		1
Total assets		1
LIABILITIES AND DEFICIENCY		
Current liabilities		
Other payables	5	7
Total liabilities		7
Shareholder's deficiency		
Share capital	6	1
Deficit		(7)
Total deficiency		(6)
Total liabilities and deficiency		1

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

<i>For the period from February 4 to June 30 (thousands of Canadian dollars)</i>	Note	2022
Expenses		(Note 1)
Operating costs	7	7
Total loss and comprehensive loss for the period		(7)

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
STATEMENT OF CHANGES IN DEFICIENCY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Deficit	Total
				(Note 1)
Balance at February 4, 2022		-	-	-
Total loss and comprehensive loss for the period		-	(7)	(7)
Share capital	6	1	-	1
Balance at June 30, 2022		1	(7)	(6)

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period from February 4 to June 30 (thousands of Canadian dollars)</i>	Note	2022
		(Note 1)
Operating activities		
Loss for the period		(7)
Changes in non-cash working capital balances:		
Other payables		7
Net cash provided from (used in) operating activities		-
Financing activity		
Issuance of share capital	6	1
Net cash provided from financing activity		1
Net increase in cash		1
Cash, beginning of the period		-
Cash, end of the period		1

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021) or the Company) was incorporated on February 4, 2022 under the laws of the Province of Newfoundland and Labrador. LIL Holdco (2021) is a 100% owned subsidiary of Nalcor Energy (Nalcor) and will be a limited partner in the LIL (2021) Limited Partnership (the 2021 Partnership or LIL (2021) LP) once formed. LIL Holdco (2021)'s head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

LIL Holdco (2021), together with the Labrador-Island Link General Partner (2021) Corporation will represent Nalcor's interests in the 2021 Partnership. The 2021 Partnership is expected to terminate on December 31, 2081, unless terminated earlier or extended in accordance with the LIL (2021) Limited Partnership Agreement.

The 2021 Partnership will be formed to hold the Class A Preferred Shares of the Labrador Island Link Holding Corporation (LIL Holdco) and to administer a Federal Government of Canada (Canada) investment in the form of a committed convertible debenture in the amount of \$1 billion, which may be drawn in amounts of up to \$150 million per year. The convertible debenture is convertible at the sole option of Canada into Class B Units of LIL (2021) LP following the earlier of the full advance of the committed debenture balance and December 31, 2041.

As 2022 is LIL Holdco (2021)'s first year of operations, no comparative information has been presented.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These interim 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 Board of Directors of LIL Holdco (2021) has delegated the authority to approve the financial statements to the Audit Committee of the Board of Directors of Nalcor, which approved the financial statements on August 15, 2022.

2.2 Cash

Cash consists of amounts on deposit with a Schedule 1 Canadian Chartered bank.

2.3 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.

2.4 Income Taxes

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

2.5 Financial Instruments

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Statement of Financial Position when LIL Holdco (2021) becomes a party to the contractual provisions of the instrument and are initially measured at fair value.

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

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 Holdco (2021)'s financial assets at amortized cost include cash.

Financial Liabilities at Amortized Cost

LIL Holdco (2021) 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 Holdco (2021)'s financial liabilities at amortized cost include other payables.

Derecognition of Financial Instruments

LIL Holdco (2021) 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 Holdco (2021) 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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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.

Management has assessed the reported amounts of LIL Holdco (2021) and has determined that there are no significant judgments or estimates to disclose as of June 30, 2022.

4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of amendments that have been issued and are effective for accounting periods commencing on January 1, 2023:

- *IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*
- *IAS 1 – Presentation of Financial Statements – Disclosure of Accounting Policies (Amendments to IAS 1)*
- *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments to IAS 8)*

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

4.1 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 Holdco (2021)'s financial statements.

4.2 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 Holdco (2021)'s financial statements.

4.3 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 Holdco (2021)'s financial statements.

5. OTHER PAYABLES

Other payables as at June 30, 2022 consist of accrued liabilities relating to professional services of \$7 thousand.

6. SHAREHOLDER'S DEFICIENCY

Share Capital

<i>As at June 30 (thousands of Canadian dollars)</i>	2022
Common shares without nominal or par value	
Authorized - unlimited	
Issued - fully paid and outstanding - 100	1

7. OPERATING COSTS

<i>For the period from February 4 to June 30 (thousands of Canadian dollars)</i>	2022
Professional services	7

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
NOTES TO THE INTERIM FINANCIAL STATEMENTS (Unaudited)

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

8.1 Fair Value

The estimated fair values of financial instruments as at June 30, 2022 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 Holdco (2021) might receive or incur in actual market transactions.

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 period February 4 to June 30, 2022.

As at June 30, 2022, the Company did not have any Level 2 or Level 3 instruments. The fair value of other payables approximates its carrying value due to its short-term maturity.

8.2 Risk Management

The Company is exposed to certain liquidity risks through its operating and financing 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.

Liquidity Risk

The Company is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Short-term liquidity is provided through equity contributions.

9. RELATED PARTY TRANSACTIONS

LIL Holdco (2021) enters into various transactions with its parent and other related parties. Unless otherwise noted, 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. Outstanding balances due to or from related parties are non-interest bearing with settlement within 30 days, unless otherwise stated.

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Related parties with which LIL Holdco (2021) transacts are as follows:

<u>Related Party</u>	<u>Relationship</u>
Nalcor	100% shareholder of LIL Holdco (2021)

10. CAPITAL MANAGEMENT

Capital includes share capital. LIL Holdco (2021)'s objectives when managing capital are to maintain its ability to continue as a going concern and ensure payment of its obligations.