

**LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION**  
**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**March 31, 2023**  
**(Unaudited)**

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

<i>As at (thousands of Canadian dollars)</i>	Notes	<b>March 31 2023</b>	December 31 2022
<b>ASSETS</b>			
Current assets			
Cash		<b>1</b>	<b>1</b>
<b>Total assets</b>		<b>1</b>	<b>1</b>
<b>LIABILITIES AND DEFICIENCY</b>			
Current liabilities			
Other payables	3	<b>9</b>	<b>5</b>
<b>Total liabilities</b>		<b>9</b>	<b>5</b>
Shareholder's deficiency			
Share capital		<b>1</b>	<b>1</b>
Deficit		<b>(9)</b>	<b>(5)</b>
<b>Total deficiency</b>		<b>(8)</b>	<b>(4)</b>
<b>Total liabilities and deficiency</b>		<b>1</b>	<b>1</b>

*See accompanying notes*

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

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Note	<b>Three months ended 2023</b>
Expenses		(Note 1)
Operating costs	4	4
<b>Total loss and comprehensive loss for the period</b>		<b>(4)</b>

*See accompanying notes*

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

<i>(thousands of Canadian dollars)</i>	<b>Share Capital</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance at January 1, 2023</b>	<b>1</b>	<b>(5)</b>	<b>(4)</b>
<b>Total loss and comprehensive loss for the period</b>	<b>-</b>	<b>(4)</b>	<b>(4)</b>
<b>Balance at March 31, 2023</b>	<b>1</b>	<b>(9)</b>	<b>(8)</b>

*See accompanying notes*

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

**Three months ended**

*For the period ended March 31 (thousands of Canadian dollars)*

**2023**

(Note 1)

Operating activities	
Loss for the period	<b>(4)</b>
Changes in non-cash working capital balances:	
Other payables	<b>4</b>
Net cash provided from (used in) operating activities	<b>-</b>
Net increase (decrease) in cash	<b>-</b>
Cash, beginning of the period	<b>1</b>
Cash, end of the period	<b>1</b>

*See accompanying notes*

**LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED 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 is a limited partner in the LIL (2021) Limited Partnership (LIL (2021) LP). 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 (LIL GP (2021)) represents Nalcor's interests in LIL (2021) LP. LIL (2021) LP is expected to terminate on December 31, 2081, unless terminated earlier or extended in accordance with the LIL (2021) Limited Partnership Agreement.

LIL (2021) LP will hold the Class A Preferred Shares of the Labrador Island Link Holding Corporation (LIL Holdco) and 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.

Comparative information for the period ended March 31, 2022 is nil.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Statement of Compliance and Basis of Measurement**

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting and have been prepared using accounting policies consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2022.

These condensed consolidated interim financial statements do not include all of the disclosures normally found in LIL Holdco (2021)'s annual audited financial statements and should be read in conjunction with the annual audited consolidated financial statements.

These condensed consolidated interim 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 condensed consolidated interim financial statements to the Audit Committee of the Board of Directors of Nalcor, which approved the condensed consolidated interim financial statements on May 15, 2023.

**2.2 Basis of Consolidation**

These condensed consolidated interim financial statements include the financial statements of LIL Holdco (2021) and LIL (2021) LP. Intercompany transactions and balances have been eliminated upon consolidation.

**3. OTHER PAYABLES**

Other payables as at March 31, 2023 consist of accrued liabilities relating to professional services of \$9 thousand (December 31, 2022 - \$5 thousand).

**4. OPERATING COSTS**

	<b>Three months ended</b>
	<b>2023</b>
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	
Professional services	<b>4</b>

**LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS (Unaudited)**

---

**5. FINANCIAL INSTRUMENTS**

**Fair Value**

The estimated fair values of financial instruments as at March 31, 2023 and December 31, 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 ended March 31, 2023 and the year ended December 31, 2022.

As at March 31, 2023 and December 31, 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.

**6. 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.

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)
LIL GP (2021)	Wholly-owned subsidiary of Nalcor, general partner of LIL (2021) LP