LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED INTERIM FINANCIAL STATEMENTS
September 30, 2023
(Unaudited)

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

As at (thousands of Canadian dollars)	Notes	**September 30 2023**	December 31 2022 (Note 2.2)
ASSETS			
Current assets			
Cash		**3,148**	3,037
Restricted cash		**404,221**	373,922
Trade and other receivables		**5,362**	6,068
Related party receivable	16	**80,920**	-
Other current assets		**3,083**	2,317
Total current assets		**496,734**	385,344
Non-current assets			
Property, plant and equipment	5	**5,011,174**	5,000,733
Intangible assets	6	**75,594**	77,378
Right-of-use assets		**609**	2,234
Total assets		**5,584,111**	5,465,689
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	**69,670**	41,679
Current portion of long-term debt	8	**21,000**	21,000
Related party promissory note	16	**855,342**	-
Contract liability	9	**8,670**	-
Current portion of lease liabilities		**3**	91
Deferred revenue	10	**42,338**	112,900
Total current liabilities		**997,023**	175,670
Non-current liabilities			
Long-term debt	8	**3,512,643**	3,378,032
Class B limited partnership units	11	**785,398**	738,908
Lease liabilities		**641**	2,280
Contributions		**10**	10
Total liabilities		**5,295,715**	4,294,900
Shareholder's equity			
Share capital	2.2, 12	**1,321,909**	2
Shareholder contributions	2.2	**-**	1,162,686
(Deficit) retained earnings		**(1,033,513)**	8,101
Total equity		**288,396**	1,170,789
Total liabilities and equity		**5,584,111**	5,465,689

Commitments and contingencies (Note 17)

See accompanying notes

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

For the period ended September 30 (thousands of Canadian dollars)	Notes	**Three months ended** **2023**	2022	**Nine months ended** **2023**	2022
			(Note 2.2)		(Note 2.2)
Revenue	16	**106,032**	-	**194,334**	-
Total revenue		**106,032**	-	**194,334**	-
Operating costs	13	**1,672**	108	**3,724**	2,069
Depreciation		**23,215**	-	**46,587**	-
Net finance expense (income)	14	**41,705**	(1,021)	**74,040**	(2,020)
Other (income) expense		**(113)**	28	**(430)**	108
Expenses		**66,479**	(885)	**123,921**	157
Total profit (loss) and comprehensive income (loss) for the period		**39,553**	885	**70,413**	(157)

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY
(Unaudited)

(thousands of Canadian dollars)	Notes	Share Capital	Shareholder Contributions	(Deficit) Retained Earnings	Total
Balance at January 1, 2023		**2**	**1,162,686**	**8,101**	**1,170,789**
Total income and comprehensive income for the period		**-**	**-**	**70,413**	**70,413**
Issuance of share capital	**2.2, 12**	**1,321,908**	**-**	**-**	**1,321,908**
Shareholder contributions		**-**	**63,009**	**-**	**63,009**
Capital restructuring	**2.2, 12**	**(1)**	**(1,225,695)**	**(1,112,027)**	**(2,337,723)**
Balance at September 30, 2023		**1,321,909**	**-**	**(1,033,513)**	**288,396**
Balance at January 1, 2022		1	952,994	6,466	959,461
Total loss and comprehensive loss for the period		-	-	(157)	(157)
Share capital		1	-	-	1
Shareholder contributions		-	209,683	-	209,683
Balance at September 30, 2022		2	1,162,677	6,309	1,168,988

See accompanying notes

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

For the period ended September 30 (thousands of Canadian dollars)	Notes	**Three months ended 2023**	Three months ended 2022	**Nine months ended 2023**	Nine months ended 2022
			(Note 2.2)		(Note 2.2)
Operating activities					
Profit (loss) for the period		**39,553**	885	**70,413**	(157)
Adjustments to reconcile profit (loss) to cash provided from (used in) operating activities:					
Depreciation and amortization		**23,215**	-	**46,587**	-
Finance income	14	**(4,816)**	(2,442)	**(13,297)**	(3,954)
Finance expense	14	**46,521**	1,421	**87,337**	1,934
Gain on disposals		**(109)**	-	**(109)**	-
		104,364	(136)	**190,931**	(2,177)
Changes in non-cash working capital balances	19	**2,120**	153	**442**	136
Increase in contract liability		**3,945**	-	**8,670**	-
Decrease in deferred revenue		**(42,337)**	-	**(70,562)**	-
Interest received		**4,589**	1,792	**13,086**	3,101
Interest paid		**(402)**	(554)	**(59,998)**	(59,900)
Net cash provided from (used in) operating activities		**72,279**	1,255	**82,569**	(58,840)
Investing activities					
Additions to property, plant and equipment		**(4,919)**	(16,188)	**(21,064)**	(35,735)
Additions to intangible assets	6	**(261)**	(46)	**(693)**	(159)
Change in related party receivable		**990**	-	**(80,920)**	-
Decrease in advances		**-**	81	**-**	383
Changes in non-cash working capital balances	19	**2,004**	4,981	**(1,897)**	(6,222)
Net cash used in investing activities		**(2,186)**	(11,172)	**(104,574)**	(41,733)
Financing activities					
Increase in restricted cash		**(70,053)**	(135,396)	**(30,299)**	(98,020)
Repayment of long-term debt		**-**	-	**(10,500)**	(10,500)
Proceeds from long-term debt		**144,658**	-	**144,658**	-
Repayment of related party promissory note		**(144,658)**	-	**(144,658)**	-
Issuance of share capital		**-**	-	**-**	1
Shareholder contributions		**-**	145,378	**63,009**	209,683
Repayment of lease liabilities		**-**	(47)	**(94)**	(141)
Net cash (used in) provided from financing activities		**(70,053)**	9,935	**22,116**	101,023
Net increase in cash		**40**	18	**111**	450
Cash, beginning of the period		**3,108**	2,991	**3,037**	2,559
Cash, end of the period		**3,148**	3,009	**3,148**	3,009

See accompanying notes

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)'s head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

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), together with the Labrador-Island Link General Partner (2021) Corporation (LIL GP (2021)) represents Nalcor's interests in LIL (2021) LP. LIL Holdco (2021) holds all of the Class A partnership units and LIL GP (2021) holds the only general partnership unit of LIL (2021) LP.

LIL (2021) LP holds 100% interest in Labrador-Island Link Holding Corporation (LIL Holdco). LIL Holdco, together with the Labrador-Island Link General Partner Corporation (LIL GP or the General Partner), represent Nalcor's interests in Labrador-Island Link Limited Partnership (LIL LP). Emera Newfoundland and Labrador Island Link Inc. (Emera NL) is the remaining limited partner of LIL LP. LIL LP was established to carry on the business of designing, engineering, constructing, commissioning, owning, financing and sustaining the assets and property constituting the Labrador-Island Link (LIL). LIL LP has entered into the LIL Lease and the Transmission Funding Agreement (TFA) with Labrador-Island Link Operating Corporation (LIL Opco) and Newfoundland and Labrador Hydro (Hydro), both of which are wholly-owned subsidiaries of Nalcor. These agreements effectively provide Hydro with transmission services over the LIL. LIL Opco will maintain and operate the LIL on behalf of LIL LP.

LIL (2021) LP is administering 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.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

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

These consolidated interim financial statements have been prepared on a historical cost basis and are presented in Canadian Dollars (CAD) with all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors LIL Holdco (2021) has delegated the authority to approve the consolidated interim financial statements to the Audit Committee of the Board of Directors of Nalcor, which approved the consolidated interim financial statements on November 16, 2023.

2.2 Basis of Consolidation

These consolidated interim financial statements include the financial statements of LIL Holdco (2021), LIL (2021) LP, LIL Holdco, LIL LP and the LIL Construction Project Trust (Project Trust or the IT). Intercompany transactions and balances have been eliminated upon consolidation.

The IT was formed for the purpose of borrowing funds from the Labrador-Island Link Funding Trust (LIL Funding Trust) in accordance with the IT Project Finance Agreement (IT PFA), and to on-lend the proceeds to LIL LP in accordance with the LIL Project Finance Agreement (LIL PFA). LIL LP has determined that it is the primary beneficiary of the IT and, as a result, has included the financial statements of the IT in these consolidated interim financial statements. LIL LP has determined that it is not the primary beneficiary of the Labrador-Island Link Funding Trust (LIL Funding Trust) and therefore the operations of this trust is not reflected in these consolidated interim financial statements.

Common control transactions

In 2023, the common shares of LIL Holdco were transferred from Nalcor to LIL (2021) LP. LIL Holdco continues to be controlled by Nalcor through its ownership of 100% of the common shares of LIL Holdco (2021), the limited partner of LIL (2021) LP. The transfer of the shares of LIL Holdco from Nalcor was accounted for as a business combination under common control.

Common control business combinations fall outside the scope of IFRS 3 and therefore management used its judgement to determine the appropriate accounting policy by applying other relevant guidance and conceptual framework principles under IFRS to reflect the economic reality of the transaction. LIL Holdco (2021)'s accounting policy is to use predecessor or book value accounting and record the assets, and liabilities of the acquired business at the existing carrying values. All differences between the consideration given and the asset and liabilities were recorded directly within (deficit) retained earnings.

LIL (2021) LP and LIL Holdco (2021) were inactive until January 1, 2023 therefore comparative figures included in these consolidated interim financial statements are primarily those of LIL Holdco consolidated for the year ended December 31, 2022 and reflect the results of the combined entities for all period presents for which the entities were under common control irrespective of when the combination took place.

2.3 Cash

Cash consist of amounts on deposit with Schedule 1 Canadian Chartered Banks.

2.4 Restricted Cash

Restricted cash consists of cash held on deposit with Schedule 1 Canadian Chartered Banks and administered by the Collateral Agent for the sole purpose of funding construction, financing and sustaining costs related to the LIL, including pre-funded equity amounts required under the LIL PFA. Funds are drawn from these accounts in accordance with procedures set out in the LIL PFA. Restricted cash also includes accounts administered by the Administrator of the IT.

2.5 Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined on a weighted average basis and includes expenditures incurred in acquiring inventories and bringing them to their existing condition and location. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

2.6 Property, Plant and Equipment

Items of property, plant and equipment are recognized at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with LIL Holdco (2021)'s accounting policy outlined in Note 2.8. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation.

When significant parts of property, plant and equipment are required to be replaced at intervals, LIL Holdco (2021) recognizes such parts as individual assets with specific useful lives and depreciation rates. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the asset as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognized in profit or loss as incurred.

Depreciation commences when the assets are ready for their intended use. Residual values and useful lives are reviewed at the end of each year and adjusted prospectively, if appropriate. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Transmission and terminals	15 to 75 years
Service facilities and other	5 to 100 years

Transmission lines and terminal stations include support structures, foundations, conductors and insulators associated with lines at voltages of 735, 350, 315 and 230 kilovolt. Terminal station assets which are used to step up voltages of electricity for transmission and to step down voltages for distribution, provide switching and include HVDC Converters to convert between AC and DC voltages, synchronous condensers and auxiliary systems. Distribution system assets include poles, transformers, subsea cables, and electrode equipment.

Service facilities and other include roads, telecontrol, buildings, vehicles, heavy equipment, furniture, and tools and equipment.

The carrying amount of a replaced asset is derecognized when replaced. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recorded in other (income) expense.

2.7 Intangible Assets

Intangible assets that are expected to generate future economic benefit and are measurable, including computer software costs, are capitalized as intangible assets in accordance with International Accounting Standard (IAS) 38. LIL Holdco (2021) also holds intangible assets which represent LIL LP's right to collect costs incurred related to upgrades of Hydro assets through the LIL Lease and TFA.

Intangible assets with finite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. Computer software is amortized on a straight-line basis over their finite useful lives of one to 10 years. Amortization of intangible assets related to the Hydro asset upgrades are amortized over the term of the TFA of 50 years. The estimated useful life and amortization method are reviewed at the end of each year, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

2.8 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in the Consolidated Statement of Profit (Loss) and Comprehensive Income (Loss) in the period in which they are incurred.

2.9 Impairment of Non-Financial Assets

Property, plant and equipment and other non-financial assets, are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where it is not possible to estimate the recoverable amount of an individual asset, LIL Holdco (2021) estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. The recoverable amount is the higher of fair value less costs of disposal and value in use. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount and an impairment loss is recognized immediately in the Consolidated Statement of Profit (Loss) and Comprehensive Income (Loss).

2.10 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if LIL Holdco (2021) 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 remeasured at each Consolidated Statement of Financial Position date using the current discount rate.

2.11 Revenue Recognition

LIL Holdco (2021) 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 Holdco (2021) 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 contractual payments are not aligned.

2.12 Leasing

<u>Lessee Accounting</u>

LIL Holdco (2021) assesses whether a contract is or contains a lease, at inception of a contract. LIL Holdco (2021) 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 Holdco (2021) 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 Holdco (2021) 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 Holdco (2021) changes its assessment of whether purchase, renewal or termination options will be exercised. LIL Holdco (2021) 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 accumulated impairment losses.

Whenever LIL Holdco (2021) 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 *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 Holdco (2021) 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 Holdco (2021) has elected to apply this practical expedient.

2.13 Foreign Currencies

Transactions in currencies other than LIL Holdco (2021)'s functional currency (foreign currencies) 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 period end date. Foreign exchange gains and losses are included in the Consolidated Statement of Profit (Loss) and Comprehensive Income (Loss) as other (income) expense.

2.14 Income Taxes

Provision has not been made in the accompanying financial statements for Canadian federal, provincial, or local taxes since any such liabilities are the responsibility of the individual partners. LIL Holdco (2021) is exempt from paying income taxes under Paragraph 149(1) (d.2) of the Income Tax Act.

2.15 Financial Instruments

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Consolidated 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.

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, restricted cash, trade and other receivables, and related party receivable.

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 trade and other payables, long-term debt, related party promissory note and Class B limited partnership units.

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.

Impairment of Financial Assets
LIL Holdco (2021) 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 Holdco (2021) always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on LIL Holdco (2021)'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 Holdco (2021) 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 consist of cash, restricted cash and advances.

For all other financial instruments, LIL Holdco (2021) 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 Holdco (2021) 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 AND ESTIMATES

The preparation of the consolidated interim 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.

3.1 Use of Judgments

(i) Asset Impairment and Reversals
LIL Holdco (2021) applies judgment in evaluating impairment and impairment reversal indicators based on various internal and external factors.

The recoverable amount of a CGU or asset is determined based on the higher of fair value less costs of disposal and its value in use. Management uses judgment in selecting discount rates and considering the occurrence of future events when determining the recoverable amount. Changes in these factors will affect the recoverable amount of CGUs and assets, which may result in a material adjustment to their carrying value.

(ii) Property, Plant and Equipment

LIL Holdco (2021)'s accounting policy relating to property, plant and equipment is described in Note 2.6. In applying this policy, judgment is used in determining whether certain costs are additions to the carrying amount of the property, plant and equipment as opposed to repairs and maintenance. If an asset has been developed, judgment is required to identify the point at which the asset is capable of being used as intended and to identify the directly attributable borrowing costs to be included in the carrying value of the development asset. Judgment is also used in determining the appropriate componentization structure for LIL Holdco (2021)'s property, plant and equipment.

(iii) 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.

(iv) Functional Currency

Functional currency was determined by evaluating the primary economic environment in which LIL Holdco (2021) operates. As LIL Holdco (2021) enters into transactions in multiple currencies, judgment is used in determining the functional currency. Management considered factors regarding currency of sales, costs incurred, and operating and financing activities and determined the functional currency to be CAD.

(v) Determination of CGUs

LIL Holdco (2021)'s accounting policy relating to impairment of non-financial assets is described in Note 2.9. In applying this policy, LIL Holdco (2021) groups assets into the smallest identifiable groups for which cash flows are largely independent of the cash flows from other assets or groups of assets. Judgment is used in determining the level at which cash flows are largely independent of other assets or groups of assets.

(vi) Consolidation

Management applies its judgment when determining whether to consolidate structured entities in accordance with the criteria outlined in IFRS 10.

(vii) Leases

Definition of a Lease

At inception of a contract, LIL Holdco (2021) 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 Holdco (2021) assesses whether the contract involves the use of an identified asset, LIL Holdco (2021) has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use and LIL Holdco (2021) has the right to direct the use of the asset.

Lease Extension and Termination Options

In determining the lease term, LIL Holdco (2021) 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

(i) Property, Plant and Equipment
Amounts recorded for depreciation are based on the useful lives of LIL Holdco (2021)'s assets. The useful lives of property, plant and equipment are verified by independent specialists and reviewed annually by LIL Holdco (2021). The useful lives are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation recorded.

(ii) Leases Incremental Borrowing Rate
LIL Holdco (2021) 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 amendments that have been issued and are effective for accounting periods commencing on or after January 1, 2023, as specified.

- *IAS 1 – Presentation of Financial Statements– Disclosure of Accounting Policies (Amendments to IAS 1)* [1]
- *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates (Amendments to IAS 8)*[1]
- *IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)*[2]

[1] Effective for annual periods beginning on or after January 1, 2023, with earlier application permitted.
[2] These amendments were originally effective for annual periods beginning on or after January 1, 2023, however, in 2022 the IASB deferred the effective date to January 1, 2024, with earlier application permitted.

4.1 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. This change did not have a material impact on the financial statements.

4.2 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 did not have an impact on LIL Holdco (2021)'s financial statements.

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 Consolidated 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. Additional information was added to clarify that only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months. The amendments are applied retrospectively upon adoption. The application of these amendments is not expected to have a material impact on LIL Holdco (2021)'s financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

(thousands of Canadian dollars)	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2022	8,058	11,759	4,777,026	4,796,843
Additions	-	-	211,877	211,877
Other adjustments	-	-	(208)	(208)
Transfers	1,200	1,400	(2,600)	-
Balance at December 31, 2022	9,258	13,159	4,986,095	5,008,512
Additions	**-**	**-**	**75,834**	**75,834**
Consolidation adjustment (Note 2.2)	**-**	**-**	**(15,815)**	**(15,815)**
Other adjustments	**-**	**(5,372)**	**(86)**	**(5,458)**
Transfers	**4,996,173**	**41,688**	**(5,037,861)**	**-**
Balance at September 30, 2023	**5,005,431**	**49,475**	**8,167**	**5,063,073**
Depreciation				
Balance at January 1, 2022	53	7,032	-	7,085
Depreciation	101	593	-	694
Balance at December 31, 2022	154	7,625	-	7,779
Depreciation	**42,790**	**1,330**	**-**	**44,120**
Balance at September 30, 2023	**42,944**	**8,955**	**-**	**51,899**
Carrying value				
Balance at January 1, 2022	8,005	4,727	4,777,026	4,789,758
Balance at December 31, 2022	9,104	5,534	4,986,095	5,000,733
Balance at September 30, 2023	**4,962,487**	**40,520**	**8,167**	**5,011,174**

On April 14, 2023, commissioning of the LIL was approved by all required stakeholders resulting in full commissioning of all components of the Lower Churchill Project.

<u>Capitalized Borrowing Costs</u>
The construction of the LIL was financed, in part, through the issuance of long-term debt. For the period ended September 30, 2023, $31.8 million (December 31, 2022 - $112.5 million) of borrowing costs were capitalized. LIL Holdco (2021) also capitalized borrowing costs associated with the Class B units of $17.4 million (December 31, 2022 - $57.9 million) as non-cash additions to property, plant and equipment. Borrowing costs are no longer being capitalized as of April 14, 2023 upon commissioning of the LIL.

6. INTANGIBLE ASSETS

(thousands of Canadian dollars)	Computer Software	Other	Construction in Progress	Total
Cost				
Balance at January 1, 2022	3,055	35,644	39,696	78,395
Additions	-	236	1,256	1,492
Balance at December 31, 2022	3,055	35,880	40,952	79,887
Additions	**-**	**129**	**564**	**693**
Transfers	**41,236**	**-**	**(41,236)**	**-**
Balance at September 30, 2023	**44,291**	**36,009**	**280**	**80,580**
Amortization				
Balance at January 1, 2022	2,443	-	-	2,443
Amortization	66	-	-	66
Balance at December 31, 2022	2,509	-	-	2,509
Amortization	**2,117**	**360**	**-**	**2,477**
Balance at September 30, 2023	**4,626**	**360**	**-**	**4,986**
Carrying value				
Balance at January 1, 2022	612	35,644	39,696	75,952
Balance at December 31, 2022	546	35,880	40,952	77,378
Balance at September 30, 2023	**39,665**	**35,649**	**280**	**75,594**

Other intangible assets represent LIL LP's right to collect costs incurred related to upgrades to Hydro assets through the LIL Lease and TFA.

7. TRADE AND OTHER PAYABLES

As at (thousands of Canadian dollars)	**September 30 2023**	December 31 2022
Accrued interest	**39,409**	9,866
Trade payables and accruals	**21,612**	25,055
HST payable	**6,829**	3,180
Due to related parties	**1,820**	3,578
	69,670	41,679

8. LONG-TERM DEBT

The following table represents the value of long-term debt measured at amortized cost:

As at (thousands of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**September 30 2023**	December 31 2022
Tranche A	725,000	3.76	2013	2033	**725,151**	725,163
Tranche B	600,000	3.86	2013	2045	**600,079**	600,082
Tranche C	1,075,000	3.85	2013	2053	**1,075,170**	1,075,175
Tranche 7-10	42,000	1.59-1.75	2017	2023-2025	**42,002**	52,503
Tranche 11-20	105,000	1.84-2.37	2017	2025-2030	**105,013**	105,015
Tranche 21-30	105,000	2.41-2.64	2017	2030-2035	**105,034**	105,037
Tranche 31-40	105,000	2.66-2.80	2017	2035-2040	**105,081**	105,085
Tranche 41-50	105,000	2.81-2.86	2017	2040-2045	**105,089**	105,092
Tranche 51-60	105,000	2.84-2.86	2017	2045-2050	**105,117**	105,121
Tranche 61-70	105,000	2.85	2017	2050-2055	**105,174**	105,178
Tranche 71-74	315,000	2.85	2017	2055-2057	**315,569**	315,581
Convertible debenture	144,658	3.03	2023	2071	**145,164**	-
Total	3,531,658				**3,533,643**	3,399,032
Less: maturities of debt within one year					**(21,000)**	(21,000)
					3,512,643	3,378,032

Under the terms and conditions of the IT PFA, the LIL Funding Trust provided two credit facilities totaling $3.45 billion to the IT, which itself has on-lent this amount to LIL LP under the terms and conditions of the LIL PFA. The credit facilities benefit from a direct, absolute, unconditional and irrevocable guarantee from Canada, and thereby carries its full faith and credit (AAA rating or equivalent). Sinking funds are required to be set up for the Tranche A, B and C debentures and are to be held in a sinking fund account under the control of the Collateral Agent. Sinking fund installments due for the next five years as at September 30, 2023 are as follows:

(thousands of Canadian dollars)	2023	2024	2025	2026	2027	2028
Sinking fund installments	31,522	63,043	63,043	63,043	63,043	31,522

In July 2023, LIL (2021) LP and Canada executed an agreement which allows LIL (2021) LP access to a $1.0 billion unsecured convertible debenture with compounding interest at 3.03%, maturing on December 31, 2071, with payments of principal and accrued interest starting in January 2042. Under the terms of the agreement, the debenture is convertible into Class B Limited partnership units of LIL (2021) LP at the option of the holder at the earlier of the date in which the debenture is fully drawn and December 31, 2041. The first drawing on the convertible debenture of $144.7 million was received in August 2023.

9. CONTRACT LIABILITY

As at (thousands of Canadian dollars)	**September 30 2023**	December 31 2022
Contract liability, beginning of the period	**-**	-
Revenue recognized	**(194,524)**	-
Payments	**203,194**	-
Contract liability, end of the period	**8,670**	-

The contract liability represents the timing difference between the satisfaction of performance obligations to LIL Opco under the LIL Lease and the timing of commercial payments.

10. DEFERRED REVENUE

LIL Opco has the option to prepay rent in accordance with the LIL Lease. As at September 30, 2023, LIL Opco had a prepayment balance of $42.3 million (December 31, 2022 - $112.9 million) to LIL LP, of which all is current (December 31, 2022 - $112.9 million). LIL LP has recognized these prepayments as deferred revenue which will be fully amortized to income in the current year.

11. LIMITED PARTNERSHIP UNITS

The Class B limited partnership units represent Emera NL's ownership interest in LIL LP. As described in the Labrador-Island Linked Limited Partnership Agreement (LIL LPA), these units have certain rights and obligations, including mandatory distributions, that indicate that the substance of the units represent a financial liability and are measured at amortized cost using the effective interest method.

Class B Limited Partnership Units

As at (thousands of Canadian dollars)	**Units**	**September 30 2023**	Units	December 31 2022
Class B limited partnership units, beginning of the period	**25**	**738,908**	25	681,021
Accrued interest	**-**	**46,490**	-	57,887
Class B limited partnership units, end of the period	**25**	**785,398**	25	738,908

12. SHAREHOLDER'S EQUITY

Share Capital

As at (thousands of Canadian dollars)	**September 30 2023**	December 31 2022
Common shares without nominal or par value		
Authorized – unlimited		
Issued - fully paid and outstanding - 1,100 (2022 - 200)	**1,321,909**	**2**

On June 28, 2023, LIL Holdco (2021) acquired the shares of LIL Holdco in a common control transaction (Note 2.2) in exchange for a $1.0 billion promissory note and 1,000 common shares for total consideration of $2.3 billion. The $1.1 billion difference between the consideration and the carrying value of the LIL Holdco shares was recorded in (deficit) retained earnings.

13. OPERATING COSTS

	Three months ended		**Nine months ended**	
For the period ended September 30 (thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Salaries and benefits	**703**	347	**1,682**	1,084
Professional fees	**774**	(372)	**1,484**	460
Other operating costs	**195**	133	**558**	525
	1,672	108	**3,724**	2,069

14. NET FINANCE EXPENSE (INCOME)

	Three months ended		Nine months ended	
For the period ended September 30 (thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Finance income				
Interest on restricted cash	**4,798**	2,424	**13,243**	3,898
Other interest	**18**	18	**54**	56
	4,816	2,442	**13,297**	3,954
Finance expense				
Interest and fees on long-term debt	**30,064**	29,634	**89,243**	85,977
Interest on Class B limited partnership units	**16,056**	14,733	**46,490**	42,848
Other interest	**401**	575	**843**	619
	46,521	44,942	**136,576**	129,444
Interest capitalized during construction	**-**	(43,521)	**(49,239)**	(127,510)
	46,521	1,421	**87,337**	1,934
Net finance expense (income)	**41,705**	(1,021)	**74,040**	(2,020)

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

15.1 Fair Value

The estimated fair values of financial instruments as at September 30, 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.

As a significant number of LIL Holdco (2021)'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 Holdco (2021) 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, LIL Holdco (2021) 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 September 30, 2023 and the year ended December 31, 2022.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
As at (thousands of Canadian dollars)		**September 30, 2023**		December 31, 2022	
Financial liabilities					
Long-term debt including amount due within one year	**2**	**3,533,643**	**2,982,939**	3,399,032	3,084,492
Related party promissory note	**2**	**855,342**	**855,342**	-	-
Class B limited partnership units	**3**	**785,398**	**785,398**	738,908	738,908

The fair values of cash, restricted cash, trade and other receivables, related party receivable and trade and other payables approximate their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 fair values of other risk management assets and liabilities and long-term debt are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves.

The Class B limited partnership units are carried at amortized cost, calculated using the effective interest method, which approximates fair value. The effective interest rate of 8.5% (December 31, 2022 - 8.5%) is defined in the Newfoundland and Labrador Development Agreement (NLDA) as the rate of return on equity, and is equal to the rate approved by the Newfoundland and Labrador Board of Commissioners of Public Utilities for privately-owned regulated electrical utilities. Due to the unobservable nature of the effective interest rate and resulting discounted cash flows associated with the units, the instruments have been classified as Level 3.

The table below sets forth a summary of changes in fair value of LIL Holdco (2021) Level 3 financial liabilities given a one percent change in the discount rate while holding other variables constant:

(thousands of Canadian dollars)	1% increase in discount rate	1% decrease in discount rate
Class B limited partnership units	(60,259)	56,339

15.2 Risk Management

LIL Holdco (2021) is exposed to certain credit, liquidity and market 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 LIL Holdco (2021)'s expected future cash flows.

Credit Risk

LIL Holdco (2021)'s expected future cash flows are exposed to credit risk through financing activities, primarily due to the potential for non-performance by counterparties to its financial instruments. Credit risk on cash and restricted cash is minimal, as LIL Holdco (2021)'s deposits are held by Canadian Schedule 1 Chartered Banks with ratings of A+ and AA- (Standard and Poor's). The degree of exposure to credit risk on trade and other receivables and advances is determined by the financial capacity and stability of the counterparties whereby the maximum risk is represented by their carrying value on the Consolidated Statement of Financial Position at the reporting date.

Liquidity Risk

LIL Holdco (2021) 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 restricted cash, cash on hand, partnership contributions and shareholder contributions. LIL Holdco (2021) can access partnership and shareholder contributions for the payment of construction costs as well as interest payments.

The following are the contractual maturities of LIL Holdco (2021)'s financial liabilities including principal, sinking fund and interest as at September 30, 2023:

(thousands of Canadian dollars)	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	69,670	-	-	-	69,670
Long-term debt	202,157	403,253	401,640	5,083,215	6,090,265
Related party promissory note (Note 16(b))	855,342	-	-	-	855,342
Class B limited partnership units	110,849	193,710	192,485	5,161,375	5,658,419
	1,238,018	596,963	594,125	10,244,590	12,673,696

Market Risk

In the course of carrying out its operating, financing and investing activities, LIL Holdco (2021) is 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.

Foreign Currency and Commodity Exposure

LIL Holdco (2021) does not hold any financial instruments whose value would vary due to changes in a commodity price or whose value would materially vary due to fluctuations in foreign currency exchange rates. Cash flow exposure to foreign exchange risk arises primarily through investing activities, most notably US dollar denominated capital expenditures, and regular procurement activities.

16. 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:

Related Party	Relationship
Nalcor	100% shareholder of LIL Holdco (2021)
Hydro	Wholly-owned subsidiary of Nalcor
Emera NL	Limited Partner holding 25 Class B limited partnership units of LIL LP
Labrador Transmission Corporation	Wholly-owned subsidiary of Nalcor
LIL GP	Wholly-owned subsidiary of Nalcor, general partner of LIL LP
LIL GP (2021)	Wholly-owned subsidiary of Nalcor, general partner of LIL (2021) LP
LIL Opco	Wholly-owned subsidiary of Nalcor
Lower Churchill Management Corporation	Wholly-owned subsidiary of Nalcor
Muskrat Falls Corporation	Wholly-owned subsidiary of Nalcor

Significant related party transactions, which are not otherwise disclosed separately in the consolidated interim financial statements, are summarized below:

As at (thousands of Canadian dollars)		**September 30 2023**	December 31 2022
Trade and other receivables:			
Other related parties		**352**	-
Related party receivable:			
Other related parties	(a)	**80,920**	-
Trade and other payables:			
Nalcor		**517**	3,156
Other related parties		**1,303**	422
Related party promissory note:			
Nalcor	(b)	**855,342**	-
Contract liability:			
Other related parties	Note 9	**8,670**	-
Deferred revenue:			
Other related parties	Note 10	**42,338**	112,900

	Three months ended		**Nine months ended**	
For the period ended September 30 (thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Additions to property, plant and equipment:				
Nalcor	**-**	2,189	**3,333**	6,955
Revenue:				
Other related parties	**106,032**	**-**	**194,334**	-
Operating costs:				
Nalcor	**462**	347	**1,441**	1,084

(a) LIL LP has a non-interest bearing receivable from LIL Opco which is payable from LIL Opco upon demand as cash is required to fund remaining construction costs of the LIL assets.

(b) LIL Holdco (2021) has a non-interest bearing promissory note payable to Nalcor in relation to the purchase of the shares of LIL Holdco which is payable upon demand.

17. COMMITMENTS AND CONTINGENCIES

(a) LIL LP is required to make mandatory distributions in accordance with the LIL LPA. The amount of periodic distributions will be determined by LIL GP and will commence in accordance with the LIL PFA.

(b) As part of the LIL PFA, LIL LP has pledged its current and future assets as security to the Collateral Agent. Under the terms and conditions of the IT PFA, LIL LP has also provided a guarantee of the IT's payment obligations to the Collateral Agent for the benefit of the LIL Funding Trust.

(c) Under the terms and conditions of the LIL LPA and NLDA, LIL Holdco has committed to fund its share of the capital expenditures of the LIL.

(d) LIL LP has entered into the LIL Lease and the TFA with LIL Opco and Hydro, whereby LIL LP has committed to design, construct and sustain the LIL and LIL Opco operates and maintains the LIL and provides such other services as agreed to ensure safe and reliable transmission of electricity. Revenue allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) related to transmission sales as at September 30, 2023 total $424.4 million (December 31, 2022 - $nil) within one year and $20,577.0 million (December 31, 2022 - $nil) in more than one year.

(e) LIL Holdco (2021) is subject to legal claims with respect to construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavourable outcome for LIL Holdco (2021), they may have a significant adverse effect on LIL Holdco (2021)'s financial position.

(f) Outstanding commitments for capital projects total approximately $32.4 million as at September 30, 2023 (December 31, 2022 - $24.9 million).

18. CAPITAL MANAGEMENT

Capital includes share capital, long-term debt, a related party promissory note and Class B limited partnership units. LIL Holdco (2021)'s objectives for managing capital are to maintain its ability to continue as a going concern and to ensure timely payment of its contractual obligations Cash generated from operations will be sufficient to fund the operating and maintenance costs of the LIL.

19. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		**Nine months ended**	
For the period ended September 30 (thousands of Canadian dollars)	**2023**	2022	**2023**	2022
Trade and other receivables	**(1,952)**	131	**863**	(580)
Prepayments	**16**	1,209	**118**	1,196
Inventories	**(490)**	(834)	**(884)**	(1,077)
Trade and other payables	**6,550**	4,628	**(1,552)**	(5,625)
Changes in non-cash working capital balances	**4,124**	5,134	**(1,455)**	(6,086)
Related to:				
Operating activities	**2,120**	153	**442**	136
Investing activities	**2,004**	4,981	**(1,897)**	(6,222)
	4,124	5,134	**(1,455)**	(6,086)