LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
FINANCIAL STATEMENTS
December 31, 2023

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Independent Auditor's Report

To the Shareholder of Labrador-Island Link General Partner Corporation

Opinion

We have audited the financial statements of Labrador – Island Link General Partner Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2023, and the statements of loss and comprehensive loss, changes in deficiency and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
March 13, 2024

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of Canadian dollars)	Notes	**2023**	2022
LIABILITIES AND DEFICIENCY			
Current liabilities			
Other payables	5	**12**	6
Total liabilities		**12**	6
Shareholder's deficiency			
Share capital	6	**1**	1
Shareholder contributions		**332**	318
Deficit		**(345)**	(325)
Total deficiency		**(12)**	(6)
Total liabilities and deficiency		**-**	-

Commitments and contingencies (Note 10)

See accompanying notes

On behalf of the Board:

DIRECTOR

DIRECTOR

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31 (thousands of Canadian dollars)	Note	**2023**	2022
Expenses			
Operating costs	7	**20**	26
Total loss and comprehensive loss for the year		**(20)**	(26)

See accompanying notes

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF CHANGES IN DEFICIENCY

(thousands of Canadian dollars)	Share Capital	Shareholder Contributions	Deficit	Total
Balance at January 1, 2023	**1**	**318**	**(325)**	**(6)**
Total loss and comprehensive loss for the year	**-**	**-**	**(20)**	**(20)**
Shareholder contributions	**-**	**14**	**-**	**14**
Balance at December 31, 2023	**1**	**332**	**(345)**	**(12)**
Balance at January 1, 2022	1	292	(299)	(6)
Total loss and comprehensive loss for the year	-	-	(26)	(26)
Shareholder contributions	-	26	-	26
Balance at December 31, 2022	1	318	(325)	(6)

See accompanying notes

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF CASH FLOWS

For the year ended December 31 (thousands of Canadian dollars)	**2023**	2022
Operating activities		
Loss for the year	**(20)**	(26)
Changes in non-cash working capital balances:		
Increase in other payables	**6**	-
Net cash used in operating activities	**(14)**	(26)
Financing activity		
Shareholder contributions	**14**	26
Net cash provided from financing activity	**14**	26
Net increase (decrease) in cash	**-**	-
Cash, beginning of the year	**-**	-
Cash, end of the year	**-**	-

See accompanying notes

1. DESCRIPTION OF BUSINESS

Labrador-Island Link General Partner Corporation (LIL GP or the Company) was incorporated on July 26, 2012 under the laws of Newfoundland and Labrador. LIL GP is a 100% owned subsidiary of Nalcor Energy (Nalcor) and is the general partner of the Labrador-Island Link Limited Partnership (LIL LP). LIL GP's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M1, Canada.

LIL LP was formed to carry on the business of designing, engineering, constructing, commissioning, owning, financing, operating and maintaining the assets and property constituting the Labrador-Island Link (LIL). LIL LP has entered into the LIL Lease Agreement and the Transmission Funding Agreement 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 the services of the LIL assets to Hydro. LIL Opco will maintain and operate the LIL on behalf of LIL LP.

The Company owns the only issued general partner unit of the LIL LP, thereby constituting it the LIL LP general partner. As the general partner, in accordance with the Limited Partnership Agreement relating to the LIL LP and applicable law, the LIL GP has the power to control and manage LIL LP. Labrador-Island Link Holding Corporation (LIL Holdco) and ENL Island Link Incorporated (Emera NL) are the limited partners of LIL LP.

2. MATERIAL 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 GP's Board of Directors on March 7, 2024.

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

Financial liabilities are classified at fair value through profit or loss (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 liabilities (other than financial liabilities at FVTPL) are added to or deducted from the

fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognized immediately in profit or loss.

Financial Liabilities at Amortized Cost

LIL GP 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 GP's financial liabilities at amortized cost include other payables.

Derecognition of Financial Instruments

LIL GP 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.

Use of Judgment

Management applies its judgment when determining whether to consolidate structured entities in accordance with the criteria outlined in *IFRS 10 – Consolidated Financial Statements.* Management has determined that the Company should not consolidate LIL LP.

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, 2023, as specified.

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

[1] Effective for annual periods beginning on or after January 1, 2023.
[2] Effective for annual periods beginning on or after January 1, 2024, with earlier application permitted.

4.1 Amendments to IAS 1 – Presentation of Financial Statements– Disclosure of Accounting Policies

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 LIL GP's financial statements.

4.2 Amendments to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates

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 GP's financial statements.

4.3 Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants

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. 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 the financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months. The amendments are applied retrospectively upon adoption. The application of these amendments is not expected to have a material impact on LIL GP's financial statements.

5. OTHER PAYABLES

Other payables as at December 31, 2023 consist of accrued liabilities relating to professional services of $12 thousand (2022 - $6 thousand).

6. SHAREHOLDER'S DEFICIENCY

Share Capital

As at December 31 (thousands of Canadian dollars)	**2023**	2022
Common shares without nominal or par value		
Authorized - unlimited		
Issued - fully paid and outstanding - 100	**1**	1

7. OPERATING COSTS

For the year ended December 31 (thousands of Canadian dollars)	**2023**	2022
Professional services	**12**	14
Other operating costs	**8**	12
	20	26

8. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

8.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2023 and 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 GP 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 years ended December 31, 2023 and 2022.

As at December 31, 2023 and 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 shareholder contributions. The construction of the LIL by LIL LP was funded entirely by financing obtained by LIL LP and contributions from the limited partners.

9. RELATED PARTY TRANSACTIONS

LIL GP 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 normally within 30 days.

Related parties with which LIL GP transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of LIL GP
LIL LP	Limited partnership between LIL Holdco and Emera NL

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

For the year ended December 31 (thousands of Canadian dollars)	**2023**	2022
Operating costs:		
Parent	**8**	12

10. COMMITMENTS AND CONTINGENCIES

(a) Under the terms of the Newfoundland and Labrador Development Agreement (NLDA), the Company has certain responsibilities and provisions of duty with which it must comply in its role as the general partner. Any failure of LIL GP to comply with the NLDA will result in Nalcor indemnifying Emera NL for any losses sustained.

(b) LIL GP 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.

11. CAPITAL MANAGEMENT

Capital includes share capital and shareholder contributions. LIL GP's objectives when managing capital are to maintain its ability to continue as a going concern and ensure payment of its obligations.