

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2025
(Unaudited)

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
(Unaudited)

		March 31	December 31
<i>As at (thousands of Canadian dollars)</i>	<i>Notes</i>	2025	2024
ASSETS			
Current assets			
Cash		165,287	138,670
Restricted cash		298	298
Trade and other receivables	3	23,482	51,630
Inventories		23,529	22,970
Current portion of reserve fund		19,824	18,236
Prepayments		1,526	2,430
Total current assets		233,946	234,234
Non-current assets			
Property, plant and equipment	4	1,012,455	1,002,582
Intangible assets		775	754
Reserve fund		56,279	57,135
Total assets		1,303,455	1,294,705
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	40,024	51,675
Rental and royalty payable	11	3,129	8,679
Deferred revenue	6	4,081	6,112
Decommissioning and environmental liabilities		1,429	1,486
Current portion of deferred credits		1,514	1,514
Current portion of deferred contributions		497	497
Total current liabilities		50,674	69,963
Non-current liabilities			
Deferred credits		23,344	23,723
Deferred contributions		9,698	9,808
Employee future benefits		29,464	29,339
Total liabilities		113,180	132,833
Shareholders' equity			
Share capital		82,900	82,900
Contributed capital		8,195	8,195
Reserves		6,712	5,980
Retained earnings		1,092,468	1,064,797
Total equity		1,190,275	1,161,872
Total liabilities and equity		1,303,455	1,294,705

Commitments and contingencies (Note 12)

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

		Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	<i>Notes</i>	2025	2024
Energy sales	11	30,610	34,266
Guaranteed winter availability	11	22,266	22,687
Net finance income	8	1,704	2,590
Other revenue		1,274	1,283
Revenue		55,854	60,826
Operating costs	9	16,982	15,928
Depreciation and amortization		6,250	9,734
Rental and royalties		3,084	3,463
Expenses		26,316	29,125
Profit for the period		29,538	31,701
Other comprehensive income (loss)			
Total items that may or have been reclassified to profit or loss:			
Net fair value gain (loss) on reserve fund		732	(386)
Other comprehensive income (loss) for the period		732	(386)
Total comprehensive income for the period		30,270	31,315

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

		Share	Contributed	Fair Value	Employee	Retained	
	Notes	Capital	Capital	Reserve	Benefit Reserve	Earnings	Total
<i>(thousands of Canadian dollars)</i>							
Balance at January 1, 2025		82,900	8,195	114	5,866	1,064,797	1,161,872
Profit for the period		-	-	-	-	29,538	29,538
Net fair value gain on reserve fund		-	-	732	-	-	732
Total comprehensive income for the period		-	-	732	-	29,538	30,270
Preferred dividends	7	-	-	-	-	(1,867)	(1,867)
Balance at March 31, 2025		82,900	8,195	846	5,866	1,092,468	1,190,275
Balance at January 1, 2024		82,900	8,195	(2,351)	6,799	993,674	1,089,217
Profit for the period		-	-	-	-	31,701	31,701
Net fair value loss on reserve fund		-	-	(386)	-	-	(386)
Total comprehensive income for the period		-	-	(386)	-	31,701	31,315
Preferred dividends	7	-	-	-	-	(1,543)	(1,543)
Balance at March 31, 2024		82,900	8,195	(2,737)	6,799	1,023,832	1,118,989

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF CASH FLOWS
(Unaudited)

		Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	<i>Notes</i>	2025	2024
Operating activities			
Profit for the period		29,538	31,701
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation and amortization		6,250	9,734
Finance income	8	(1,720)	(2,607)
Finance expense	8	16	17
Other		(364)	(351)
		33,720	38,494
Changes in non-cash working capital balances	13	11,388	(8,462)
Change in deferred revenue	6	(2,031)	-
Interest received		1,756	2,652
Interest paid		(14)	(13)
Net cash provided from operating activities		44,819	32,671
Investing activities			
Additions to property, plant and equipment and intangible assets		(16,144)	(7,140)
Contributions to reserve fund		-	(192)
Changes in non-cash working capital balances	13	(132)	(13,190)
Settlement of decommissioning and environmental liabilities		(59)	(26)
Net cash used in investing activities		(16,335)	(20,548)
Financing activities			
Preferred dividends	7	(1,867)	(1,543)
Net cash used in financing activities		(1,867)	(1,543)
Net increase in cash		26,617	10,580
Cash, beginning of the period		138,670	130,725
Cash, end of the period		165,287	141,305

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Churchill Falls (Labrador) Corporation Limited (Churchill Falls) is incorporated under the laws of Canada and operates a hydroelectric generating plant and related transmission facilities in Labrador with a rated capacity of 5,428 megawatts. Churchill Falls operates under rights leased from the Province of Newfoundland and Labrador (the Province) for 99 years, which are renewable for a further term of 99 years under the Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961 as amended, covering the water power potential of the Upper Churchill watershed.

Energy from Churchill Falls is provided to two customers: Hydro-Québec and Newfoundland and Labrador Hydro (Hydro). Churchill Falls is a 65.8% owned subsidiary of Hydro. The remaining 34.2% is owned by Hydro-Québec. Effective June 18, 1999, the two shareholders of Churchill Falls, Hydro and Hydro-Québec, entered into a Shareholders' Agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to joint approval by representatives of Hydro and Hydro-Québec. The head and corporate office for Churchill Falls is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 3T5.

- 1.1** Effective January 1, 2025, Nalcor Energy and its wholly owned subsidiary Newfoundland and Labrador Hydro were legislatively amalgamated into Hydro, a new legal corporation that continues under the name "Newfoundland and Labrador Hydro". The amalgamation was accounted for as a business combination under common control. Upon the amalgamation, Churchill Falls remains 65.8% owned by the amalgamated entity (Hydro).

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These condensed 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 consolidated financial statements for the year ended December 31, 2024.

These condensed interim financial statements do not include all of the disclosures normally found in Churchill Falls' annual consolidated audited financial statements and should be read in conjunction with the annual consolidated audited financial statements. The annual consolidated audited financial statements include the financial statements of Churchill Falls and its formerly wholly owned subsidiary Twin Falls up until its dissolution on December 18, 2023. Due to the seasonal nature of electricity demand, the volume of electricity sales is typically higher during the winter months, which contributes to fluctuations in the Company's interim financial results.

These condensed interim financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVTOCI) which have been measured at fair value. The condensed interim financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise noted. The Board of Directors has delegated the authority to approve the condensed interim financial statements to the Churchill Falls' Audit Committee, which approved the condensed interim financial statements on May 13, 2025.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

3. TRADE AND OTHER RECEIVABLES

		March 31	December 31
<i>As at (thousands of Canadian dollars)</i>	<i>Note</i>	2025	2024
Due from related parties	11	19,297	41,697
Other receivables		4,185	9,933
		23,482	51,630

Other receivables primarily includes HST remittances.

4. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Hydroelectric Generation Plant	Transmission and Distribution	Service Facilities and Other	Construction in Progress	Total
Cost					
Balance at January 1, 2024	966,932	424,791	316,218	54,474	1,762,415
Additions	-	-	-	90,416	90,416
Decommissioning liability and revisions	-	(50)	-	-	(50)
Other adjustments	237	71	-	(74)	234
Disposals	(6,310)	(30)	(1,386)	-	(7,726)
Transfers	46,441	15,565	19,439	(81,445)	-
Balance at December 31, 2024	1,007,300	440,347	334,271	63,371	1,845,289
Additions	-	-	-	16,147	16,147
Other adjustments	(233)	233	-	-	-
Disposals	-	(199)	-	-	(199)
Transfers	-	1	(65)	(15)	(79)
Balance at March 31, 2025	1,007,067	440,382	334,206	79,503	1,861,158
Depreciation					
Balance at January 1, 2024	503,034	167,858	146,036	-	816,928
Depreciation	13,716	8,362	8,382	-	30,460
Disposals	(3,295)	-	(1,386)	-	(4,681)
Balance at December 31, 2024	513,455	176,220	153,032	-	842,707
Depreciation	2,883	1,807	1,505	-	6,195
Disposals	-	(199)	-	-	(199)
Balance at March 31, 2025	516,338	177,828	154,537	-	848,703
Carrying value					
Balance at January 1, 2024	463,898	256,933	170,182	54,474	945,487
Balance at December 31, 2024	493,845	264,127	181,239	63,371	1,002,582
Balance at March 31, 2025	490,729	262,554	179,669	79,503	1,012,455

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

5. TRADE AND OTHER PAYABLES

		March 31	December 31
<i>As at (thousands of Canadian dollars)</i>	<i>Note</i>	2025	2024
Trade payables and accruals		34,318	38,894
Due to related parties	11	1,091	4,452
Other payables		4,615	8,329
		40,024	51,675

Other payables primarily includes HST remittances.

6. DEFERRED REVENUE

		March 31	December 31
<i>As at (thousands of Canadian dollars)</i>	<i>Note</i>	2025	2024
Deferred revenue, beginning of the period		6,112	-
Revenue recognized		(16,435)	(52,356)
Payments		14,404	58,468
Deferred revenue, end of the period	11	4,081	6,112

The deferred revenue represents the variance in payments received from the customer compared to the energy which has been delivered.

7. SHAREHOLDERS' EQUITY

Dividends Paid and Proposed

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2025	2024
Declared and paid during the period		
Final preferred dividend for prior year	533	17
Interim preferred dividend for current period	1,334	1,526
	1,867	1,543

8. NET FINANCE INCOME

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2025	2024
Finance income		
Interest on reserve fund	368	758
Bank interest income	1,352	1,849
	1,720	2,607
Finance expense		
Accretion of decommissioning liability	2	4
Other interest expense	14	13
	16	17
Net finance income	1,704	2,590

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

9. OPERATING COSTS

	Three months ended	
	2025	2024
<i>For the period ended March 31 (thousands of Canadian dollars)</i>		
Salaries and benefits	11,688	10,464
Maintenance and materials	2,049	1,817
Insurance	1,092	1,249
Grocery store cost of goods sold	487	542
Professional services	400	361
Other operating costs	1,266	1,495
	16,982	15,928

10. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at March 31, 2025 and December 31, 2024 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 below are not necessarily indicative of the amounts that Churchill Falls might receive or incur in actual market transactions.

As a significant number of Churchill Falls' assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Churchill Falls 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, Churchill Falls 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 during the period ended March 31, 2025 and the year ended December 31, 2024.

As at March 31, 2025 and December 31, 2024, Churchill Falls did not have any Level 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		March 31, 2025		December 31, 2024	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Reserve fund	2	76,103	76,103	75,371	75,371

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

The fair values of cash, restricted cash, trade and other receivables, trade and other payables, and rental and royalty payable 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 are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

11. RELATED PARTY TRANSACTIONS

Churchill Falls enters into various transactions with its shareholders 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 Churchill Falls transacts are as follows:

Related Party	Relationship
Hydro	65.8% shareholder of Churchill Falls
Hydro-Québec	34.2% shareholder of Churchill Falls
The Province	100% shareholder of Hydro
Labrador Transmission Corporation	Wholly-owned subsidiary of Hydro
Muskkrat Falls Corporation	Wholly-owned subsidiary of Hydro
Labrador-Island Link Limited Partnership	Limited partnership between a wholly-owned subsidiary of Hydro and KKR Island Link Incorporated

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

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

<i>As at (thousands of Canadian dollars)</i>		March 31 2025	December 31 2024
Trade and other receivables:			
Hydro-Québec	Note 3	14,618	26,747
Hydro	Note 3	4,679	14,950
Rental and royalty payable:			
The Province	(a)	3,129	8,679
Trade and other payables:			
Hydro	Note 5	1,089	567
Other Related Parties	Note 5, (b)	2	3,885
Deferred revenue:			
Hydro-Québec	Note 6	4,081	6,112
<i>For the period ended March 31 (thousands of Canadian dollars)</i>		Three months ended 2025	2024
Energy sales:			
Hydro-Québec		16,435	20,283
Hydro		14,175	13,983
Guaranteed winter availability:			
Hydro-Québec		22,266	22,687
Other revenue:			
Hydro-Québec		511	504
Operating costs:			
Hydro		1,421	421
Other Related Parties		401	620
Other expense:			
The Province		3,084	3,463

(a) Churchill Falls is required to pay the Province an annual rental of 8% of the net profits before income taxes and an annual royalty of \$0.50 per horsepower year generated, which is payable on an annual basis before March 31 of the following fiscal year.

(b) Churchill Falls has entered into a short-term energy purchase agreement with Muskrat Falls.

12. COMMITMENTS AND CONTINGENCIES

- (a) Outstanding commitments for capital projects total approximately \$108.7 million as at March 31, 2025 (December 31, 2024 - \$92.6 million).
- (b) Churchill Falls is subject to legal claims with respect to impact on land use, energy and capacity delivery, 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 Churchill Falls, they may have a significant adverse effect on Churchill Falls' financial position.
- (c) The Water Management Agreement between Churchill Falls and Muskrat Falls provides for coordinated production for the efficient use of water on the Churchill River system by ensuring that water is available to meet delivery requirements and contractual commitments for both Churchill Falls and Muskrat Falls, while maximizing the energy produced from the water resource. As at March 31, 2025, Muskrat Falls has stored the equivalent of approximately 1.1 Twh (December 31, 2024 - 1.0 Twh) of energy in the Churchill Falls reservoir.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

13. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2025	2024
Trade and other receivables	28,112	(3,550)
Inventories	(559)	(477)
Prepayments	904	1,276
Trade and other payables	(11,651)	(15,754)
Rental and royalty payable	(5,550)	(3,147)
Change in non-cash working capital balances	11,256	(21,652)
Related to:		
Operating activities	11,388	(8,462)
Investing activities	(132)	(13,190)
	11,256	(21,652)