

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024

Independent Auditor's Report

To the Shareholder of Labrador-Island Link Holding (2021) Corporation

Opinion

We have audited the consolidated financial statements of Labrador-Island Link Holding (2021) Corporation (the "Company"), which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statements of profit and comprehensive income, changes in equity 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, 2024, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

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 Accounting Standards as issued by the IASB, 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 Company 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Company as a basis for forming an opinion on the financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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 20, 2025

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

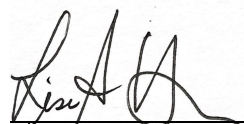
<i>As at December 31 (thousands of Canadian dollars)</i>	<i>Notes</i>	2024	2023
ASSETS			
Current assets			
Cash		234,196	103,030
Restricted cash		323,034	261,514
Trade and other receivables		1,336	2,350
Related party receivable	16	61,255	71,725
Other current assets		6,402	3,192
Total current assets		626,223	441,811
Non-current assets			
Property, plant and equipment	5	4,919,323	4,997,635
Intangible assets	6	71,306	74,875
Right-of-use assets		586	598
Total assets		5,617,438	5,514,919
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	7	39,881	38,833
Contract liability	8	2,171	11,518
Current portion of long-term debt	9	21,000	21,000
Current portion of Class B limited partnership units	10	94,664	87,866
Related party promissory note	16	705,342	855,342
Current portion of lease liabilities		4	4
Total current liabilities		863,062	1,014,563
Non-current liabilities			
Long-term debt	9	3,637,873	3,503,137
Class B limited partnership units	10	884,747	668,846
Lease liabilities		634	637
Total liabilities		5,386,316	5,187,183
Shareholder's equity			
Share capital	11	1,051,580	1,321,909
Shareholder contributions		24,804	-
Deficit		(845,262)	(994,173)
Total equity		231,122	327,736
Total liabilities and equity		5,617,438	5,514,919

Commitments and contingencies (Note 17)

Subsequent event (Note 20)

See accompanying notes

On behalf of the Board:



DIRECTOR



DIRECTOR

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

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	2024	2023
Revenue	16	426,318	300,823
Total revenue		426,318	300,823
Operating costs	12	5,096	7,203
Depreciation and amortization		93,334	69,941
Net finance expense	13	172,394	115,354
Other expense (income)	14	6,583	(1,428)
Total expenses		277,407	191,070
Total profit and comprehensive income for the year		148,911	109,753

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Shareholder Contributions	Deficit	Total
Balance at January 1, 2024		1,321,909	-	(994,173)	327,736
Total profit and comprehensive income for the year		-	-	148,911	148,911
Reduction of share capital	11	(270,329)	-	-	(270,329)
Shareholder contributions		-	24,804	-	24,804
Balance at December 31, 2024		1,051,580	24,804	(845,262)	231,122
Balance at January 1, 2023		2	1,162,686	8,101	1,170,789
Total profit and comprehensive income for the year		-	-	109,753	109,753
Issuance of share capital	11	1,321,908	-	-	1,321,908
Shareholder contributions		-	63,009	-	63,009
Capital restructuring	11	(1)	(1,225,695)	(1,112,027)	(2,337,723)
Balance at December 31, 2023		1,321,909	-	(994,173)	327,736

See accompanying notes

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

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	<i>Notes</i>	2024	2023
Operating activities			
Profit for the year		148,911	109,753
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation and amortization		93,334	69,941
Loss on disposal of property, plant and equipment	5	11,974	-
Finance income	13	(18,595)	(18,998)
Finance expense	13	190,989	134,352
Other		50	(109)
		426,663	294,939
Changes in non-cash working capital balances	19	(1,048)	413
Change in contract liability		(9,347)	11,518
Decrease in deferred revenue		-	(112,900)
Interest received		18,960	18,680
Interest paid		(118,608)	(119,258)
Net cash provided from operating activities		316,620	93,392
Investing activities			
Additions to property, plant and equipment	5	(22,072)	(29,636)
Additions to intangible assets	6	(1,343)	(1,204)
Change in related party receivable		10,470	(71,725)
Changes in non-cash working capital balances	19	(503)	(141)
Net cash used in investing activities		(13,448)	(102,706)
Financing activities			
Change in restricted cash		(61,520)	112,408
Repayment of long-term debt		(21,000)	(21,000)
Proceeds from long-term debt		150,000	144,658
Repayment of related party promissory note		(150,000)	(144,658)
Contributions of Class B partnership units	10	233,116	-
Distributions of Class B limited partnership units	10	(77,044)	(44,973)
Shareholder contributions		24,804	63,009
Reduction of share capital	11	(270,329)	-
Other		(33)	(137)
Net cash (used in) provided from financing activities		(172,006)	109,307
Net increase in cash		131,166	99,993
Cash, beginning of the year		103,030	3,037
Cash, end of the year		234,196	103,030

See accompanying notes

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)) 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), represent Nalcor's interests in Labrador-Island Link Limited Partnership (LIL LP). KKR Island Link Incorporated (KKR), formerly ENL Island Link Incorporated, 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). These agreements effectively provide Hydro with transmission services over the LIL. LIL Opco maintains and operates 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. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited consolidated financial statements (financial statements) have been prepared in accordance with IFRS® Accounting Standards, 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 (CAD) with all values rounded to the nearest thousand, except when otherwise noted. The financial statements were approved by LIL Holdco (2021)'s Board of Directors on March 6, 2025.

2.2 Basis of Consolidation

These financial statements include the financial statements of LIL Holdco (2021), LIL (2021) LP, LIL Holdco, LIL LP and the LIL Construction Project Trust (the IT). Intercompany transactions and balances have been eliminated upon consolidation. Upon commissioning of the LIL on April 14, 2023, the IT assigned all indebtedness, rights, titles and interest under the IT Project Finance Agreement (IT PFA) to the Labrador-Island Link Funding Trust (LIL Funding Trust) and was later terminated on December 22, 2023.

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

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONSOLIDATED 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 judgment 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.

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 reserve accounts required under the LIL PFA.

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. Transmission also includes poles, transformers, subsea cables, and electrode equipment.

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

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

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 expense (income).

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 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 10 years. 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 and Comprehensive Income 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 and Comprehensive Income.

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.

LABRADOR - ISLAND LINK HOLDING (2021) CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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.

2.13 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 and restricted cash.

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 financial statements in conformity with IFRS Accounting Standards 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.

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

(iv) 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.

(v) Consolidation

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

3.2 Use of Estimates

(i) Property, Plant and Equipment and Intangible Assets

Amounts recorded for depreciation and amortization are based on the useful lives of LIL Holdco (2021)'s assets. The useful lives of property, plant and equipment and intangible assets 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 and amortization recorded.

4. CURRENT AND FUTURE CHANGES IN ACCOUNTING POLICIES

The following is a list of applicable standards/interpretations that have been issued and are effective for accounting periods commencing on or after January 1, 2024, as specified.

- *Amendments to IAS 1 – Presentation of Financial Statements – Classification of Liabilities as Current or Non-Current and Non-Current Liabilities with Covenants*¹
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity*²
- *IFRS 18 – Presentation and Disclosures in Financial Statements*³

¹ Effective for annual periods beginning on or after January 1, 2024.

² Effective for annual periods beginning on or after January 1, 2026, with earlier application permitted.

³ Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

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

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

4.2 Amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity

The IASB issued amendments to IFRS 9 and IFRS 7 to provide a reasonable basis for an entity to determine the required accounting for contracts referencing nature-dependent electricity which are often structured as power purchase agreements. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if these contracts are used as hedging instruments, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. Management is currently assessing the potential impact on LIL Holdco (2021)'s financial statements.

4.3 IFRS 18 – Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements of IAS 1 unchanged and introducing new requirements to present specified categories and defined subtotals in the statement of profit or loss. As well, entities will be required to provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation. In addition, some IAS 1 paragraphs have been moved to *IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors* and IFRS 7. Furthermore, the IASB has made minor amendments to *IAS 7 – Statement of Cash Flows*.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions. Management is currently assessing the potential impact on LIL Holdco (2021)'s financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2023	9,258	13,159	4,986,095	5,008,512
Additions	-	-	78,948	78,948
Consolidation adjustment	-	-	(15,815)	(15,815)
Transfers	5,004,935	37,185	(5,042,120)	-
Balance at December 31, 2023	5,014,193	50,344	7,108	5,071,645
Additions	-	-	22,072	22,072
Disposals	(10,747)	(112)	(1,279)	(12,138)
Transfers	7,607	515	(8,122)	-
Balance at December 31, 2024	5,011,053	50,747	19,779	5,081,579
Depreciation				
Balance at January 1, 2023	154	7,625	-	7,779
Depreciation	64,307	1,924	-	66,231
Balance at December 31, 2023	64,461	9,549	-	74,010
Depreciation	86,042	2,368	-	88,410
Disposals	(61)	(103)	-	(164)
Balance at December 31, 2024	150,442	11,814	-	162,256
Carrying value				
Balance at January 1, 2023	9,104	5,534	4,986,095	5,000,733
Balance at December 31, 2023	4,949,732	40,795	7,108	4,997,635
Balance at December 31, 2024	4,860,611	38,933	19,779	4,919,323

On April 14, 2023, commissioning of the LIL was approved by all required stakeholders. As a result, all components of the Lower Churchill Project, including the LIL, were put into service.

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Capitalized Borrowing Costs

The construction of the LIL was financed, in part, through the issuance of long-term debt. For the year ended December 31, 2024, \$nil (2023 - \$31.8 million) of borrowing costs were capitalized. LIL Holdco (2021) also capitalized borrowing costs associated with the Class B units of \$nil (2023 - \$17.4 million) as non-cash additions to property, plant and equipment.

6. INTANGIBLE ASSETS

<i>(thousands of Canadian dollars)</i>	Computer Software	Other	Construction in Progress	Total
Cost				
Balance at January 1, 2023	3,055	35,880	40,952	79,887
Additions	-	165	1,039	1,204
Transfers	41,236	-	(41,236)	-
Balance at December 31, 2023	44,291	36,045	755	81,091
Additions	-	216	1,127	1,343
Transfers	595	-	(595)	-
Balance at December 31, 2024	44,886	36,261	1,287	82,434
Amortization				
Balance at January 1, 2023	2,509	-	-	2,509
Amortization	3,167	540	-	3,707
Balance at December 31, 2023	5,676	540	-	6,216
Amortization	4,191	721	-	4,912
Balance at December 31, 2024	9,867	1,261	-	11,128
Carrying value				
Balance at January 1, 2023	546	35,880	40,952	77,378
Balance at December 31, 2023	38,615	35,505	755	74,875
Balance at December 31, 2024	35,019	35,000	1,287	71,306

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

<i>As at December 31 (thousands of Canadian dollars)</i>	Note	2024	2023
Trade payables and accruals		23,488	23,795
Accrued interest		9,809	9,839
HST payable		5,391	3,393
Due to related parties	16	1,193	1,806
		39,881	38,833

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8. CONTRACT LIABILITY

<i>As at December 31 (thousands of Canadian dollars)</i>	2024	2023
Contract liability, beginning of the year	11,518	-
Revenue recognized	(426,318)	(300,895)
Payments	416,971	312,413
Contract liability, end of the year	2,171	11,518

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.

9. LONG-TERM DEBT

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

<i>As at December 31 (thousands of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	2024	2023
Tranche A	725,000	3.76	2013	2033	725,131	725,147
Tranche B	600,000	3.86	2013	2045	600,075	600,078
Tranche C	1,075,000	3.85	2013	2053	1,075,163	1,075,169
Tranche 10	10,500	1.75	2017	2025	10,500	31,501
Tranche 11-20	105,000	1.84-2.37	2017	2025-2030	105,009	105,012
Tranche 21-30	105,000	2.41-2.64	2017	2030-2035	105,030	105,034
Tranche 31-40	105,000	2.66-2.80	2017	2035-2040	105,074	105,079
Tranche 41-50	105,000	2.81-2.86	2017	2040-2045	105,083	105,088
Tranche 51-60	105,000	2.84-2.86	2017	2045-2050	105,111	105,116
Tranche 61-70	105,000	2.85	2017	2050-2055	105,167	105,173
Tranche 71-74	315,000	2.85	2017	2055-2057	315,547	315,564
Convertible debenture	294,658	3.03	2023	2071	301,983	146,176
Total	3,650,158				3,658,873	3,524,137
Less: maturities of debt within one year					(21,000)	(21,000)
					3,637,873	3,503,137

Under the terms and conditions of the IT PFA, the LIL Funding Trust provided two credit facilities totaling \$3.5 billion to the IT, which itself has on-lent this amount to LIL LP under the terms and conditions of the LIL PFA. Upon commissioning of the LIL on April 14, 2023, the IT assigned all its indebtedness to the LIL Funding Trust. 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). A Collateral Agent has been assigned to act on behalf of the lending parties, including the LIL Funding Trust and the Government of Canada. The Collateral Agent oversees the lending and security arrangements, the various project accounts and the compliance with covenants.

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 instalments due for the next five years are as follows:

<i>(thousands of Canadian dollars)</i>	2025	2026	2027	2028	2029
Sinking fund instalments	63,043	63,043	63,043	63,043	63,043

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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. LIL (2021) LP received a drawing on the convertible debenture in 2024 amounting to \$150.0 million (2023 - \$144.7 million). Cumulative accrued interest on the convertible debenture as at December 31, 2024 is \$7.3 million (2023 - \$1.5 million).

10. CLASS B LIMITED PARTNERSHIP UNITS

The Class B limited partnership units represent KKR's ownership interest in LIL LP. As described in the Labrador-Island Link Partnership Agreement (Partnership Agreement), 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.

<i>As at December 31 (thousands of Canadian dollars)</i>	Units	2024	Units	2023
Class B limited partnership units, beginning of the year	25	756,712	25	738,908
Contributions (a)	-	233,116	-	-
Accrued interest	-	66,577	-	62,777
Distributions	-	(77,044)	-	(44,973)
Tax adjustment amount	-	50	-	-
Class B limited partnership units, end of the year	25	979,411	25	756,712
Less: maturities within one year		(94,664)		(87,866)
		884,747		668,846

(a) On November 25, 2024, KKR provided a contribution of \$233.1 million to LIL LP in order to adjust its proportionate share of the investment in LIL LP as in accordance with the Newfoundland and Labrador Development Agreement.

11. SHAREHOLDER'S EQUITY

Share Capital

<i>As at December 31 (thousands of Canadian dollars)</i>	2024	2023
Common shares without nominal or par value		
Authorized - unlimited		
Issued - fully paid and outstanding - 1,100 (2023 - 1,100)	1,051,580	1,321,909

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.

Nalcor resolved to reduce the stated capital of common shares of LIL Holdco (2021). Total reduction of share capital as of December 31, 2024 is \$270.3 million (2023 - \$nil).

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12. OPERATING COSTS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2024	2023
Salaries and benefits	1,967	2,235
Maintenance and materials	1,815	2,371
Professional fees	1,033	2,202
Other operating costs	281	395
	5,096	7,203

13. NET FINANCE EXPENSE

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2024	2023
Finance income		
Interest on restricted cash	18,394	18,927
Other interest	201	71
	18,595	18,998
Finance expense		
Interest and fees on long-term debt	123,761	119,807
Interest on Class B limited partnership units	66,577	62,777
Other interest	651	1,007
	190,989	183,591
Interest capitalized during construction	-	(49,239)
	190,989	134,352
Net finance expense	172,394	115,354

14. OTHER EXPENSE (INCOME)

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2024	2023
Loss (gain) on disposal of assets	6,531	(118)
Other	52	(1,310)
Other expense (income)	6,583	(1,428)

On April 19, 2024, a fire damaged inventory and capital spares, related to the Lower Churchill Project assets, held in a storage facility in Happy Valley Goose Bay. This has resulted in a loss on disposal of assets of \$5.1 million.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

15.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2024 and 2023 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 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 below 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:

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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 years ended December 31, 2024 and 2023.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>As at (thousands of Canadian dollars)</i>		December 31, 2024		December 31, 2023	
Financial liabilities					
Long-term debt, including amount due within one year	2	3,658,873	3,414,357	3,524,137	3,341,077
Related party promissory note	2	705,342	705,342	855,342	855,342
Class B limited partnership units, including amount due within one year	3	979,411	979,411	756,712	756,712

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 as at December 31, 2024 is 8.7% (2023 - 8.5%) which is the rate that discounts the estimated future cash flows to the amortized cost of the financial liabilities. 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)'s Level 3 financial liabilities given a one percent change in the discount rate while holding other variables constant:

<i>(thousands of Canadian dollars)</i>	1% increase in discount rate	1% decrease in discount rate
Class B limited partnership units	(67,703)	64,286

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.

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Credit Risk

LIL Holdco (2021)'s expected future cash flows are exposed to credit risk through its operating, financing and investing activities, primarily due to the potential for non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on cash, restricted cash, trade and other receivables and related party receivable is determined by the financial capacity and stability of those counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying values on the Statement of Financial Position at the reporting date. Credit risk on cash and restricted cash is minimal, as LIL Holdco (2021)'s deposits are held by Canadian Schedule 1 Chartered Banks with a rating of A+ (Standard and Poor's). Credit risk on trade and other receivables and related party receivable is also minimal as the LIL Holdco (2021) does not have any material amounts that are past due and uncollectable.

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 cash, restricted cash, related party receivable and partnership contributions. Liquidity risk for LIL Holdco (2021) is considered to be minimal due to the reserve accounts LIL LP holds as instructed in the LIL PFA as well as LIL LP's commercial arrangements with LIL Opco and Hydro which require LIL Opco and Hydro to make payments which are absolute, unconditional and irrevocable until the financing has been paid in full.

The following are the contractual maturities of LIL Holdco (2021)'s financial liabilities as at December 31, 2024:

<i>(thousands of Canadian dollars)</i>	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	39,881	-	-	-	39,881
Long-term debt (including sinking fund and interest)	201,630	402,067	400,276	5,165,922	6,169,895
Related party promissory note (Note 16(b))	705,342	-	-	-	705,342
Class B limited partnership units	94,664	186,286	182,224	2,761,050	3,224,224
	1,041,517	588,353	582,500	7,926,972	10,139,342

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 of certain financial assets.

Interest Rates

Changes in prevailing interest rates will impact the fair value of financial assets and liabilities. Expected future cash flows from these assets are also impacted in certain circumstances. LIL Holdco (2021) is not exposed to interest rate risk on its long-term debt as all of LIL Holdco (2021)'s long-term debt has fixed interest rates.

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.

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 normally within 30 days.

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

Related Party	Relationship
Nalcor	100% shareholder of LIL Holdco (2021)
KKR	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 financial statements, are summarized below:

<i>As at December 31 (thousands of Canadian dollars)</i>		2024	2023
Trade and other receivables:			
Other related parties		40	-
Related party receivable:			
Other related parties	(a)	61,255	71,725
Trade and other payables:	Note 7		
Parent		653	530
Other related parties		540	1,276
Contract liability:			
Other related parties	Note 8	2,171	11,518
Related party promissory note:			
Other related parties	(b)	705,342	855,342
<i>For the year ended December 31 (thousands of Canadian dollars)</i>		2024	2023
Additions to property, plant and equipment:			
Other related parties		-	3,333
Revenue:			
Other related parties	(c)	426,318	300,823
Operating costs:			
Other related parties		480	1,537

(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.

(c) LIL LP earned revenue from LIL Opco in relation to the LIL Lease.

17. COMMITMENTS AND CONTINGENCIES

(a) LIL LP is required to make mandatory distributions as determined by LIL GP in accordance with the Partnership Agreement.

(b) As part of the LIL PFA, LIL LP has pledged its current and future assets as security to the Collateral Agent.

(c) Under the terms and conditions of the Partnership Agreement and the Newfoundland and Labrador Development Agreement, LIL Holdco has committed to fund its share of the capital expenditures of the LIL.

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- (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 under the LIL Lease as at December 31, 2024 is \$426 million (2023 - \$425 million) within one year and \$20,088 million (2023 - \$20,469 million) 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 \$10.4 million as at December 31, 2024 (2023 - \$20.7 million).

18. CAPITAL MANAGEMENT

Capital includes share capital, shareholder contributions, 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. Partner contributions will be sufficient to ensure the availability of funding to sustain the LIL.

19. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2024	2023
Trade and other receivables	581	3,966
Prepayments	(3)	75
Inventories	(3,207)	(950)
Trade and other payables	1,078	(2,819)
Changes in non-cash working capital balances	(1,551)	272
Related to:		
Operating activities	(1,048)	413
Investing activities	(503)	(141)
	(1,551)	272

20. SUBSEQUENT EVENT

Effective January 1, 2025, Hydro and Nalcor were legislatively amalgamated into a new legal corporation that will continue under the name "Newfoundland and Labrador Hydro". The amalgamated corporation holds the combined assets and liabilities of the former Hydro and Nalcor entities and is bound by any previously existing contracts and agreements from the former entities. As well, the legislation confirms the continuation of any security or guarantees provided by the Provincial Government to Nalcor with Hydro.