

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**March 31, 2025**  
**(Unaudited)**

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**STATEMENT OF FINANCIAL POSITION**  
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	<i>Notes</i>	<b>March 31 2025</b>	<b>December 31 2024</b>
<b>ASSETS</b>			
Current assets			
Restricted cash		<b>76,600</b>	78,297
Short-term investments		-	12
Trade and other receivables		<b>17,083</b>	16,812
Related party receivable	6	<b>1,921</b>	2,171
Prepayments		<b>815</b>	1,630
Total current assets		<b>96,419</b>	98,922
Non-current assets			
Long-term investments		<b>12</b>	-
Right-of-use assets		<b>1,621</b>	1,676
Total assets		<b>98,052</b>	100,598
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Trade and other payables		<b>7,955</b>	8,724
Contract liability	3	<b>2,901</b>	2,927
Related party payable	6	<b>58,389</b>	61,255
Current portion of lease liabilities		<b>67</b>	100
Total current liabilities		<b>69,312</b>	73,006
Non-current liabilities			
Lease liabilities		<b>1,607</b>	1,625
Total liabilities		<b>70,919</b>	74,631
Shareholder's equity			
Share capital		<b>9,041</b>	9,041
Shareholder contributions		<b>106,903</b>	106,903
Deficit		<b>(88,811)</b>	(89,977)
Total equity		<b>27,133</b>	25,967
Total liabilities and equity		<b>98,052</b>	100,598

Commitments and contingencies (Note 7)

*See accompanying notes*

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**STATEMENT OF PROFIT AND COMPREHENSIVE INCOME**  
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	<b>Three months ended</b>	
		<b>2025</b>	<b>2024</b>
Revenue	6	<b>114,093</b>	112,811
Net finance income		<b>712</b>	1,195
Total revenue		<b>114,805</b>	114,006
Transmission expense	6	<b>107,112</b>	106,226
Depreciation		<b>56</b>	55
Operating costs	4	<b>6,471</b>	6,455
Total expenses		<b>113,639</b>	112,736
Total profit and comprehensive income for the period		<b>1,166</b>	1,270

*See accompanying notes*

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**STATEMENT OF CHANGES IN EQUITY**  
(Unaudited)

<i>(thousands of Canadian dollars)</i>	<b>Share Capital</b>	<b>Shareholder Contributions</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance at January 1, 2025</b>	<b>9,041</b>	<b>106,903</b>	<b>(89,977)</b>	<b>25,967</b>
<b>Total profit and comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,166</b>	<b>1,166</b>
<b>Balance at March 31, 2025</b>	<b>9,041</b>	<b>106,903</b>	<b>(88,811)</b>	<b>27,133</b>
Balance at January 1, 2024	9,041	106,903	(94,507)	21,437
Total profit and comprehensive income for the period	-	-	1,270	1,270
Balance at March 31, 2024	9,041	106,903	(93,237)	22,707

*See accompanying notes*

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**(Unaudited)**

<i>For the period ended March 31 (thousands of Canadian dollars)</i>		<b>Three months ended</b>	
	Note	<b>2025</b>	<b>2024</b>
Operating activities			
Profit for the period		<b>1,166</b>	1,270
Adjustments to reconcile profit to cash provided from (used in) operating activities:			
Depreciation		<b>56</b>	55
Finance income		<b>(736)</b>	(1,221)
Finance expense		<b>24</b>	26
		<b>510</b>	130
Changes in non-cash working capital balances	8	<b>(235)</b>	(10,310)
Change in contract liability		<b>(26)</b>	1,123
Change in related party receivable		<b>250</b>	(1,616)
Interest received		<b>746</b>	1,348
Net cash provided from (used in) operating activities		<b>1,245</b>	(9,325)
Investing activity			
Increase in investments		-	(12)
Net cash used in investing activity		-	(12)
Financing activities			
Decrease in restricted cash		<b>1,697</b>	12,043
Decrease in related party payable		<b>(2,866)</b>	(2,633)
Repayment of lease liabilities		<b>(76)</b>	(73)
Net cash (used in) provided from financing activities		<b>(1,245)</b>	9,337
Net increase (decrease) in cash		-	-
Cash, beginning of the period		-	-
Cash, end of the period		-	-

*See accompanying notes*

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

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**1. DESCRIPTION OF BUSINESS**

Labrador-Island Link Operating Corporation (LIL Opco or the Company) was incorporated on November 13, 2013 under the laws of Newfoundland and Labrador. LIL Opco is a 100% owned subsidiary of Newfoundland and Labrador Hydro (Hydro). LIL Opco's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

LIL Opco was formed to operate and maintain the Labrador-Island Link (LIL). The LIL consists of equipment and facilities constructed between the Labrador Transmission Assets and the Newfoundland and Labrador Island Interconnected System.

LIL Opco has entered into the LIL Lease with the Labrador-Island Link Limited Partnership (LIL LP) and the Transmission Funding Agreement (TFA) with Hydro. As a result of these agreements, LIL Opco is the transmission provider for purposes of offering transmission service to Hydro over the LIL during the term of the TFA.

- 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, LIL Opco is wholly owned and controlled by the amalgamated entity (Hydro).

**2. MATERIAL ACCOUNTING POLICIES**

**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 financial statements for the year ended December 31, 2024.

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

These condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars with all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors of LIL Opco has delegated the authority to approve the condensed interim financial statements to the Audit Committee of the Board of Directors of Hydro, which approved the condensed interim financial statements on May 14, 2025.

**3. CONTRACT LIABILITY**

	<b>March 31</b>	<b>December 31</b>
<i>As at (thousands of Canadian dollars)</i>	<b>2025</b>	<b>2024</b>
Contract liability, beginning of the period	<b>2,927</b>	12,550
Revenue recognized	<b>(114,093)</b>	(457,738)
Payments	<b>114,067</b>	448,115
Contract liability, end of the period	<b>2,901</b>	2,927

The contract liability represents the timing difference between the satisfaction of performance obligations to Hydro under the TFA and the timing of commercial payments.

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

**4. OPERATING COSTS**

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	<b>Three months ended</b>	
	<b>2025</b>	<b>2024</b>
Salaries and benefits	<b>3,073</b>	3,136
Maintenance and materials	<b>1,276</b>	1,549
Insurance	<b>829</b>	848
Other operating costs	<b>1,293</b>	922
	<b>6,471</b>	6,455

**5. 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 disclosed are not necessarily indicative of the amounts that LIL Opco might receive or incur in actual market transactions.

As a significant number of LIL Opco's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates disclosed do not reflect the fair value of LIL Opco 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, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 fair value measurements during the period ended March 31, 2025 and the year ended December 31, 2024.

As at March 31, 2025 and December 31, 2024, the Company did not have any Level 2 or Level 3 instruments. The fair values of restricted cash, investments, trade and other receivables, related party receivable, trade and other payables, and related party payable approximate their carrying values due to their short-term maturity.

**6. RELATED PARTY TRANSACTIONS**

LIL Opco 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.

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

Related parties with which LIL Opco transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of LIL Opco
Labrador Transmission Corporation	Wholly-owned subsidiary of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
LIL LP	Limited partnership between Labrador-Island Link Holding Corporation and KKR Island Link Incorporated, formerly ENL Island Link Incorporated
Muskrat Falls Corporation	Wholly-owned subsidiary of Hydro

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

		March 31 2025	December 31 2024
<i>As at (thousands of Canadian dollars)</i>			
<b>Trade and other receivables:</b>			
Other related parties		6	-
<b>Related party receivable:</b>			
Other related parties (a)		1,921	2,171
<b>Trade and other payables:</b>			
Parent		4,027	5,080
Other related parties		251	315
<b>Contract liability:</b>			
Parent Note 3		2,901	2,927
<b>Related party payable:</b>			
Other related parties (b)		58,389	61,255
<i>For the period ended March 31 (thousands of Canadian dollars)</i>			
<b>Revenue:</b>			
Parent (c)		114,093	112,811
<b>Transmission expense:</b>			
Other related parties (c)		107,112	106,226
<b>Operating costs:</b>			
Parent		3,766	3,525
Other related parties		30	30

- (a) The related party receivable represents the timing differences between the satisfaction of performance obligations from LIL LP under the LIL Lease and the timing of commercial payments.
- (b) LIL Opco has a non-interest bearing payable with LIL LP which is payable upon demand to LIL LP as cash is required to fund remaining construction costs of the LIL assets.
- (c) LIL Opco earned revenue from Hydro in relation to the TFA and has a transmission expense with LIL LP in relation to the LIL Lease.



**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)**

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**7. COMMITMENTS AND CONTINGENCIES**

- (a) On November 30, 2013, LIL Opco entered into the LIL Lease to rent the LIL assets from LIL LP. Under the terms of the agreement, LIL Opco assumes the responsibility for operating and maintaining the LIL and provides rent payments to LIL LP as consideration for LIL LP renting, sub-letting, assigning or licensing as applicable, all assets and rights associated with the LIL. The rent payments will be sufficient to recover all costs associated with the LIL over the term of its service life. LIL Opco's obligation to make rent payments to LIL LP is absolute, unconditional and irrevocable until the initial financing obtained by LIL LP has been paid in full.
- (b) In conjunction with the LIL Lease, LIL Opco also entered into the TFA with Hydro. The TFA payments will be sufficient for LIL Opco to recover all costs associated with rent payments under the LIL Lease, all costs associated with operating and maintenance incurred by LIL Opco and an administrative fee of \$30 thousand per year. The TFA payments ensure LIL Opco can meet its obligations under the LIL Lease. Hydro's obligation to make payments under the TFA is absolute, unconditional and irrevocable. Revenue allocated to the remaining performance obligation (unsatisfied or partially unsatisfied) related to transmission sales under the TFA as at March 31, 2025 is \$466 million (December 31, 2024 - \$464 million) within one year and \$23,284 million (December 31, 2024 - \$23,295 million) in more than one year.
- (c) LIL Opco has irrevocably, absolutely and unconditionally guaranteed the due and timely payment of all obligations of LIL LP in accordance with the LIL Project Finance Agreement. This guarantee is that of payment and not merely a guarantee of collection. LIL Opco has also granted first ranking liens on all its respective present and future assets other than excluded deposits and contributed surplus.
- (d) LIL Opco 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.

**8. SUPPLEMENTARY CASH FLOW INFORMATION**

	<b>Three months ended</b>	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	<b>2025</b>	<b>2024</b>
Trade and other receivables	<b>(281)</b>	(10,311)
Prepayments	<b>815</b>	835
Trade and other payables	<b>(769)</b>	(834)
Changes in non-cash working capital balances	<b>(235)</b>	(10,310)