

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**FINANCIAL STATEMENTS**  
**December 31, 2024**

## Independent Auditor's Report

To the Shareholder of  
Labrador-Island Link Operating Corporation

### Opinion

We have audited the financial statements of Labrador-Island Link Operating Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2024, and the 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.

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 OPERATING CORPORATION** **STATEMENT OF FINANCIAL POSITION**

<i>As at December 31 (thousands of Canadian dollars)</i>	<i>Notes</i>	<b>2024</b>	<b>2023</b>
<b>ASSETS</b>			
Current assets			
Restricted cash	5	<b>78,297</b>	90,672
Short-term investments		<b>12</b>	-
Trade and other receivables	6	<b>16,812</b>	7,711
Related party receivable	12	<b>2,171</b>	11,518
Prepayments		<b>1,630</b>	1,672
Total current assets		<b>98,922</b>	111,573
Non-current assets			
Right-of-use assets		<b>1,676</b>	1,898
Total assets		<b>100,598</b>	113,471
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Trade and other payables	7	<b>8,724</b>	5,841
Contract liability	8	<b>2,927</b>	12,550
Related party payable	12	<b>61,255</b>	71,725
Current portion of lease liabilities		<b>100</b>	193
Total current liabilities		<b>73,006</b>	90,309
Non-current liabilities			
Lease liabilities		<b>1,625</b>	1,725
Total liabilities		<b>74,631</b>	92,034
Shareholder's equity			
Share capital	9	<b>9,041</b>	9,041
Shareholder contributions		<b>106,903</b>	106,903
Deficit		<b>(89,977)</b>	(94,507)
Total equity		<b>25,967</b>	21,437
Total liabilities and equity		<b>100,598</b>	113,471

Commitments and contingencies (Note 13)

Subsequent event (Note 16)

*See accompanying notes*

On behalf of the Board:

  
 \_\_\_\_\_  
 DIRECTOR

  
 \_\_\_\_\_  
 DIRECTOR

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

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	<b>2024</b>	2023
Revenue	12	<b>457,738</b>	322,914
Net finance income		<b>4,418</b>	4,182
Total revenue		<b>462,156</b>	327,096
Transmission expense	12	<b>426,318</b>	300,824
Depreciation		<b>222</b>	133
Operating costs	10	<b>31,086</b>	21,790
Total expenses		<b>457,626</b>	322,747
Total profit and comprehensive income for the year		<b>4,530</b>	4,349

*See accompanying notes*

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

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Shareholder Contributions	Deficit	Total
<b>Balance at January 1, 2024</b>		<b>9,041</b>	<b>106,903</b>	<b>(94,507)</b>	<b>21,437</b>
<b>Total profit and comprehensive income for the year</b>		<b>-</b>	<b>-</b>	<b>4,530</b>	<b>4,530</b>
<b>Balance at December 31, 2024</b>		<b>9,041</b>	<b>106,903</b>	<b>(89,977)</b>	<b>25,967</b>
Balance at January 1, 2023		9,041	106,903	(68)	115,876
Total profit and comprehensive income for the year		-	-	4,349	4,349
Dividends	9	-	-	(98,788)	(98,788)
Balance at December 31, 2023		9,041	106,903	(94,507)	21,437

*See accompanying notes*

# **LABRADOR - ISLAND LINK OPERATING CORPORATION** **STATEMENT OF CASH FLOWS**

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	<i>Notes</i>	<b>2024</b>	<b>2023</b>
Operating activities			
Profit for the year		<b>4,530</b>	4,349
Adjustments to reconcile profit to cash (used in) provided from operating activities:			
Depreciation		<b>222</b>	133
Finance income		<b>(4,520)</b>	(4,238)
Finance expense		<b>102</b>	56
		<b>334</b>	300
Changes in non-cash working capital balances	15	<b>(6,429)</b>	(83)
Change in contract liability		<b>(9,623)</b>	12,550
Change in related party receivable		<b>9,347</b>	(11,518)
Interest received		<b>4,773</b>	3,745
Interest paid		<b>(1)</b>	(1)
Net cash (used in) provided from operating activities		<b>(1,599)</b>	4,993
Investing activities			
Decrease in prepaid rent		-	112,900
Change in short-term investments		<b>(12)</b>	11
Net cash (used in) provided from investing activities		<b>(12)</b>	112,911
Financing activities			
Change in restricted cash		<b>12,375</b>	(90,672)
Change in related party payable		<b>(10,470)</b>	71,725
Dividends	9	-	(98,788)
Repayment of lease liabilities		<b>(294)</b>	(169)
Net cash provided from (used in) financing activities		<b>1,611</b>	(117,904)
Net increase (decrease) in cash		-	-
Cash, beginning of the year		-	-
Cash, end of the year		-	-

*See accompanying notes*

# **LABRADOR - ISLAND LINK OPERATING CORPORATION**

## **NOTES TO THE FINANCIAL STATEMENTS**

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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 Nalcor Energy (Nalcor). 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 Newfoundland and Labrador Hydro (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.

### **2. MATERIAL ACCOUNTING POLICIES**

#### **2.1 Statement of Compliance and Basis of Measurement**

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

#### **2.2 Restricted Cash**

Cash held in accounts administered by the Collateral Agent, under the terms of the LIL Collateral Agency Agreement and Blocked Account Agreement, is classified as restricted cash.

#### **2.3 Short-term Investments**

Investments with maturities greater than three months and less than twelve months are classified as short-term investments.

#### **2.4 Provisions**

A provision is a liability of uncertain timing or amount. A provision is recognized if the Company has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Statement of Financial Position date using the current discount rate.

#### **2.5 Revenue Recognition**

LIL Opco recognizes revenue from contracts with customers related to the right to use the LIL. Revenue is measured based on the consideration specified in the contract with a customer, forecasted over the term of the contract and constrained where applicable. Sales are at rates under the terms of the applicable contracts, or at market rates.

Revenue is recognized when LIL Opco 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 payments are not aligned.



**2.6 Income Taxes**

The Company is exempt from paying income taxes under Paragraph 149(1) (d.2) of the Income Tax Act.

**2.7 Financial Instruments**

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Statement of Financial Position when LIL Opco 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 Opco's financial assets at amortized cost include restricted cash, short-term investments, trade and other receivables and related party receivable.

Financial Liabilities at Amortized Cost

LIL Opco 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 Opco's financial liabilities at amortized cost include trade and other payables and related party payable.

Derecognition of Financial Instruments

LIL Opco 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 Opco 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 Opco 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 Opco always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on LIL Opco'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 Opco 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 are restricted cash and short-term investments.

For all other financial instruments, LIL Opco 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 Opco 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**

##### 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.

### **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*<sup>1</sup>
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity*<sup>2</sup>
- *IFRS 18 – Presentation and Disclosures in Financial Statements*<sup>3</sup>

<sup>1</sup> Effective for annual periods beginning on or after January 1, 2024.

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

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

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**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 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 Opco's 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 Opco'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 Opco's financial statements.

**5. RESTRICTED CASH**

Restricted cash primarily consists of cash transferred from LIL LP relating to funding of remaining construction costs of the LIL assets (the related party payable). Restricted cash also consists of cash received under the TFA to be used to make LIL Lease payments and to pay operating and maintenance costs of the LIL with the residual amount to be used for distribution. LIL Opco draws funds from these accounts in accordance with procedures set out in the LIL Project Finance Agreement.

**6. TRADE AND OTHER RECEIVABLES**

<i>As at December 31 (thousands of Canadian dollars)</i>	<i>Note</i>	<b>2024</b>	<b>2023</b>
HST receivable		<b>16,560</b>	6,925
Accrued interest		<b>247</b>	500
Trade receivables		<b>5</b>	31
Due from related parties	12	-	255
		<b>16,812</b>	7,711

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. TRADE AND OTHER PAYABLES**

<i>As at December 31 (thousands of Canadian dollars)</i>	Note	<b>2024</b>	2023
Due to related parties	12	<b>5,395</b>	2,965
Trade payables and accruals		<b>3,329</b>	2,876
		<b>8,724</b>	5,841

**8. CONTRACT LIABILITY**

<i>As at December 31 (thousands of Canadian dollars)</i>	<b>2024</b>	2023
Contract liability, beginning of the year	<b>12,550</b>	-
Revenue recognized	<b>(457,738)</b>	(325,313)
Payments	<b>448,115</b>	337,863
Contract liability, end of the year	<b>2,927</b>	12,550

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

**9. SHAREHOLDER'S EQUITY**

**9.1 Share Capital**

<i>As at December 31 (thousands of Canadian dollars)</i>	<b>2024</b>	2023
Common shares without nominal or par value		
Authorized - unlimited		
Issued - fully paid and outstanding - 200	<b>9,041</b>	9,041

**9.2 Dividends**

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	<b>2024</b>	2023
Declared and paid during the year		
Common dividend for current year	-	98,788

**10. OPERATING COSTS**

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	<b>2024</b>	2023
Salaries and benefits	<b>12,487</b>	7,594
Maintenance and materials	<b>10,642</b>	9,239
Other operating costs	<b>4,599</b>	3,259
Insurance	<b>3,358</b>	1,698
	<b>31,086</b>	21,790

**11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**11.1 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 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 years ended December 31, 2024 and 2023.

As at December 31, 2024 and 2023, the Company did not have any Level 2 or Level 3 instruments. The fair values of restricted cash, short-term 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.

**11.2 Risk Management**

The Company is exposed to certain credit, liquidity and market price 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 the Company's expected future cash flows.

Credit Risk

LIL Opco's expected future cash flows are exposed to credit risk through its operating, financing and investing activities, based on the risk of non-performance by counterparties to its financial instruments. The degree of exposure to credit risk on restricted cash, short-term investments, 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 restricted cash and short-term investments is minimal, as LIL Opco's deposits are held by a Canadian Schedule 1 Chartered Bank with a rating of A+ (Standard and Poor's). Credit risk on trade and other receivables and related party receivables is also minimal as the Company does not have any material amounts that are past due and uncollectable.

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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Liquidity Risk

LIL Opco is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management activities are directed at ensuring cash is available to meet those obligations as they become due. Short-term liquidity is provided through restricted cash on hand, related party loans and shareholder contributions. Liquidity risk is considered minimal as LIL Opco's obligations are funded entirely by Hydro under the terms of the TFA.

Market Risk

LIL Opco may be exposed to possible market price movements that could impact expected future cash flows of certain financial assets due to changes in prevailing interest rates. LIL Opco 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.

**12. 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.

Related parties with which LIL Opco transacts are as follows:

Related Party	Relationship
Nalcor	100% shareholder of LIL Opco
Hydro	Wholly-owned subsidiary of Nalcor
Labrador Transmission Corporation	Wholly-owned subsidiary of Nalcor
Lower Churchill Management Corporation	Wholly-owned subsidiary of Nalcor
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 Nalcor

**LABRADOR - ISLAND LINK OPERATING CORPORATION**  
**NOTES TO THE FINANCIAL STATEMENTS**

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>		<b>2024</b>	<b>2023</b>
<b>Trade and other receivables:</b>			
Other related parties	Note 6	-	255
<b>Related party receivable:</b>			
Other related parties	(a)	<b>2,171</b>	11,518
<b>Trade and other payables:</b>			
Parent	Note 7	<b>5,080</b>	2,677
Other related parties		<b>315</b>	288
<b>Contract liability:</b>			
Other related parties	Note 8	<b>2,927</b>	12,550
<b>Related party payable:</b>			
Other related parties	(b)	<b>61,255</b>	71,725
<i>For the year ended December 31 (thousands of Canadian dollars)</i>		<b>2024</b>	<b>2023</b>
<b>Revenue:</b>			
Other related parties	(c)	<b>457,738</b>	322,914
<b>Transmission expense:</b>			
Other related parties	(c)	<b>426,318</b>	300,824
<b>Operating costs:</b>			
Parent		<b>14,085</b>	7,532
Other related parties		<b>130</b>	-

- (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.

**13. 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 December 31, 2024 is \$464 million (2023 - \$462 million) within one year and \$23,295 million (2023 - \$23,648 million) in more than one year.

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- (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.

**14. CAPITAL MANAGEMENT**

Capital includes share capital and shareholder contributions. LIL Opco's objectives when managing capital are to maintain its ability to continue as a going concern and ensure timely payment of its contractual obligations. Cash generated from operations will be sufficient to fund the operating and maintenance activities of the LIL.

**15. SUPPLEMENTARY CASH FLOW INFORMATION**

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	<b>2024</b>	<b>2023</b>
Trade and other receivables	<b>(9,354)</b>	(4,029)
Prepayments	<b>42</b>	(1,672)
Trade and other payables	<b>2,883</b>	5,618
Changes in non-cash working capital balances	<b>(6,429)</b>	(83)

**16. 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.