

**CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS**

June 30, 2025

(Unaudited)

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

<i>As at (thousands of Canadian dollars)</i>	<i>Notes</i>	June 30 2025	December 31 2024
ASSETS			
Current assets			
Cash		176,464	138,670
Restricted cash		298	298
Trade and other receivables	3	13,011	51,630
Inventories		23,579	22,970
Current portion of reserve fund		28,927	18,236
Prepayments		320	2,430
Total current assets		242,599	234,234
Non-current assets			
Property, plant and equipment	4	1,036,581	1,002,582
Intangible assets		793	754
Reserve fund		46,286	57,135
Total assets		1,326,259	1,294,705
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	47,499	51,675
Rental and royalty payable	13	4,394	8,679
Deferred revenue	6	9,793	6,112
Decommissioning and environmental liabilities		1,419	1,486
Current portion of deferred credits		1,514	1,514
Current portion of deferred contributions		497	497
Total current liabilities		65,116	69,963
Non-current liabilities			
Deferred credits		23,090	23,723
Deferred contributions		9,587	9,808
Employee future benefits		29,758	29,339
Total liabilities		127,551	132,833
Shareholders' equity			
Share capital		82,900	82,900
Contributed capital		8,195	8,195
Reserves		7,296	5,980
Retained earnings		1,100,317	1,064,797
Total equity		1,198,708	1,161,872
Total liabilities and equity		1,326,259	1,294,705

Commitments and contingencies (Note 14)

See accompanying notes

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

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
Energy sales	13	33,120	33,838	63,730	68,104
Guaranteed winter availability	13	-	-	22,266	22,687
Net finance income	8	1,183	2,224	2,887	4,814
Other revenue	9	3,133	12,213	4,407	13,496
Revenue		37,436	48,275	93,290	109,101
Operating costs	10	19,054	17,889	36,036	33,817
Depreciation and amortization		6,285	8,464	12,535	18,198
Other expense	11	1,254	2,061	4,338	5,524
Expenses		26,593	28,414	52,909	57,539
Profit for the period		10,843	19,861	40,381	51,562
Other comprehensive income for the period					
Net fair value gain on reserve fund		584	805	1,316	419
Other comprehensive income for the period		584	805	1,316	419
Total comprehensive income for the period		11,427	20,666	41,697	51,981

See accompanying notes

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

<i>(thousands of Canadian dollars)</i>	Notes	Share Capital	Contributed Capital	Fair Value Reserve	Employee Benefit Reserve		Retained Earnings	Total
Balance at January 1, 2025		82,900	8,195	114	5,866	1,064,797	1,161,872	
Profit for the period		-	-	-	-	40,381	40,381	
Net fair value gain on reserve fund				1,316				1,316
Total comprehensive income for the period		-	-	1,316	-	40,381	41,697	
Preferred dividends	7	-	-	-	-	(4,861)	(4,861)	
Balance at June 30, 2025		82,900	8,195	1,430	5,866	1,100,317	1,198,708	
 Balance at January 1, 2024		82,900	8,195	(2,351)	6,799	993,674	1,089,217	
Profit for the period		-	-	-	-	51,562	51,562	
Net fair value gain on reserve fund		-	-	419	-	-	419	
Total comprehensive income for the period		-	-	419	-	51,562	51,981	
Preferred dividends	7	-	-	-	-	(4,142)	(4,142)	
Balance at June 30, 2024		82,900	8,195	(1,932)	6,799	1,041,094	1,137,056	

See accompanying notes

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

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Six months ended	
		2025	2024	2025	2024
Operating activities					
Profit for the period		10,843	19,861	40,381	51,562
Adjustments to reconcile profit to cash provided from operating activities:					
Depreciation and amortization		6,285	8,464	12,535	18,198
Finance income	8	(1,200)	(2,243)	(2,920)	(4,850)
Finance expense	8	17	19	33	36
Other		(196)	(155)	(560)	(506)
		15,749	25,946	49,469	64,440
Changes in non-cash working capital balances	15	12,044	9,525	23,432	1,063
Change in deferred revenue	6	5,712	-	3,681	-
Interest received		1,740	2,516	3,496	5,168
Interest paid		(16)	(16)	(30)	(29)
Net cash provided from operating activities		35,229	37,971	80,048	70,642
Investing activities					
Additions to property, plant and equipment and intangible assets		(30,429)	(18,212)	(46,573)	(25,352)
Withdrawals from reserve fund		1,474	950	1,474	758
Changes in non-cash working capital balances	15	7,783	4,140	7,651	(9,050)
Additions to deferred credits		125	-	125	-
Settlement of environmental liabilities		(11)	(60)	(70)	(86)
Net cash used in investing activities		(21,058)	(13,182)	(37,393)	(33,730)
Financing activities					
Preferred dividends	7	(2,994)	(2,599)	(4,861)	(4,142)
Net cash used in financing activities		(2,994)	(2,599)	(4,861)	(4,142)
Net increase in cash		11,177	22,190	37,794	32,770
Cash, beginning of the period		165,287	141,305	138,670	130,725
Cash, end of the period		176,464	163,495	176,464	163,495

See accompanying notes

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

1. DESCRIPTION OF BUSINESS

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

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

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

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with *International Accounting Standard 34 – Interim Financial Reporting* and have been prepared using accounting policies consistent with those used in the preparation of the annual audited consolidated financial statements for the year ended December 31, 2024.

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

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

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

3. TRADE AND OTHER RECEIVABLES

<i>As at (thousands of Canadian dollars)</i>	<i>Note</i>	June 30	December 31
		2025	2024
Due from related parties	13	9,853	41,697
Other receivables		3,158	9,933
		13,011	51,630

Other receivables primarily includes HST remittances.

4. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Hydroelectric Generation Plant	Transmission and Distribution	Service Facilities and Other	Construction in Progress	Total
Cost					
Balance at January 1, 2024	966,932	424,791	316,218	54,474	1,762,415
Additions	-	-	-	90,416	90,416
Decommissioning liability and revisions	-	(50)	-	-	(50)
Other adjustments	237	71	-	(74)	234
Disposals	(6,310)	(30)	(1,386)	-	(7,726)
Transfers	46,441	15,565	19,439	(81,445)	-
Balance at December 31, 2024	1,007,300	440,347	334,271	63,371	1,845,289
Additions	-	-	-	46,511	46,511
Other adjustments	(233)	233	-	-	-
Disposals	-	(199)	-	-	(199)
Transfers	-	1	(65)	(15)	(79)
Balance at June 30, 2025	1,007,067	440,382	334,206	109,867	1,891,522
Depreciation					
Balance at January 1, 2024	503,034	167,858	146,036	-	816,928
Depreciation	13,716	8,362	8,382	-	30,460
Disposals	(3,295)	-	(1,386)	-	(4,681)
Balance at December 31, 2024	513,455	176,220	153,032	-	842,707
Depreciation	5,771	3,657	3,005	-	12,433
Disposals	-	(199)	-	-	(199)
Balance at June 30, 2025	519,226	179,678	156,037	-	854,941
Carrying value					
Balance at January 1, 2024	463,898	256,933	170,182	54,474	945,487
Balance at December 31, 2024	493,845	264,127	181,239	63,371	1,002,582
Balance at June 30, 2025	487,841	260,704	178,169	109,867	1,036,581

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

5. TRADE AND OTHER PAYABLES

<i>As at (thousands of Canadian dollars)</i>	<i>Note</i>	June 30	December 31
		2025	2024
Trade payables and accruals		44,917	38,894
Due to related parties	13	886	4,452
Other payables		1,696	8,329
		47,499	51,675

Other payables primarily includes HST remittances.

6. DEFERRED REVENUE

<i>As at (thousands of Canadian dollars)</i>	<i>Note</i>	June 30	December 31
		2025	2024
Deferred revenue, beginning of the period		6,112	-
Revenue recognized		(25,286)	(52,356)
Payments		28,967	58,468
Deferred revenue, end of the period	13	9,793	6,112

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

7. SHAREHOLDERS' EQUITY

Dividends Paid and Proposed

<i>For the period ended June 30 (thousands of Canadian dollars)</i>		Three months ended	Six months ended
		2025	2024
Declared during the period			
Final preferred dividend for prior year		-	-
Interim preferred dividend for current period		2,994	2,599
		2,994	2,599
		2025	2024
		533	17
		4,328	4,125
		4,861	4,142

8. NET FINANCE INCOME

<i>For the period ended June 30 (thousands of Canadian dollars)</i>		Three months ended	Six months ended
		2025	2024
Finance income			
Interest on reserve fund		(195)	125
Bank interest income		1,395	2,118
		1,200	2,243
Finance expense			
Accretion of decommissioning liability		1	3
Other		16	16
		17	19
Net finance income		1,183	2,224
		2,887	4,814

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

9. OTHER REVENUE

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Note	Three months ended		Six months ended	
		2025	2024	2025	2024
Service fee revenue	13	1,914	11,018	1,914	11,018
Grocery store revenue		708	614	1,360	1,270
Other revenue		511	581	1,133	1,208
		3,133	12,213	4,407	13,496

10. OPERATING COSTS

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Note	Three months ended		Six months ended	
		2025	2024	2025	2024
Salaries and benefits		11,450	10,952	23,138	21,416
Maintenance and materials		4,499	2,728	6,548	4,545
Insurance		1,158	1,252	2,250	2,501
Travel		719	1,117	1,042	1,304
Grocery store cost of goods sold		539	546	1,026	1,088
Professional services		529	728	929	1,089
Other operating costs		160	566	1,103	1,874
		19,054	17,889	36,036	33,817

11. OTHER EXPENSE

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Note	Three months ended		Six months ended	
		2025	2024	2025	2024
Rental and royalty	13	1,264	2,083	4,348	5,546
Other		(10)	(22)	(10)	(22)
		1,254	2,061	4,338	5,524

12. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at June 30, 2025 and December 31, 2024 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used, including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Churchill Falls might receive or incur in actual market transactions.

As a significant number of Churchill Falls' assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Churchill Falls as a whole.

Establishing Fair Value

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the nature of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

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

Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, Churchill Falls determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 during the period ended June 30, 2025 and the year ended December 31, 2024.

As at June 30, 2025 and December 31, 2024, Churchill Falls did not have any Level 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>(thousands of Canadian dollars)</i>		June 30, 2025		December 31, 2024	
Financial assets					
Reserve fund	2	75,213	75,213	75,371	75,371

The fair values of cash, restricted cash, trade and other receivables, trade and other payables, and rental and royalty payable approximate their carrying values due to their short-term maturity.

The fair values of Level 2 financial instruments are determined using quoted prices in active markets, which in some cases are adjusted for factors specific to the asset or liability. Level 2 fair values of other risk management assets and liabilities are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

13. RELATED PARTY TRANSACTIONS

Churchill Falls enters into various transactions with its shareholders and other related parties. Unless otherwise noted, these transactions occur within the normal course of operations and are measured at the exchange amount, which is the amount of consideration agreed to by the related parties. Outstanding balances due to or from related parties are non-interest bearing with settlement normally within 30 days.

Related parties with which Churchill Falls transacts are as follows:

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

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

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

<i>As at (thousands of Canadian dollars)</i>		June 30	December 31
		2025	2024
Trade and other receivables:			
Hydro-Québec	Note 3	6,292	26,747
Hydro	Note 3	3,561	14,950
Rental and royalty payable:			
The Province	(a)	4,394	8,679
Trade and other payables:			
Hydro	Note 5	886	567
Other Related Parties		-	3,885
Deferred revenue:			
Hydro-Québec	Note 6	9,793	6,112
<i>For the period ended June 30 (thousands of Canadian dollars)</i>		Three months ended	Six months ended
		2025	2024
Energy sales:			
Hydro-Québec		19,529	20,855
Hydro		13,591	12,983
Guaranteed winter availability:			
Hydro-Québec		-	-
Other revenue:			
Other Related Parties	(b)	1,914	11,018
Hydro-Québec		402	464
Operating costs (recoveries):			
Hydro		1,513	1,276
Other Related Parties		394	(11)
Hydro-Québec		(203)	(41)
Other expense:			
The Province		1,264	2,083
		4,348	5,546

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

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

14. COMMITMENTS AND CONTINGENCIES

- (a) Outstanding commitments for capital projects total approximately \$107.1 million as at June 30, 2025 (December 31, 2024 - \$92.6 million).
- (b) Churchill Falls is subject to legal claims with respect to impact on land use, energy and capacity delivery, construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavourable outcome for Churchill Falls, they may have a significant adverse effect on Churchill Falls' financial position.
- (c) The Water Management Agreement between Churchill Falls and Muskrat Falls provides for coordinated production for the efficient use of water on the Churchill River system by ensuring that water is available to meet delivery requirements and contractual commitments for both Churchill Falls and Muskrat Falls, while maximizing the energy produced from the water resource. As at June 30, 2025, Muskrat Falls has stored the equivalent of approximately 1.1 TWh (December 31, 2024 – 1.0 TWh) of energy in the Churchill Falls reservoir.

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

15. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the period ended June 30 (thousands of Canadian dollars)</i>	Three months ended		Six months ended	
	2025	2024	2025	2024
Trade and other receivables	9,931	468	38,043	(3,082)
Inventories	(50)	170	(609)	(307)
Prepayments	1,206	1,446	2,110	2,722
Trade and other payables	7,475	9,498	(4,176)	(6,256)
Rental and royalty payable	1,265	2,083	(4,285)	(1,064)
Change in non-cash working capital balances	19,827	13,665	31,083	(7,987)
 Related to:				
Operating activities	12,044	9,525	23,432	1,063
Investing activities	7,783	4,140	7,651	(9,050)
	19,827	13,665	31,083	(7,987)