

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2026
(Unaudited)

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

<i>As at (thousands of Canadian dollars)</i>	Notes	March 31 2026	December 31 2025
ASSETS			
Current assets			
Cash		115,960	126,918
Trade and other receivables	3	40,539	52,203
Inventories		23,678	22,100
Current portion of reserve fund		25,512	25,864
Prepayments		1,545	2,433
Total current assets		207,234	229,518
Non-current assets			
Property, plant and equipment	4	1,121,292	1,112,993
Intangible assets		746	777
Reserve fund		49,645	49,459
Total assets		1,378,917	1,392,747
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	46,758	82,455
Rental and royalty payable	13	3,274	8,160
Deferred revenue	6	5,609	6,665
Decommissioning and environmental liabilities		159	612
Current portion of deferred credits	7	1,514	1,514
Current portion of deferred contributions		497	497
Total current liabilities		57,811	99,903
Non-current liabilities			
Deferred credits	7	22,102	22,470
Deferred contributions		9,258	9,367
Employee future benefits		29,634	29,307
Total liabilities		118,805	161,047
Shareholders' equity			
Share capital		82,900	82,900
Contributed capital		8,195	8,195
Reserves		9,917	9,881
Retained earnings		1,159,100	1,130,724
Total equity		1,260,112	1,231,700
Total liabilities and equity		1,378,917	1,392,747

Commitments and contingencies (Note 14)

See accompanying notes

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

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2026	2025
Energy sales	13	29,891	30,610
Guaranteed winter availability	13	24,505	22,266
Net finance income	9	1,235	1,704
Other revenue		1,204	1,274
Revenue		56,835	55,854
Operating costs	10	16,588	16,982
Depreciation and amortization		6,845	6,250
Other expense	11	3,213	3,084
Expenses		26,646	26,316
Profit for the period		30,189	29,538
Other comprehensive income			
Total items that may or have been reclassified to profit or loss:			
Net fair value gain on reserve fund		36	732
Other comprehensive income for the period		36	732
Total comprehensive income for the period		30,225	30,270

See accompanying notes

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

<i>(thousands of Canadian dollars)</i>	Notes	Share Capital	Contributed Capital	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2026		82,900	8,195	2,873	7,008	1,130,724	1,231,700
Profit for the period		-	-	-	-	30,189	30,189
Net fair value gain on reserve fund		-	-	36	-	-	36
Total comprehensive income for the period		-	-	36	-	30,189	30,225
Preferred dividends	8	-	-	-	-	(1,813)	(1,813)
Balance at March 31, 2026		82,900	8,195	2,909	7,008	1,159,100	1,260,112
Balance at January 1, 2025		82,900	8,195	114	5,866	1,064,797	1,161,872
Profit for the period		-	-	-	-	29,538	29,538
Net fair value gain on reserve fund		-	-	732	-	-	732
Total comprehensive income for the period		-	-	732	-	29,538	30,270
Preferred dividends	8	-	-	-	-	(1,867)	(1,867)
Balance at March 31, 2025		82,900	8,195	846	5,866	1,092,468	1,190,275

See accompanying notes

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

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2026	2025
Operating activities			
Profit for the period		30,189	29,538
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation and amortization		6,845	6,250
Finance income	9	(1,250)	(1,720)
Finance expense	9	15	16
Other		(613)	(364)
		35,186	33,720
Changes in non-cash working capital balances	15	(7,486)	11,388
Change in deferred revenue	6	(1,056)	(2,031)
Interest received		1,460	1,756
Interest paid		(15)	(14)
Net cash provided from operating activities		28,089	44,819
Investing activities			
Additions to property, plant and equipment and intangible assets		(16,034)	(16,144)
Withdrawals from reserve fund		202	-
Changes in non-cash working capital balances	15	(22,333)	(132)
Increase in deferred credits		10	-
Settlement of decommissioning and environmental liabilities		-	(59)
Other		921	-
Net cash used in investing activities		(37,234)	(16,335)
Financing activities			
Preferred dividends	8	(1,813)	(1,867)
Net cash used in financing activities		(1,813)	(1,867)
Net (decrease) increase in cash		(10,958)	26,617
Cash, beginning of the period		126,918	138,670
Cash, end of the period		115,960	165,287

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.

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, 2025.

These condensed interim financial statements do not include all of the disclosures normally found in Churchill Falls' annual audited financial statements and should be read in conjunction with the annual audited financial statements. Due to the seasonal nature of electricity demand, the volume of electricity sales is typically higher during the winter months, which contributes to fluctuations in the Company's interim financial results.

These condensed interim financial statements have been prepared on a historical cost basis except for financial assets at fair value through other comprehensive income (FVTOCI) which have been measured at fair value. The condensed interim financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise noted. The Board of Directors has delegated the authority to approve the condensed interim financial statements to the Churchill Falls' Audit Committee, which approved the condensed interim financial statements on May 12, 2026.

3. TRADE AND OTHER RECEIVABLES

<i>As at (thousands of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Due from related parties	13	36,052	45,487
Other receivables		4,487	6,716
		40,539	52,203

Other receivables primarily includes HST remittances.

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

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, 2025	1,007,300	440,347	334,271	63,371	1,845,289
Additions	1,603	233	-	135,012	136,848
Disposals	(294)	(631)	(232)	-	(1,157)
Transfers	33,421	60,269	24,733	(118,456)	(33)
Balance at December 31, 2025	1,042,030	500,218	358,772	79,927	1,980,947
Additions	-	-	-	16,015	16,015
Other adjustments	(912)	-	(9)	-	(921)
Balance at March 31, 2026	1,041,118	500,218	358,763	95,942	1,996,041
Depreciation					
Balance at January 1, 2025	513,455	176,220	153,032	-	842,707
Depreciation	11,698	8,132	6,180	-	26,010
Disposals	(214)	(388)	(161)	-	(763)
Balance at December 31, 2025	524,939	183,964	159,051	-	867,954
Depreciation	3,010	2,167	1,618	-	6,795
Balance at March 31, 2026	527,949	186,131	160,669	-	874,749
Carrying value					
Balance at January 1, 2025	493,845	264,127	181,239	63,371	1,002,582
Balance at December 31, 2025	517,091	316,254	199,721	79,927	1,112,993
Balance at March 31, 2026	513,169	314,087	198,094	95,942	1,121,292

5. TRADE AND OTHER PAYABLES

<i>As at (thousands of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Trade payables and accruals		41,686	69,072
Due to related parties	13	1,203	6,420
Other payables		3,869	6,963
		46,758	82,455

Other payables primarily includes HST remittances.

6. DEFERRED REVENUE

<i>As at (thousands of Canadian dollars)</i>	March 31 2026	December 31 2025
Deferred revenue, beginning of the period	6,665	6,112
Revenue recognized	(15,460)	(57,861)
Payments	14,404	58,414
Deferred revenue, end of the period	5,609	6,665

The deferred revenue represents the variance in payments received from Hydro-Québec compared to the revenue which has been earned.

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

7. DEFERRED CREDITS

Deferred credits primarily relate to Churchill Falls' obligation to provide required telecommunications services to Hydro-Québec in exchange for receiving legal title to the microwave telecommunications equipment linking the Churchill Falls Generating Station to Hydro-Québec's transmission system. This obligation is recognized over the term of the contract ending August 31, 2041 in Other Revenue, as Churchill Falls satisfies its service requirements.

<i>As at March 31, 2026 (thousands of Canadian dollars)</i>	Microwave	Other	Total
Deferred credits, beginning of the period	23,723	261	23,984
Additions	-	10	10
Amortization	(378)	-	(378)
Deferred credits, end of the period	23,345	271	23,616
Less: current portion	(1,514)	-	(1,514)
	21,831	271	22,102

8. SHAREHOLDERS' EQUITY

Dividends Paid and Proposed

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
Declared and paid during the period		
Final preferred dividend for prior year	31	533
Interim preferred dividend for current period	1,782	1,334
	1,813	1,867

9. NET FINANCE INCOME

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
Finance income		
Interest on reserve fund	322	368
Premium recognized on reserve fund maturities	(28)	-
Bank interest income	956	1,352
	1,250	1,720
Finance expense		
Accretion of decommissioning liability	-	2
Other interest expense	15	14
	15	16
Net finance income	1,235	1,704

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

10. OPERATING COSTS

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2026	2025
Salaries and benefits	11,231	11,688
Maintenance and materials	1,810	2,049
Professional services	1,553	400
Insurance	1,063	1,092
Grocery store cost of goods sold	561	487
Other operating costs	370	1,266
	16,588	16,982

11. OTHER EXPENSE

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Note	Three months ended	
		2026	2025
Rental and royalty	13	3,204	3,084
Other expense		9	-
		3,213	3,084

12. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at March 31, 2026 and December 31, 2025 are based on relevant market prices and information available at the time. Fair value estimates are based on valuation techniques which are significantly affected by the assumptions used, including the amount and timing of future cash flows and discount rates reflecting various degrees of risk. As such, the fair value estimates below are not necessarily indicative of the amounts that Churchill Falls might receive or incur in actual market transactions.

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

Establishing Fair Value

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

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

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

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

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. For assets and liabilities that are recognized at fair value on a recurring basis, Churchill Falls determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. There were no transfers between Level 1, 2 and 3 during the period ended March 31, 2026 and the year ended December 31, 2025.

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

As at March 31, 2026 and December 31, 2025, Churchill Falls did not have any Level 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		March 31, 2026		December 31, 2025	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Reserve fund	2	75,157	75,157	75,323	75,323

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>		March 31	December 31
		2026	2025
Trade and other receivables:	Note 3		
Hydro-Québec		31,439	40,665
Hydro		4,613	4,822
Rental and royalty payable:			
The Province	(a)	3,274	8,160
Trade and other payables:	Note 5		
Hydro		1,203	812
Other Related Parties	(b)	-	5,608
		Three months ended	
		2026	2025
Energy sales:			
Hydro-Québec		15,460	16,435
Hydro		14,431	14,175
Guaranteed winter availability:			
Hydro-Québec		24,505	22,266
Other revenue:			
Hydro-Québec		421	511
Operating costs (recoveries):			
Hydro		1,861	1,421
Other Related Parties		362	401
Hydro-Québec		(1,387)	(240)
Other expense:			
The Province	Note 11	3,204	3,084

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

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

14. COMMITMENTS AND CONTINGENCIES

- (a) Outstanding commitments for capital projects total approximately \$100.9 million as at March 31, 2026 (December 31, 2025 - \$76.4 million).
- (b) Churchill Falls is subject to legal claims with respect to impact on land use, energy and capacity delivery, construction and other various matters. For some legal claims, it is not possible at this time to predict with any certainty the outcome of such litigation. Should these claims result in an unfavourable outcome for Churchill Falls, they may have a significant adverse effect on Churchill Falls' financial position.
- (c) The Water Management Agreement between Churchill Falls and Muskrat Falls provides for coordinated production for the efficient use of water on the Churchill River system by ensuring that water is available to meet delivery requirements and contractual commitments for both Churchill Falls and Muskrat Falls, while maximizing the energy produced from the water resource. As at March 31, 2026, Muskrat Falls has stored the equivalent of approximately 1.1 Twh (December 31, 2025 – 1.1 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

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2026	2025
Trade and other receivables	11,454	28,112
Inventories	(1,578)	(559)
Prepayments	888	904
Trade and other payables	(35,697)	(11,651)
Rental and royalty payable	(4,886)	(5,550)
Change in non-cash working capital balances	(29,819)	11,256
Related to:		
Operating activities	(7,486)	11,388
Investing activities	(22,333)	(132)
	(29,819)	11,256