

**LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2025**

Independent Auditor's Report

To the Shareholder of LIL (2021) Limited Partnership

Opinion

We have audited the consolidated financial statements of LIL (2021) Limited Partnership (the "Partnership"), which comprise the consolidated statement of financial position as at December 31, 2025, 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 Partnership as at December 31, 2025, 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 Partnership 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 Partnership'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 Partnership'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 Partnership'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 Partnership'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 Partnership 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 Partnership 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

**LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

<i>As at December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
ASSETS			
Current assets			
Cash		233,736	234,168
Restricted cash		373,696	323,034
Trade and other receivables		1,676	1,336
Related party receivable	16	56,426	61,255
Inventories	5	9,916	6,266
Prepayments		1,650	136
Total current assets		677,100	626,195
Non-current assets			
Property, plant and equipment	6	4,842,055	4,919,323
Intangible assets	7	66,592	71,306
Right-of-use assets		574	586
Total assets		5,586,321	5,617,410
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	30,809	39,875
Contract liability	9,16	2,435	2,171
Current portion of long-term debt	10	21,000	21,000
Current portion of Class B limited partnership units	11	94,613	94,664
Related party promissory note	16	555,342	705,342
Current portion of lease liabilities		4	4
Total current liabilities		704,203	863,056
Non-current liabilities			
Long-term debt	10	3,777,327	3,637,873
Class B limited partnership units	11	872,653	884,747
Lease liabilities		630	634
Total liabilities		5,354,813	5,386,310
Partner's equity			
Class A limited partnership units	12	936,578	1,076,338
Deficit		(705,070)	(845,238)
Total equity		231,508	231,100
Total liabilities and equity		5,586,321	5,617,410

Commitments and contingencies (Note 17)

See accompanying notes

On behalf of the Board:



DIRECTOR



DIRECTOR

LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
Revenue	16	428,655	426,318
Total revenue		428,655	426,318
Operating costs	13	2,539	5,084
Depreciation and amortization		93,739	93,334
Net finance expense	14	193,010	172,395
Other (income) expense		(801)	6,583
Total expenses		288,487	277,396
Total profit and comprehensive income for the year		140,168	148,922

See accompanying notes

LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

<i>(thousands of Canadian dollars)</i>	Note	Class A Limited Partnership Units	Deficit	Total
Balance at January 1, 2025		1,076,338	(845,238)	231,100
Total profit and comprehensive income for the year		-	140,168	140,168
Partnership contributions	12	11,168	-	11,168
Partnership distributions	12	(150,928)	-	(150,928)
Balance at December 31, 2025		936,578	(705,070)	231,508
Balance at January 1, 2024		1,321,908	(994,160)	327,748
Total profit and comprehensive income for the year		-	148,922	148,922
Partnership contributions	12	24,804	-	24,804
Partnership distributions	12	(270,374)	-	(270,374)
Balance at December 31, 2024		1,076,338	(845,238)	231,100

See accompanying notes

LIL (2021) LIMITED PARTNERSHIP
CONSOLIDATED STATEMENT OF CASH FLOWS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
Operating activities			
Profit for the year		140,168	148,922
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation and amortization		93,739	93,334
Loss on disposal of assets		1,110	11,974
Finance income	14	(19,231)	(18,594)
Finance expense	14	212,241	190,989
Other		-	50
		428,027	426,675
Changes in non-cash working capital balances	19	(4,522)	(1,041)
Change in contract liability		264	(9,347)
Interest received		19,313	18,959
Interest paid		(118,225)	(118,608)
Net cash provided from operating activities		324,857	316,638
Investing activities			
Additions to property, plant and equipment		(12,439)	(22,072)
Additions to intangible assets	7	(417)	(1,343)
Decrease in related party receivable		4,829	10,470
Changes in non-cash working capital balances	19	(10,168)	(503)
Net cash used in investing activities		(18,195)	(13,448)
Financing activities			
Repayment of long-term debt		(21,000)	(21,000)
Increase in restricted cash		(50,662)	(61,520)
Proceeds from long-term debt		150,000	150,000
Repayment of related party promissory note		(150,000)	(150,000)
Contributions of Class B partnership units	11	-	233,116
Distributions of Class B limited partnership units	11	(95,639)	(77,044)
Partnership contributions	12	11,168	24,804
Distribution of Class A limited partnership units	12	(150,928)	(270,374)
Other		(33)	(33)
Net cash used in financing activities		(307,094)	(172,051)
Net (decrease) increase in cash		(432)	131,139
Cash, beginning of the year		234,168	103,029
Cash, end of the year		233,736	234,168

See accompanying notes

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

LIL (2021) Limited Partnership (LIL (2021) LP) was formed on November 10, 2022 under the laws of the Province of Newfoundland and Labrador. LIL (2021) LP's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M4, Canada.

LIL (2021) LP has a limited partner, Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)) and general partner, Labrador-Island Link General Partner (2021) Corporation (LIL GP (2021)). 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 Newfoundland and Labrador Hydro (Hydro)'s interests in Labrador-Island Link Limited Partnership (LIL LP). KKR Island Link Incorporated (KKR) 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 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.

- 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 Holdco (2021) is wholly owned and controlled by the amalgamated entity (Hydro).

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 GP (2021)'s Board of Directors on March 12, 2026.

2.2 Basis of Consolidation

These financial statements include the financial statements of LIL (2021) LP, LIL Holdco, and LIL LP. Intercompany transactions and balances have been eliminated upon consolidation.

LIL (2021) LP includes the financial statements of investees (including structured entities) only when it has control as defined in IFRS 10 – Consolidated Financial Statements. In accordance with IFRS 10, control is achieved when LIL (2021) LP:

- has power over the relevant activities of the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect those variable returns.

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Based on the criteria outlined in IFRS 10, LIL (2021) LP has determined that it controls LIL Holdco and LIL LP for financial reporting purposes. LIL (2021) LP uses judgment in assessing many factors to determine control, including its exposure to variability in the entities investments, its role in the formation of the entities and its related party relationship with the general partner. LIL (2021) LP has determined that it does not control the LIL Funding Trust and as such has not included the accounts of the LIL Funding Trust in these financial statements.

2.3 Cash

Cash consists 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, operating, maintenance, financing and sustaining costs related to the LIL, including reserve and sinking fund accounts required under the LIL Project Finance Agreement (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 (2021) LP'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 (2021) LP 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 the 350 kilovolt lines. 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.

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 (income) expense.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 (2021) LP 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 (2021) LP 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 (2021) LP 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 (2021) LP 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 (2021) LP 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.

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

2.13 Financial Instruments

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Consolidated Statement of Financial Position when LIL (2021) LP 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 (FVTOCI), 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 (2021) LP's financial assets at amortized cost include cash, restricted cash, trade and other receivables and a related party receivable.

Financial Liabilities at Amortized Cost

LIL (2021) LP 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 (2021) LP financial liabilities at amortized cost include trade and other payables, long-term debt, a related party promissory note and Class B limited partnership units.

Derecognition of Financial Instruments

LIL (2021) LP 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 (2021) LP 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 (2021) LP 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 (2021) LP always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on LIL (2021) LP'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 (2021) LP 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.

LIL (2021) LIMITED PARTNERSHIP

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For all other financial instruments, LIL (2021) LP 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 (2021) LP 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 (2021) LP 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 (2021) LP'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 (2021) LP'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.

(iv) Determination of CGUs

LIL (2021) LP's accounting policy relating to impairment of non-financial assets is described in Note 2.9. In applying this policy, LIL (2021) LP 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.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(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 (2021) LP's assets. The useful lives of property, plant and equipment and intangible assets are verified by independent specialists and reviewed annually by LIL (2021) LP. 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/amendments that have been issued and are effective for accounting periods commencing on or after January 1, 2025, as specified.

- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Amendments to the Classification and Measurement of Financial Instruments*¹
- *IFRS 18 – Presentation and Disclosures in Financial Statements*²

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

² Effective for annual periods beginning on or after January 1, 2027, with earlier application permitted.

4.1 Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Amendments to the Classification and Measurement of Financial Instruments

The IASB issued amendments to IFRS 9 and IFRS 7 to provide clarification and enhancement on classification and measurement of financial instruments. The amendments permit an entity to deem a financial liability or part of a financial liability that is settled using an electronic payment system to be discharged and derecognized before the settlement date if specified criteria are met. The amendments also provide guidance on how an entity should assess whether contractual cash flows of a financial asset are consistent with a basic lending arrangement, enhance the description of the term 'non-recourse', and clarify the characteristics of contractually linked instruments that distinguish them from other transactions. Furthermore, the amendments add new disclosure requirements for investments in equity instruments designated at FVTOCI and contractual terms that could change the timing or amount of contractual cash flows. The amendments are required to be applied retrospectively. The application of these amendments will not have a material impact on LIL (2021) LP's financial statements.

4.2 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 January 1, 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 impact on LIL (2021) LP's financial statements and expects adoption of the standard to result in significant changes to presentation and disclosure, especially as it relates to the presentation of the Consolidated Statement of Profit and Comprehensive Income.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVENTORIES

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Transmission hardware	5,439	3,525
Materials and other	2,685	1,919
Terminal station equipment	1,792	822
	9,916	6,266

6. 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, 2024	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
Additions	1,870	-	10,582	12,452
Disposals	(1,421)	(167)	-	(1,588)
Adjustments	-	(13)	-	(13)
Transfers	22,602	3,034	(25,438)	198
Balance at December 31, 2025	5,034,104	53,601	4,923	5,092,628
Depreciation				
Balance at January 1, 2024	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
Depreciation	86,325	2,480	-	88,805
Disposals	(335)	(153)	-	(488)
Balance at December 31, 2025	236,432	14,141	-	250,573
Carrying value				
Balance at January 1, 2024	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
Balance at December 31, 2025	4,797,672	39,460	4,923	4,842,055

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INTANGIBLE ASSETS

<i>(thousands of Canadian dollars)</i>	Computer Software	Other	Construction in Progress	Total
Cost				
Balance at January 1, 2024	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
Additions	-	189	228	417
Disposals	(10)	-	-	(10)
Transfers	(104)	-	(94)	(198)
Balance at December 31, 2025	44,772	36,450	1,421	82,643
Amortization				
Balance at January 1, 2024	5,676	540	-	6,216
Amortization	4,191	721	-	4,912
Balance at December 31, 2024	9,867	1,261	-	11,128
Amortization	4,200	723	-	4,923
Balance at December 31, 2025	14,067	1,984	-	16,051
Carrying value				
Balance at January 1, 2024	38,615	35,505	755	74,875
Balance at December 31, 2024	35,019	35,000	1,287	71,306
Balance at December 31, 2025	30,705	34,466	1,421	66,592

Other intangible assets represent LIL LP's right to collect costs incurred related to upgrades to Hydro assets through the LIL Lease and TFA.

8. TRADE AND OTHER PAYABLES

<i>As at December 31 (thousands of Canadian dollars)</i>	Note	2025	2024
Trade payables and accruals		13,605	23,485
Accrued interest		9,778	9,809
HST payable		5,533	5,391
Due to related parties	16	1,893	1,190
		30,809	39,875

9. CONTRACT LIABILITY

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Contract liability, beginning of the year	2,171	11,518
Revenue recognized	(428,655)	(426,318)
Payments	428,919	416,971
Contract liability, end of the year	2,435	2,171

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.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. 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	2025	2024
Tranche A	725,000	3.76	2013	2033	725,116	725,131
Tranche B	600,000	3.86	2013	2045	600,071	600,075
Tranche C	1,075,000	3.85	2013	2053	1,075,158	1,075,163
Tranche 10	-	1.75	2017	2025	-	10,500
Tranche 11-20	94,500	1.90-2.37	2017	2026-2030	94,505	105,009
Tranche 21-30	105,000	2.41-2.64	2017	2030-2035	105,026	105,030
Tranche 31-40	105,000	2.66-2.80	2017	2035-2040	105,068	105,074
Tranche 41-50	105,000	2.81-2.86	2017	2040-2045	105,078	105,083
Tranche 51-60	105,000	2.84-2.86	2017	2045-2050	105,106	105,111
Tranche 61-70	105,000	2.85	2017	2050-2055	105,161	105,167
Tranche 71-74	315,000	2.85	2017	2055-2057	315,531	315,547
Convertible debenture	444,658	3.03	2023	2071	462,507	301,983
Total	3,779,158				3,798,327	3,658,873
Less: maturities of debt within one year					(21,000)	(21,000)
					3,777,327	3,637,873

Under the terms and conditions of the LIL PFA, the LIL Funding Trust provided two credit facilities totaling \$3.5 billion to LIL LP. 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 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>	2026	2027	2028	2029	2030
Sinking fund instalments	63,043	63,043	63,043	63,043	63,043

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 2025 amounting to \$150.0 million (2024 - \$150.0 million). Cumulative accrued interest on the convertible debenture as at December 31, 2025 is \$17.8 million (2024 - \$7.3 million).

11. 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.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

<i>As at December 31 (thousands of Canadian dollars)</i>	Units	2025	Units	2024
Class B limited partnership units, beginning of the year	25	979,411	25	756,712
Contributions	(a)	-	-	233,116
Accrued interest	-	83,494	-	66,577
Distributions	-	(95,639)	-	(77,044)
Tax adjustment amount	-	-	-	50
Class B limited partnership units, end of the year	25	967,266	25	979,411
Less: maturities within one year		(94,613)		(94,664)
		872,653		884,747

(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.

12. CLASS A LIMITED PARTNERSHIP UNITS

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Class A limited partnership units – 1,357,880,623 (2024 – 1,346,712,262)		
Beginning of the year	1,076,338	1,321,908
Contributions	11,168	24,804
Distributions	(150,928)	(270,374)
Class A limited partnership units, end of the year	936,578	1,076,338

13. OPERATING COSTS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Salaries and benefits	1,363	1,960
Professional fees	674	1,028
Maintenance and materials	353	1,815
Other operating costs	149	281
	2,539	5,084

14. NET FINANCE EXPENSE

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Finance income		
Interest on restricted cash	19,088	18,393
Other interest	143	201
	19,231	18,594
Finance expense		
Interest and fees on long-term debt	128,120	123,761
Interest on Class B limited partnership units	83,494	66,577
Other interest	627	651
	212,241	190,989
Net finance expense	193,010	172,395

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

15.1 Fair Value

The estimated fair values of financial instruments as at December 31, 2025 and 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 (2021) LP might receive or incur in actual market transactions.

As a significant number of LIL (2021) LP'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 (2021) LP 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, LIL (2021) LP 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, 2025 and 2024.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
<i>As at (thousands of Canadian dollars)</i>		December 31, 2025		December 31, 2024	
Financial liabilities					
Long-term debt, including amount due within one year	2	3,798,327	3,373,908	3,658,873	3,414,357
Related party promissory note	2	555,342	555,342	705,342	705,342
Class B limited partnership units, including amount due within one year	3	967,266	967,266	979,411	979,411

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, 2025 is 8.9% (2024 - 8.7%) 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.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The table below sets forth a summary of changes in fair value of LIL (2021) LP'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	(77,356)	74,693

15.2 Risk Management

LIL (2021) LP 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 (2021) LP's expected future cash flows.

Credit Risk

LIL (2021) LP'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 (2021) LP'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 (2021) LP does not have any material amounts that are past due and uncollectable.

Liquidity Risk

LIL (2021) LP 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 (2021) LP 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 (2021) LP's financial liabilities as at December 31, 2025:

<i>(thousands of Canadian dollars)</i>	< 1 Year	1-3 Years	3-5 Years	> 5 Years	Total
Trade and other payables	30,809	-	-	-	30,809
Long-term debt (including sinking fund and interest)	201,243	401,200	399,307	5,246,215	6,247,965
Related party promissory note (Note 16(b))	555,342	-	-	-	555,342
Class B limited partnership units	94,613	186,146	182,029	2,692,340	3,155,128
	882,007	587,346	581,336	7,938,555	9,989,244

Market Risk

In the course of carrying out its operating, financing and investing activities, LIL (2021) LP 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 (2021) LP is not exposed to interest rate risk on its long-term debt as all of LIL (2021) LP's long-term debt has fixed interest rates.

Foreign Currency and Commodity Exposure

LIL (2021) LP 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.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS

LIL (2021) LP enters into various transactions with its partners 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 (2021) LP transacts are as follows:

Related Party	Relationship
Hydro	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 Hydro
LIL GP	Wholly-owned subsidiary of Hydro, general partner of LIL LP
LIL GP (2021)	Wholly-owned subsidiary of Hydro, general partner of LIL (2021) LP
LIL Holdco (2021)	Limited Partner holding all Class A limited partnership units of LIL (2021) LP
LIL Opco	Wholly-owned subsidiary of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
Muskat Falls Corporation	Wholly-owned subsidiary of Hydro

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>	2025	2024
Trade and other receivables:		
Other related parties	63	40
Related party receivable:		
Other related parties (a)	56,426	61,255
Trade and other payables:		
Other related parties Note 8	1,893	1,190
Contract liability:		
Other related parties Note 9	2,435	2,171
Related party promissory note:		
Other related parties (b)	555,342	705,342
<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Revenue:		
Other related parties (c)	428,655	426,318
Operating costs:		
Other related parties	421	473

(a) LIL LP has a non-interest bearing receivable from LIL Opco which is payable from LIL Opco upon demand as cash is required.

(b) LIL (2021) LP has a non-interest bearing promissory note payable to LIL Holdco (2021) 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.

LIL (2021) LIMITED PARTNERSHIP
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.
- (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 for a 50 year term. Revenue allocated to the remaining performance obligation related to transmission sales under the LIL Lease as at December 31, 2025 is \$431 million (2024 - \$426 million) within one year and \$19,865 million (2024 - \$20,088 million) in more than one year.
- (e) LIL LP 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 LP, they may have a significant adverse effect on LIL (2021) LP's financial position.
- (f) Outstanding commitments for capital projects total approximately \$18.3 million as at December 31, 2025 (2024 - \$10.4 million).

18. CAPITAL MANAGEMENT

Capital includes Class A limited partnership units, long-term debt, a related party promissory note and Class B limited partnership units. The capital structure is adjusted through the amount of distributions paid to the partners as well as capital contributions. LIL (2021) LP'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 while providing its partners a required return. 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>	2025	2024
Trade and other receivables	(491)	581
Prepayments	(1,514)	(3)
Inventories	(3,650)	(3,207)
Trade and other payables	(9,035)	1,085
Changes in non-cash working capital balances	(14,690)	(1,544)
Related to:		
Operating activities	(4,522)	(1,041)
Investing activities	(10,168)	(503)
	(14,690)	(1,544)