

LABRADOR - ISLAND LINK OPERATING CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2026
(Unaudited)

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

<i>As at (thousands of Canadian dollars)</i>	Notes	March 31 2026	December 31 2025
ASSETS			
Current assets			
Restricted cash		76,959	72,634
Short-term investments		12	12
Trade and other receivables		17,031	23,195
Related party receivable	5	2,063	2,435
Prepayments		753	1,502
Total current assets		96,818	99,778
Non-current assets			
Right-of-use assets		1,621	1,605
Total assets		98,439	101,383
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		7,464	9,606
Contract liability	5	3,626	5,125
Related party payable	5	56,426	56,426
Current portion of lease liabilities		25	40
Total current liabilities		67,541	71,197
Non-current liabilities			
Lease liabilities		1,673	1,637
Total liabilities		69,214	72,834
Shareholder's equity			
Share capital		9,041	9,041
Shareholder contributions		106,903	106,903
Deficit		(86,719)	(87,395)
Total equity		29,225	28,549
Total liabilities and equity		98,439	101,383

Commitments and contingencies (Note 6)

See accompanying notes

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

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2026	2025
Revenue	5	114,292	114,093
Net finance income		614	712
Total revenue		114,906	114,805
Transmission expense	5	107,904	107,112
Depreciation		23	56
Operating costs	3	6,303	6,471
Total expenses		114,230	113,639
Total profit and comprehensive income for the period		676	1,166

See accompanying notes

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

<i>(thousands of Canadian dollars)</i>	Share Capital	Shareholder Contributions	Deficit	Total
Balance at January 1, 2026	9,041	106,903	(87,395)	28,549
Total profit and comprehensive income for the period	-	-	676	676
Balance at March 31, 2026	9,041	106,903	(86,719)	29,225
Balance at January 1, 2025	9,041	106,903	(89,977)	25,967
Total profit and comprehensive income for the period	-	-	1,166	1,166
Balance at March 31, 2025	9,041	106,903	(88,811)	27,133

See accompanying notes

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

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Note	Three months ended	
		2026	2025
Operating activities			
Profit for the period		676	1,166
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation		23	56
Finance income		(637)	(736)
Finance expense		23	24
		85	510
Changes in non-cash working capital balances	7	4,805	(235)
Decrease in contract liability		(1,499)	(26)
Decrease in related party receivable		372	250
Interest received		604	746
Net cash provided from operating activities		4,367	1,245
Financing activities			
Change in restricted cash		(4,325)	1,697
Decrease in related party payable		-	(2,866)
Repayment of lease liabilities		(42)	(76)
Net cash used in financing activities		(4,367)	(1,245)
Net increase (decrease) in cash		-	-
Cash, beginning of the period		-	-
Cash, end of the period		-	-

See accompanying notes

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

1. DESCRIPTION OF BUSINESS

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

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

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

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 LIL Opco's annual audited financial statements and should be read in conjunction with the annual audited financial statements.

These condensed interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars with all values rounded to the nearest thousand, except when otherwise noted. The Board of Directors of LIL Opco has delegated the authority to approve the condensed interim financial statements to the Audit Committee of the Board of Directors of Hydro, which approved the condensed interim financial statements on May 13, 2026.

3. OPERATING COSTS

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2026	2025
Salaries and benefits	3,196	3,073
Maintenance and materials	1,039	1,276
Insurance	750	829
Other operating costs	1,318	1,293
	6,303	6,471

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

As a significant number of LIL Opco's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates disclosed do not reflect the fair value of LIL Opco as a whole.

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

Establishing Fair Value

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

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

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

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

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

As at March 31, 2026 and December 31, 2025, the Company did not have any Level 2 or Level 3 instruments. The fair values of restricted cash, short-term investments, trade and other receivables, related party receivable, trade and other payables, and related party payable approximate their carrying values due to their short-term maturity.

5. RELATED PARTY TRANSACTIONS

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

Related parties with which LIL Opco transacts are as follows:

<u>Related Party</u>	<u>Relationship</u>
Hydro	100% shareholder of LIL Opco
Labrador Transmission Corporation	Wholly-owned subsidiary of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
LIL LP	Limited partnership between Labrador-Island Link Holding Corporation and KKR Island Link Incorporated
Muskat Falls Corporation	Wholly-owned subsidiary of Hydro

LABRADOR - ISLAND LINK OPERATING CORPORATION
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Significant related party transactions, which are not otherwise disclosed separately in the condensed interim financial statements, are summarized below:

<i>As at (thousands of Canadian dollars)</i>	March 31	December 31
	2026	2025
Trade and other receivables:		
Other related parties	-	113
Related party receivable:		
Other related parties (a)	2,063	2,435
Trade and other payables:		
Parent	4,468	5,500
Other related parties	170	276
Contract liability:		
Parent (b)	3,626	5,125
Related party payable:		
Other related parties (c)	56,426	56,426
	Three months ended	
	2026	2025
Revenue:		
Parent (d)	114,292	114,093
Transmission expense:		
Other related parties (d)	107,904	107,112
Operating costs:		
Parent	4,173	3,766
Other related parties	30	30

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

6. COMMITMENTS AND CONTINGENCIES

- (a) LIL Opco has entered into the TFA with Hydro for a 50 year term. The TFA payments will be sufficient for LIL Opco to recover all costs associated with rent payments under the LIL Lease, all costs associated with operating and maintenance incurred by LIL Opco and an administrative fee of \$30 thousand per year. The TFA payments ensure LIL Opco can meet its obligations under the LIL Lease. Hydro's obligation to make payments under the TFA is absolute, unconditional and irrevocable. Revenue allocated to the remaining performance obligation related to transmission sales under the TFA as at March 31, 2026 is \$474 million (December 31, 2025 - \$469 million) within one year and \$23,338 million (December 31, 2025 - \$23,194 million) in more than one year.
- (b) LIL Opco is subject to various legal proceedings and claims in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, Management believes the Company's exposure to such claims and litigation will not materially affect its financial position or results of operations.

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7. 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	6,198	(281)
Prepayments	749	815
Trade and other payables	(2,142)	(769)
Changes in non-cash working capital balances	4,805	(235)