

LOWER CHURCHILL MANAGEMENT CORPORATION
FINANCIAL STATEMENTS
December 31, 2025

Independent Auditor's Report

To the Shareholder of
Lower Churchill Management Corporation

Opinion

We have audited the financial statements of Lower Churchill Management Corporation (the "Company"), which comprise the statement of financial position as at December 31, 2025, and the statements of profit and comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte LLP

Chartered Professional Accountants
March 17, 2026

LOWER CHURCHILL MANAGEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION

<i>As at December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
ASSETS			
Current assets			
Cash		5,488	4,944
Trade and other receivables	5	1,448	573
Total assets		6,936	5,517
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	6	1,508	589
Total liabilities		1,508	589
Shareholder's equity			
Share capital	7	1	1
Retained earnings		5,427	4,927
Total equity		5,428	4,928
Total liabilities and equity		6,936	5,517

See accompanying notes

On behalf of the Board:



DIRECTOR



DIRECTOR

LOWER CHURCHILL MANAGEMENT CORPORATION
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
Revenue			
Other revenue	11	380	380
Net finance income	8	150	202
Total revenue		530	582
Expenses			
Operating costs	9	30	29
Total expenses		30	29
Total profit and comprehensive income for the year		500	553

See accompanying notes

LOWER CHURCHILL MANAGEMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY

<i>(thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Total
Balance at January 1, 2025	1	4,927	4,928
Total profit and comprehensive income for the year	-	500	500
Balance at December 31, 2025	1	5,427	5,428
Balance at January 1, 2024	1	4,374	4,375
Total profit and comprehensive income for the year	-	553	553
Balance at December 31, 2024	1	4,927	4,928

LOWER CHURCHILL MANAGEMENT CORPORATION
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		500	553
Adjustments to reconcile profit to cash provided from operating activities:			
Finance income	8	(152)	(205)
Finance expense	8	2	3
		350	351
Changes in non-cash working capital balances	13	44	377
Interest received		152	205
Interest paid		(2)	(3)
Net cash provided from operating activities		544	930
Net increase in cash		544	930
Cash, beginning of the year		4,944	4,014
Cash, end of the year		5,488	4,944

See accompanying notes

LOWER CHURCHILL MANAGEMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS

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

LCMC was formed to carry out the project development and management functions for the Lower Churchill Project (LCP) including planning, engineering and design management, construction management, risk management, finance, procurement and supply chain management for Muskrat Falls Corporation (Muskrat Falls), Labrador Transmission Corporation (Labrador Transco) and the Labrador-Island Link Limited Partnership (LIL LP).

In addition, LCMC acts as the administrator on behalf of the Trustee for the Muskrat Falls/Labrador Transmission Assets Funding Trust and the Labrador-Island Link Funding Trust (collectively the Trusts) as part of the project financing arrangements for the debt issuance, guaranteed by the Government of Canada. In this capacity, LCMC provides management and administrative services as required by the Trusts.

- 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, LCMC 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 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 LCMC's Board of Directors on March 12, 2026.

2.2 Cash

Cash consists of amounts on deposit with a Schedule 1 Canadian Chartered Bank.

2.3 Provisions

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

2.4 Revenue Recognition

LCMC recognizes revenue related to a service agreement with Muskrat Falls, Labrador Transco and LIL LP. Revenue is measured based on the consideration specified in the contract which is based on a fixed monthly and annual fee. LCMC recognizes revenue when it transfers control of a product or service to a customer.

Revenue is recognized when LCMC satisfies its performance obligation by providing project development and management functions to its customers. LCMC recognizes revenue at the amount to which it has the right to invoice, which corresponds directly to the value to the customer of LCMC's performance to date.

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2.5 Foreign Currencies

Transactions in currencies other than LCMC's functional currency (foreign currencies) are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Foreign exchange gains and losses are included in the Statement of Profit and Comprehensive Income as realized or unrealized foreign exchange loss.

2.6 Income Taxes

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

2.7 Financial Instruments

Classification and Initial Measurement

Financial assets and financial liabilities are recognized in the Statement of Financial Position when LCMC 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.

LCMC's financial assets at amortized cost include cash and trade and other receivables.

Financial Liabilities at Amortized Cost

LCMC 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.

LCMC's financial liabilities at amortized cost include trade and other payables.

Derecognition of Financial Instruments

LCMC 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.

LCMC 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

LCMC 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.

LCMC always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on LCMC'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. LCMC also records 12-month ECL for those financial

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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.

For all other financial instruments, LCMC 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, LCMC 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.

Use of Judgment

Functional Currency

Functional currency was determined by evaluating the primary economic environment in which the Company operates. As the Company enters into transactions in multiple currencies, judgment is used in determining the functional currency. Management considered factors regarding currency of sales, costs incurred, and operating and financing activities and determined the functional currency to be CAD.

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

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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 LCMC'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 LCMC'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 Statement of Profit and Comprehensive Income.

5. TRADE AND OTHER RECEIVABLES

<i>As at December 31 (thousands of Canadian dollars)</i>		2025	2024
Due from related parties	Note 11	1,444	560
HST receivable		4	13
		1,448	573

6. TRADE AND OTHER PAYABLES

<i>As at December 31 (thousands of Canadian dollars)</i>		2025	2024
Trade payables and accruals		1,257	204
Due to related parties	Note 11	232	364
HST payable		19	21
		1,508	589

7. SHAREHOLDER'S EQUITY

Share Capital

<i>As at December 31 (thousands of Canadian dollars)</i>		2025	2024
Common shares without nominal or par value			
Authorized - unlimited			
Issued - fully paid and outstanding - 100		1	1

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NOTES TO THE FINANCIAL STATEMENTS

8. NET FINANCE INCOME

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Finance income		
Bank interest	152	205
Finance expense		
Bank charges	(2)	(3)
Net finance income	150	202

9. OPERATING COSTS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Professional services	22	22
Other operating costs	8	7
	30	29

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

10.1 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 LCMC might receive or incur in actual market transactions.

Establishing Fair Value

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

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

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

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

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

As at December 31, 2025 and 2024, the Company did not have any Level 2 or Level 3 instruments. The fair values of cash, trade and other receivables and trade and other payables approximate their carrying values due to their short-term maturity.

10.2 Risk Management

LCMC is exposed to certain credit, liquidity and market price risks through its operating, financing and investing activities. Financial risk is managed in accordance with a Board-approved policy, which outlines the objectives and

LOWER CHURCHILL MANAGEMENT CORPORATION
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strategies for the management of financial risk. Permitted financial risk management strategies are aimed at minimizing the volatility of LCMC's expected future cash flows.

Credit Risk

LCMC's expected future cash flows are exposed to credit risk through financing activities, based on the risk of non-performance by counterparties to its financial instruments. Credit risk on cash is minimal, as LCMC's cash deposits are held by a Canadian Schedule 1 Chartered Bank with a rating of A+ (Standard and Poor's). The degree of exposure to credit risk on trade and other receivables is determined by the financial capacity and stability of the counterparties whereby the maximum risk is represented by their carrying value on the Statement of Financial Position at the reporting date.

Liquidity Risk

LCMC is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Liquidity risk management activities are directed to ensuring cash is available to meet those obligations as they become due. Short-term liquidity is mainly provided through cash on hand, funds from operations, and a \$50.0 million (2024 - \$50.0 million) unsecured revolving credit facility with its parent, Hydro. As at December 31, 2025, there was no balance outstanding (2024 - \$nil) on this credit facility. The facility is available by way of Prime Rate Advances.

Market Risk

LCMC is minimally exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities.

Interest Rates

LCMC is exposed to interest rate movement risks as cash deposits held in bank accounts earn interest. The credit facility with Hydro is based on prime, however borrowings on the credit facility are nominal and of short-term nature minimizing risks associated with movement of market interest rates.

Foreign Currency and Commodity Exposure

LCMC does not hold any financial instruments whose value would vary due to changes in a commodity price or fluctuations in foreign currency exchange rates. There is no cash flow exposure to foreign exchange risk since all realized gains and losses are passed along to the project companies.

11. RELATED PARTY TRANSACTIONS

LCMC 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 LCMC transacts are as follows:

<u>Related Party</u>	<u>Relationship</u>
Hydro	100% shareholder of LCMC
Churchill Falls (Labrador) Corporation	Joint arrangement of Hydro
Labrador-Island Link Operating Corporation (LIL Opco)	Wholly-owned subsidiary of Hydro
Labrador Transco	Wholly-owned subsidiary of Hydro
Muskkrat Falls	Wholly-owned subsidiary of Hydro
LIL LP	Limited Partnership between Labrador - Island Link Holding Corporation and KKR Island Link Incorporated

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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	Note 5 1,444	560
Trade and other payables:	Note 6	
Parent	192	364
Other related parties	40	-
<i>For the year ended December 31 (thousands of Canadian Dollars)</i>	2025	2024
Other revenue:		
Other related parties	380	380
Operating costs:		
Parent	1,165	1,800
Other related parties	(a) (1,157)	(1,788)

- (a) The operating costs relate to intercompany salary costs for the LCP. LCMC subsequently recovers these costs from LIL LP as part of the project development and management functions LCMC provides to the LCP.

12. CAPITAL MANAGEMENT

Capital includes share capital and retained earnings. LCMC's objectives when managing capital are to maintain its ability to continue as a going concern and ensure timely payment of its contractual obligations.

13. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Trade and other receivables	(875)	574
Trade and other payables	919	(197)
Changes in non-cash working capital balances	44	377