

**LOWER CHURCHILL PROJECT COMPANIES
COMBINED FINANCIAL STATEMENTS
December 31, 2025**

Independent Auditor's Report

To the Directors of Newfoundland and Labrador Hydro

Opinion

We have audited the accompanying combined financial statements of the Lower Churchill Project Companies (the "Company"), which comprise the combined statement of financial position as at December 31, 2025 and the combined 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"). The combined financial statements have been prepared by management of the Lower Churchill Project Companies based on the financial reporting provisions of the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee.

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 the financial reporting provisions of the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee.

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.

Emphasis of Matter

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The combined financial statements are prepared to assist Newfoundland and Labrador Hydro to comply with the financial reporting provisions of the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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 the financial reporting provisions of the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance 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

Chartered Professional Accountants
March 17, 2026

**LOWER CHURCHILL PROJECT COMPANIES
COMBINED STATEMENT OF FINANCIAL POSITION**

<i>As at December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
ASSETS			
Current assets			
Cash		239,192	239,070
Restricted cash		1,279,647	1,247,642
Trade and other receivables	5	31,807	30,366
Related party receivable	18	56,426	61,255
Short-term investments	7	43,423	42,611
Current portion of contract asset	9	324,523	325,315
Inventories		17,278	11,036
Prepayments		3,394	1,696
Total current assets		1,995,690	1,958,991
Non-current assets			
Property, plant and equipment	6	11,994,984	12,166,082
Investments	7	112,487	155,910
Intangible assets	8	68,185	73,055
Contract asset	9	823,673	400,520
Other long-term assets		4,298	4,139
Total assets		14,999,317	14,758,697
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	10	84,014	119,753
Contract liability	18	2,435	2,171
Current portion of long-term debt	11	64,423	63,611
Current portion of Class B limited partnership units	12	94,613	94,664
Other current liabilities		5	5
Total current liabilities		245,490	280,204
Non-current liabilities			
Long-term debt	11	8,496,554	8,561,147
Class B limited partnership units	12	872,653	884,747
Other long-term liabilities		854	860
Total liabilities		9,615,551	9,726,958
Shareholder's equity			
Share capital	13	1,891,956	1,891,956
Shareholder contributions		2,715,097	2,703,929
Reserves		(44,664)	(48,149)
Retained earnings		821,377	484,003
Total equity		5,383,766	5,031,739
Total liabilities and equity		14,999,317	14,758,697

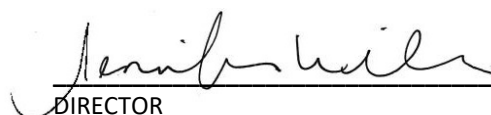
Commitments and contingencies (Note 19)

See accompanying notes

On behalf of the Board:



DIRECTOR



DIRECTOR

**LOWER CHURCHILL PROJECT COMPANIES
COMBINED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME**

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Notes	2025	2024
Revenue	18	1,261,648	1,166,161
Total revenue		1,261,648	1,166,161
Operating costs	14	48,448	71,355
Depreciation and amortization		200,144	199,553
Net finance expense	15	325,384	291,964
Other expense	16	15,267	32,159
Total expenses		589,243	595,031
Profit for the year		672,405	571,130
Other comprehensive income			
Total items that may or have been reclassified to profit:			
Reclassification adjustment related to:			
Cash flow hedges recognized in profit	16	3,485	3,588
Other comprehensive income for the year		3,485	3,588
Total comprehensive income for the year		675,890	574,718

See accompanying notes

**LOWER CHURCHILL PROJECT COMPANIES
COMBINED STATEMENT OF CHANGES IN EQUITY**

<i>(thousands of Canadian dollars)</i>	Note	Share Capital	Shareholder Contributions	Reserves	Retained Earnings	Total
Balance at January 1, 2025		1,891,956	2,703,929	(48,149)	484,003	5,031,739
Profit for the year		-	-	-	672,405	672,405
Other comprehensive income		-	-	3,485	-	3,485
Total comprehensive income for the year		-	-	3,485	672,405	675,890
Shareholder contributions		-	11,168	-	-	11,168
Dividends	13	-	-	-	(241,446)	(241,446)
Non-cash distribution to other related parties	18(d)	-	-	-	(93,585)	(93,585)
Balance at December 31, 2025		1,891,956	2,715,097	(44,664)	821,377	5,383,766
Balance at January 1, 2024		1,891,956	2,678,275	(51,737)	389,829	4,908,323
Profit for the year		-	-	-	571,130	571,130
Other comprehensive income		-	-	3,588	-	3,588
Total comprehensive income for the year		-	-	3,588	571,130	574,718
Shareholder contributions		-	25,654	-	-	25,654
Dividends	13	-	-	-	(367,094)	(367,094)
Non-cash distribution to other related parties	18(d)	-	-	-	(109,862)	(109,862)
Balance at December 31, 2024		1,891,956	2,703,929	(48,149)	484,003	5,031,739

See accompanying notes

LOWER CHURCHILL PROJECT COMPANIES COMBINED 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		672,405	571,130
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation and amortization		200,144	199,553
Reserves amortized to profit		3,485	3,588
Non-cash distribution to other related parties	18(d)	(93,585)	(109,862)
Power purchased	18(h)	-	850
Loss on disposals		1,195	17,014
Finance income	15	(55,107)	(73,648)
Finance expense	15	380,491	365,612
Other		-	50
		1,109,028	974,287
Changes in non-cash working capital balances	21	(35,481)	10,184
Increase in contract asset		(422,361)	(274,539)
Change in contract liability		264	(9,347)
Increase in other long-term asset		(176)	(64)
Interest received		56,460	75,209
Interest paid		(297,462)	(299,341)
Net cash provided from operating activities		410,272	476,389
Investing activities			
Decrease in related party receivable		4,829	10,470
Redemption of investments		42,611	41,872
Additions to property, plant and equipment		(24,940)	(30,940)
Additions to intangible assets	8	(417)	(1,941)
Changes in non-cash working capital balances	21	(10,655)	(492)
Net cash provided from investing activities		11,428	18,969
Financing activities			
Increase in restricted cash		(32,005)	(114,197)
Repayment of long-term debt		(63,611)	(62,872)
Dividends	13	(241,446)	(367,094)
Contributions of Class B partnership units	12	-	233,116
Distributions of Class B limited partnership units	12	(95,639)	(77,044)
Shareholder contributions		11,168	24,804
Other		(45)	(44)
Net cash used in financing activities		(421,578)	(363,331)
Net increase in cash		122	132,027
Cash, beginning of the year		239,070	107,043
Cash, end of the year		239,192	239,070

See accompanying notes

LOWER CHURCHILL PROJECT COMPANIES

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. NATURE AND DESCRIPTION OF THE PROJECT

These annual audited combined financial statements (financial statements) include the financial information of the consolidated Labrador-Island Link Holding Corporation (LIL Holdco), Muskrat Falls Corporation (Muskrat Falls), Labrador Transmission Corporation (Labrador Transco) and the Lower Churchill Management Corporation (LCMC). Collectively, the financial information from these combined companies is referred to as the Lower Churchill Project Companies (the Project). The Project's financial statements are prepared to comply with the financial reporting provisions of the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee. As a result, the financial statements may not be suitable for another purpose.

Each of the entities was separately formed under the laws of the Province of Newfoundland and Labrador (the Province). LIL Holdco was formed on July 31, 2012, whereas Muskrat Falls, Labrador Transco and LCMC were formed on November 13, 2013. Muskrat Falls, Labrador Transco and LCMC are 100% subsidiaries of Newfoundland and Labrador Hydro (Hydro) and LIL Holdco is a 100% subsidiary of LIL (2021) Limited Partnership (LIL (2021) LP). LIL (2021) LP's limited partner, Labrador-Island Link Holding (2021) Corporation (LIL Holdco (2021)), is a 100% subsidiary of Hydro.

The Project was established to carry on the business of designing, engineering, constructing, commissioning, owning, financing, operating and maintaining the assets and property constituting the Labrador-Island Link (LIL), the Labrador Transmission Assets (LTA) and the Muskrat Falls hydroelectric generating facility (MF Plant).

Muskrat Falls has entered into a power purchase agreement (PPA) with Hydro for the sale of energy and capacity from the MF Plant. Muskrat Falls and Labrador Transco have also entered into the Generator Interconnection Agreement (GIA) with Hydro which governs the development and operation of the LTA connecting the MF Plant to the existing hydroelectric facility in Churchill Falls. Under the terms of the GIA, Labrador Transco will recover all costs associated with the LTA from Muskrat Falls, which in turn will recover all costs incurred under the GIA as part of a PPA with Hydro. Hydro's obligation to pay for the costs under the PPA is absolute, non-conditional and irrevocable.

Labrador-Island Link Limited Partnership (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.

- 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, Muskrat Falls, Labrador Transco, LCMC and LIL Holdco (2021) are wholly owned and controlled by the amalgamated entity (Hydro).

2. MATERIAL ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These financial statements have been prepared in accordance with IFRS[®] Accounting Standards as issued by the International Accounting Standards Board (IASB), with the exception of the fact that these statements are combined as described in Note 1.

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 reflect the financial position and financial performance of the Project and do not include other assets, liabilities, revenues, and expenses of the partners of LIL LP. These financial statements were approved by Hydro's Board of Directors on March 13, 2026.

2.2 Basis of Combination

The Project includes the financial statements of LIL Holdco (consolidated), Muskrat Falls, Labrador Transco and LCMC. Material intercompany transactions have been eliminated.

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NOTES TO THE COMBINED 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, financing, operating, maintenance and sustaining costs related to the LIL, LTA and MF Plant, including reserve and sinking fund accounts required under the LIL Project Finance Agreement (LIL PFA) and MF/LTA Project Finance Agreement (MF/LTA PFA).

2.5 Short-term Investments

Investments with maturities greater than three months and less than twelve months are considered short-term investments.

2.6 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.

2.7 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 the Project's accounting policy outlined in Note 2.9. 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, the Project 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:

Hydroelectric generation plant	15 to 100 years
Transmission and terminals	15 to 75 years
Service facilities and other	5 to 100 years

Hydroelectric generation plant includes the powerhouse, turbines and generators, governors and exciters, and auxiliary systems, as well as water conveying and control structures, including dams, tailraces, spillway, penstocks, draft tube and intake structures.

Transmission lines and terminal stations include support structures, foundations, conductors and insulators associated with the 315 and 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 expense.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2.8 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. The Project also holds intangible assets which represent the Project's right to collect costs incurred related to asset upgrades through the LIL Lease/TFA and GIA/PPA.

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 asset upgrades are amortized over the term of the GIA/PPA and LIL Lease/TFA of 50 years. The estimated useful life and amortization method are reviewed at the end of each reporting 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.

2.9 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 Combined Statement of Profit and Comprehensive Income in the period in which they are incurred.

2.10 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, the Project 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 Combined Statement of Profit and Comprehensive Income.

2.11 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if the Project 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 Combined Statement of Financial Position date using the current discount rate.

2.12 Revenue Recognition

The Project recognizes revenue from contracts with customers related to the sale of electricity, transmission interconnection services and 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 the Project satisfies its performance obligations 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.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

2.13 Income Taxes

LCMC, Muskrat Falls, Labrador Transco, and LIL Holdco are exempt from paying income taxes under Paragraph 149(1) (d.2) of the Income Tax Act.

2.14 Financial Instruments

Classification and Initial Measurement

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

The Project's financial assets at amortized cost include cash, restricted cash, trade and other receivables, related party receivable and investments (including short-term).

Financial Liabilities at Amortized Cost

The Project 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.

The Project's financial liabilities at amortized cost include trade and other payables, Class B limited partnership units and long-term debt.

Derecognition of Financial Instruments

The Project 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.

The Project 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

The Project 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.

The Project always recognizes lifetime ECL for trade and other receivables. The ECL on these financial assets are estimated based on the Project'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. The Project 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.

For all other financial instruments, the Project recognizes lifetime ECL when there has been a significant increase in

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credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Project 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.

Hedges

The Project may choose to designate derivative instruments as hedges and apply hedge accounting if there is an economic relationship between the hedged item and the hedging instrument; the effect of credit risk does not dominate the value changes that result from that economic relationship; and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Project actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item. The Project formally documents all hedges and the related risk management objectives at the inception of the hedge. Derivative instruments that have been designated and qualify for hedge accounting are classified as either cash flow or fair value hedges.

The effective portion of the gain or loss on a cash flow hedging instrument is recognized directly in other comprehensive income, while any ineffective portion is recognized immediately in the Combined Statement of Profit and Comprehensive Income for the period in other expense. Amounts recognized in other comprehensive income are transferred to the Combined Statement of Profit and Comprehensive Income for the period when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

The Project does not hold any fair value hedges.

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

The Project 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

The Project's accounting policy relating to property, plant and equipment is described in Note 2.7. 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

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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 the Project'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 electricity sales is allocated between energy and capacity components based on observable evidence of how efficiently island rate payers use the hydroelectric system. Energy is recognized as units are delivered whereas capacity, revenue related to interconnection services and the right to use the LIL are recognized evenly over the time elapse of the term.

(iv) Determination of CGUs

The Project's accounting policy relating to impairment of non-financial assets is described in Note 2.10. In applying this policy, the Project 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.

(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 the Project's assets. The useful lives of property, plant and equipment and intangible assets are verified by independent specialists and reviewed annually by the Project. 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
- *Amendments to IFRS 9 Financial Instruments and IFRS 7 Financial Instruments: Disclosure - Contracts Referencing Nature-dependent Electricity*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

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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 the Project's financial statements.

4.2 Amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosure – Contracts Referencing Nature-dependent Electricity

The IASB issued amendments to IFRS 9 and IFRS 7 to provide a reasonable basis for an entity to determine the required accounting for contracts referencing nature-dependent electricity which are often structured as power purchase agreements. The amendments include clarifying the application of the 'own-use' requirements, permitting hedge accounting if these contracts are used as hedging instruments, and adding new disclosure requirements to enable investors to understand the effect of these contracts on a company's financial performance and cash flows. The amendments are applied retrospectively upon adoption. The application of these amendments will not have a material impact on the Project's financial statements.

4.3 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 the Project'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 Combined Statement of Profit and Comprehensive Income.

5. TRADE AND OTHER RECEIVABLES

<i>As at December 31 (thousands of Canadian dollars)</i>	Note	2025	2024
Due from related parties	18	26,920	23,981
Interest receivable		3,211	4,522
Other receivables		1,676	1,863
		31,807	30,366

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
0-60 days	17,613	13,057
60+ days	14,194	17,309
	31,807	30,366

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6. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Hydraulic Generation	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost					
Balance at January 1, 2024	6,405,995	6,003,126	284,964	11,773	12,705,858
Additions	-	-	-	30,940	30,940
Disposals	(2,052)	(13,443)	(305)	(1,279)	(17,079)
Transfers	1,297	9,028	2,662	(12,987)	-
Balance at December 31, 2024	6,405,240	5,998,711	287,321	28,447	12,719,719
Additions	1,025	2,564	-	21,451	25,040
Disposals	-	(1,421)	(167)	-	(1,588)
Other adjustments	-	-	(100)	-	(100)
Transfers	670	24,140	4,813	(29,425)	198
Balance at December 31, 2025	6,406,935	6,023,994	291,867	20,473	12,743,269
Depreciation					
Balance at January 1, 2024	66,726	76,642	215,857	-	359,225
Depreciation	88,946	102,219	3,422	-	194,587
Disposals	-	(61)	(114)	-	(175)
Balance at December 31, 2024	155,672	178,800	219,165	-	553,637
Depreciation	89,031	102,522	3,583	-	195,136
Disposals	-	(335)	(153)	-	(488)
Balance at December 31, 2025	244,703	280,987	222,595	-	748,285
Carrying value					
Balance at January 1, 2024	6,339,269	5,926,484	69,107	11,773	12,346,633
Balance at December 31, 2024	6,249,568	5,819,911	68,156	28,447	12,166,082
Balance at December 31, 2025	6,162,232	5,743,007	69,272	20,473	11,994,984

7. INVESTMENTS

The following table represents the value of the investments measured at amortized cost:

<i>As at December 31 (thousands of Canadian dollars)</i>	Year of Maturity	2025	2024
Amortizing Fixed Rate Deposit Notes with interest paid at a rate of 3.75% per annum.	2026- 2029	155,910	198,521
Less: redemptions to be received within one year		(43,423)	(42,611)
		112,487	155,910

On March 31, 2022, Muskrat Falls, jointly with Labrador Transco, purchased structured deposit notes using the proceeds from issued long-term debt. The investments are restricted in nature and subject to the provisions contained within the MF/LTA PFA.

LOWER CHURCHILL PROJECT COMPANIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

8. INTANGIBLE ASSETS

<i>(thousands of Canadian dollars)</i>	Computer Software	Other	Construction in Progress	Total
Cost				
Balance at January 1, 2024	48,751	36,525	1,595	86,871
Additions	-	216	1,725	1,941
Disposals	-	-	(110)	(110)
Transfers	1,835	-	(1,835)	-
Balance at December 31, 2024	50,586	36,741	1,375	88,702
Additions	-	189	228	417
Disposals	(10)	-	(85)	(95)
Transfers	(104)	-	(94)	(198)
Balance at December 31, 2025	50,472	36,930	1,424	88,826
Amortization				
Balance at January 1, 2024	10,136	560	-	10,696
Amortization	4,220	731	-	4,951
Balance at December 31, 2024	14,356	1,291	-	15,647
Amortization	4,261	733	-	4,994
Balance at December 31, 2025	18,617	2,024	-	20,641
Carrying value				
Balance at January 1, 2024	38,615	35,965	1,595	76,175
Balance at December 31, 2024	36,230	35,450	1,375	73,055
Balance at December 31, 2025	31,855	34,906	1,424	68,185

Other intangible assets represent the Project's right to collect the costs incurred related to asset upgrades through the LIL Lease/TFA and GIA/PPA.

9. CONTRACT ASSET

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Contract asset, beginning of the year	725,835	451,296
Revenue recognized	742,049	549,898
Payments	(319,688)	(275,359)
Contract asset, end of the year	1,148,196	725,835
Less: current portion	(324,523)	(325,315)
	823,673	400,520

The contract asset represents the timing difference between the satisfaction of performance obligations to Hydro under the PPA and the timing of commercial payments.

10. TRADE AND OTHER PAYABLES

<i>As at December 31 (thousands of Canadian dollars)</i>	Note	2025	2024
Due to related parties	18	32,853	56,976
Accrued interest		24,459	24,553
Trade payables and accruals		21,150	32,229
HST payable		5,552	5,995
		84,014	119,753

LOWER CHURCHILL PROJECT COMPANIES
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11. 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
LIL LP						
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
Muskrat Falls/Labrador Transco						
Tranche A	650,000	3.63	2013	2029	650,051	650,067
Tranche B	675,000	3.83	2013	2037	675,052	675,057
Tranche C	1,275,000	3.86	2013	2048	1,275,168	1,275,175
Tranche 10	-	1.75	2017	2025	-	21,112
Tranche 11-20	202,784	1.90-2.37	2017	2026-2030	202,796	224,301
Tranche 21-30	252,595	2.41-2.64	2017	2030-2035	252,656	252,666
Tranche 31-40	288,185	2.66-2.80	2017	2035-2040	288,374	288,389
Tranche 41-50	331,037	2.81-2.86	2017	2040-2045	331,285	331,298
Tranche 51-60	381,084	2.84-2.86	2017	2045-2050	381,475	381,493
Tranche 61-64	168,053	2.85	2017	2050-2052	168,300	168,310
Tranche A-T	500,000	3.35-3.38	2022	2037-2047	500,000	500,000
Tranche U	500,000	3.38	2022	2057	500,000	500,000
Total	8,558,238				8,560,977	8,624,758
Less: maturities of debt within one year					(64,423)	(63,611)
					8,496,554	8,561,147

Under the terms and conditions of the LIL PFA, the Labrador-Island Link Funding Trust (LIL Funding Trust) provided two credit facilities totaling \$3.5 billion. In addition, under the terms and conditions of the MF/LTA PFA, the Muskrat Falls/Labrador Transmission Assets Funding Trust (MF/LTA Funding Trust) provided three credit facilities totaling \$5.5 billion.

The credit facilities benefit from a direct, absolute, unconditional and irrevocable guarantee from the Government of Canada (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, the MF/LTA 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 for LIL LP and are required for the Tranche B, C and U debentures for Muskrat Falls and Labrador Transco. Sinking funds 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

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12. LIMITED PARTNERSHIP UNITS

The Class B limited partnership units represent KKR Island Link Incorporated (KKR)'s ownership interest in LIL LP. As described in the Labrador-Island Link Limited 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.

Class B Limited Partnership Units

<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 (NLDA).

13. SHAREHOLDER'S EQUITY

13.1 Share Capital

<i>As at December 31 (thousands of Canadian dollars)</i>	2025	2024
Class A preferred shares without nominal or par value		
Authorized – unlimited		
Issued - fully paid and outstanding - 1,891,952,578	1,891,952	1,891,952
Class A common shares without nominal or par value		
Authorized – unlimited		
Issued - fully paid and outstanding - 2,000	2	2
Common share without nominal or par value		
Authorized - unlimited		
Issued - fully paid and outstanding - 200	2	2
	1,891,956	1,891,956

13.2 Dividends

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Declared and paid during the year		
Preferred dividend for current year (3% coupon rate)	56,758	56,914
Common dividend for current year	184,688	310,180
	241,446	367,094

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14. OPERATING COSTS

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Impacts and Benefits agreement and amendment	13,936	35,260
Salaries and benefits	12,709	11,320
Maintenance and materials	9,585	11,954
Other operating costs	4,930	4,705
Professional services	4,425	5,022
Insurance	2,863	3,094
	48,448	71,355

15. NET FINANCE EXPENSE

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Finance income		
Interest on restricted cash	47,834	64,662
Interest on investments	6,877	8,480
Other interest	396	506
	55,107	73,648
Finance expense		
Interest and fees on long-term debt	294,297	295,372
Interest on Class B limited partnership units	83,494	66,577
Other interest	2,700	3,663
	380,491	365,612
Net finance expense	325,384	291,964

16. OTHER EXPENSE

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	Note	2025	2024
Rental and royalty	18	13,995	15,255
Cash flow hedge amortization		3,485	3,588
(Gain) loss on disposal of assets		(802)	12,467
Other		(1,411)	849
Other expense		15,267	32,159

On April 19, 2024, a fire damaged inventory and capital spares, related to the Lower Churchill Project assets, held in a storage facility in Happy Valley Goose Bay. This has resulted in a loss on disposal of assets of \$11.2 million.

17. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

17.1 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 the Project might receive or incur in actual market transactions.

As a significant number of the Project'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 the Project as a whole.

LOWER CHURCHILL PROJECT COMPANIES
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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 Project 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
		December 31, 2025		December 31, 2024	
<i>As at (thousands of Canadian dollars)</i>					
Financial assets					
Investments, including short-term	2	155,910	158,523	198,521	200,161
Financial liabilities					
Long-term debt, including amount due within one year	2	8,560,977	7,539,230	8,624,758	7,966,600
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.

The table below sets forth a summary of changes in fair value of the Project'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

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17.2 Risk Management

The Project 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, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of the Project's expected future cash flows.

Credit Risk

The Project'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, investments, trade and other receivables and related party receivable is determined by the financial capacity and stability of the counterparties. The maximum exposure to credit risk on these financial instruments is represented by their carrying value on the Combined Statement of Financial Position at the reporting date. Credit risk on cash, restricted cash and investments is minimal, as the Project'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 Project does not have any material amounts that are past due and uncollectible.

Liquidity Risk

The Project 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 and shareholder contributions. Liquidity risk for the Project is considered to be minimal due to the reserve accounts it holds as instructed in the LIL PFA and MF/LTA PFA as well as its commercial arrangements which require 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 the Project'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	84,014	-	-	-	84,014
Long-term debt (including interest and sinking fund)	420,565	839,896	1,577,271	10,822,364	13,660,096
Class B limited partnership units	94,613	186,146	182,029	2,692,340	3,155,128
	599,192	1,026,042	1,759,300	13,514,704	16,899,238

Market Risk

In the course of carrying out its operating, financing and investing activities, the Project is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets.

Interest Rates

Changes in prevailing interest rate risk will impact the fair value of financial assets and liabilities. Expected future cash flows from these assets are also impacted in certain circumstances. The Project is not exposed to interest rate risk on its long-term debt as all of the Project's long-term debt has fixed interest rates.

Foreign Currency and Commodity Exposure

The Project 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.

18. RELATED PARTY TRANSACTIONS

The Project enters into various transactions with its 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.

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Related parties with which the Project transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of LIL Holdco (2021), Labrador Transco, LCMC, LIL Opco, Labrador-Island Link General Partner (LIL GP) and Muskrat Falls
KKR	Limited Partner holding 25 Class B limited partnership units of LIL LP
LIL GP	General partner of LIL LP, wholly-owned subsidiary of Hydro
LIL Holdco (2021)	Wholly-owned subsidiary of Hydro, limited partner of LIL (2021) LP
LIL (2021) LP	100% shareholder of LIL Holdco
LIL Opco	Wholly-owned subsidiary of Hydro
Churchill Falls (Labrador) Corporation (Churchill Falls)	Joint arrangement of Hydro
Nalcor Energy Marketing Corporation (Energy Marketing)	Wholly-owned subsidiary of Hydro
The Province	100% shareholder 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	Note 5	26,920	23,981
Related party receivable:			
Other related parties	(a)	56,426	61,255
Contract asset (including current portion):			
Other related parties	Note 9	1,148,196	725,835
Other long-term asset:			
Other related parties	Note 19(h)	3,520	3,344
Trade and other payables:	Note 10		
The Province	(b)	13,944	15,250
Other related parties		18,909	41,726
Contract liability:			
Other related parties	(c)	2,435	2,171

<i>For the year ended December 31 (thousands of Canadian dollars)</i>		2025	2024
Revenue:			
Other related parties	(d)(e)(f)(g)	1,261,648	1,166,161
Operating costs:			
Other related parties		15,052	13,822
Other expense:			
The Province	Note 16, (b)	13,995	15,255
Other related parties	(h)	-	850

(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) Muskrat Falls is required to pay the Province a water rental fee based on megawatt hours of energy generated, which is payable on an annual basis, in the first quarter of the following fiscal year.

(c) LIL LP has a contract liability with LIL Opco which represents the timing difference between the satisfaction of

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performance obligations to LIL Opco under the LIL Lease and the timing of commercial payments.

- (d) Muskrat Falls earned revenue from contributed energy to Hydro related to delivery of the Nova Scotia Block of \$93.6 million (2024 - \$109.9 million).
- (e) Muskrat Falls earned revenue from Hydro and Energy Marketing in relation to the PPA and Residual Block sales.
- (f) Muskrat Falls earned revenue from Churchill Falls related to an Energy Purchase Agreement for the sale of banked energy.
- (g) LIL LP earned revenue from LIL Opco in relation to the LIL Lease.
- (h) Muskrat Falls had an expense and a contribution of power purchases with Hydro related to delivery of the Nova Scotia Block.

19. 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) As part of the MF/LTA PFA, Labrador Transco and Muskrat Falls have pledged their present and future assets as security to the Collateral Agent.
- (d) Under the terms and conditions of the Partnership Agreement and the NLDA, LIL Holdco has committed to fund its share of the capital expenditures of the LIL.
- (e) 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.
- (f) Muskrat Falls has entered into the PPA with Hydro, whereby Muskrat Falls and Labrador Transco have committed to design, construct, operate and maintain the MF Plant and LTA, and provide 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 energy and capacity sales under the PPA as at December 31, 2025 is \$608 million (2024 - \$754 million) within one year and \$36,042 million (2024 - \$36,512 million) in more than one year.
- (g) Hydro entered into the Energy and Capacity Agreement with Emera Incorporated (Emera) providing for the sale and delivery of the Nova Scotia Block, being 0.986 TWh of energy annually for a term of 35 years. Hydro and Muskrat Falls are jointly liable for the delivery of the Nova Scotia Block to Emera.
- (h) The Water Management Agreement between Churchill Falls and Muskrat Falls provides for coordinated production for the efficient use of water on the Churchill River system by ensuring that water is available to meet delivery requirements and contractual commitments for both Churchill Falls and Muskrat Falls, while maximizing the energy produced from the water resource. As at December 31, 2025 Muskrat Falls has the equivalent of approximately 1.1 TWh (2024 – 1.0 TWh) of energy stored in the Churchill Falls reservoir.

LOWER CHURCHILL PROJECT COMPANIES
NOTES TO THE COMBINED FINANCIAL STATEMENTS

- (i) The Project 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 the Project, they may have a significant adverse effect on the Project's financial position.
- (j) Outstanding commitments for capital projects total approximately \$31.1 million as at December 31, 2025 (2024 - \$25.2 million).
- (k) On October 24, 2024, Hydro and the Innu Nation amended the Lower Churchill Innu Impacts and Benefits Agreement (IBA) to reflect an agreement on rate mitigation. Under this agreement, Hydro has committed with Muskrat Falls to pay the Innu Nation an annual amount of \$12 million escalating at CPI, for a term of 50 years, replacing all other IBA payments associated with Muskrat Falls.

20. CAPITAL MANAGEMENT

Capital includes share capital, shareholder contributions, retained earnings, long-term debt and Class B limited partnership units. The Project'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. Cash generated from operations will be sufficient to fund the operating, maintaining and sustaining activities of the MF Plant and the LTA. Shareholder contributions will be sufficient to ensure the availability of funding to sustain the LIL.

21. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the year ended December 31 (thousands of Canadian dollars)</i>	2025	2024
Trade and other receivables	(2,551)	(10,969)
Inventories	(6,242)	(6,133)
Prepayments	(1,698)	122
Trade and other payables	(35,645)	26,672
Changes in non-cash working capital balances	(46,136)	9,692
Related to:		
Operating activities	(35,481)	10,184
Investing activities	(10,655)	(492)
	(46,136)	9,692