

MUSKRAT FALLS CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2026
(Unaudited)

MUSKRAT FALLS CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (millions of Canadian dollars)</i>	Notes	March 31 2026	December 31 2025
ASSETS			
Current assets			
Restricted cash		761	759
Trade and other receivables		20	30
Short-term investments		36	36
Current portion of contract asset	4	322	324
Other current assets		8	7
Total current assets		1,147	1,156
Non-current assets			
Property, plant and equipment	3	6,168	6,190
Investments		94	94
Contract asset	4	981	824
Other long-term asset	12	4	4
Total assets		8,394	8,268
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	5	77	46
Current portion of long-term debt	6	36	36
Current portion of long-term payables	7	54	60
Total current liabilities		167	142
Non-current liabilities			
Long-term debt	6	4,323	4,323
Long-term payables	7	378	357
Total liabilities		4,868	4,822
Shareholder's equity			
Share capital		1,802	1,802
Shareholder contributions		1,179	1,179
Reserves		(36)	(36)
Retained earnings		581	501
Total equity		3,526	3,446
Total liabilities and equity		8,394	8,268

Commitments and contingencies (Note 13)

See accompanying notes

MUSKRAT FALLS CORPORATION
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Notes	Three months ended	
		2026	2025
Revenue	12	247	360
Total revenue		247	360
Operating costs	9	8	10
Transmission expense	12	29	29
Depreciation	3	22	22
Net finance expense	10	31	29
Other expense		5	2
Total expenses		95	92
Profit for the period		152	268
Other comprehensive income			
Total items that may or have been reclassified to profit:			
Reclassification adjustment related to:			
Cash flow hedges recognized in profit		-	1
Other comprehensive income for the period		-	1
Total comprehensive income for the period		152	269

See accompanying notes

MUSKRAT FALLS CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(millions of Canadian dollars)</i>	Notes	Share Capital	Shareholder Contributions	Reserves	Retained earnings	Total
Balance at January 1, 2026		1,802	1,179	(36)	501	3,446
Profit for the period		-	-	-	152	152
Total comprehensive income for the period		-	-	-	152	152
Dividends	8	-	-	-	(42)	(42)
Non-cash distribution to parent	12(b)	-	-	-	(30)	(30)
Balance at March 31, 2026		1,802	1,179	(36)	581	3,526
Balance at January 1, 2025		1,802	1,179	(39)	221	3,163
Profit for the period		-	-	-	268	268
Other comprehensive income		-	-	1	-	1
Total comprehensive income for the period		-	-	1	268	269
Dividends	8	-	-	-	(24)	(24)
Non-cash distribution to parent	12(b)	-	-	-	(29)	(29)
Balance at March 31, 2025		1,802	1,179	(38)	436	3,379

See accompanying notes

MUSKRAT FALLS CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Notes	Three months ended	
		2026	2025
Operating activities			
Profit for the period		152	268
Adjustments to reconcile profit to cash provided from operating activities:			
Depreciation	3	22	22
Reserves amortized to profit		-	1
Non-cash distribution to parent	12(b)	(30)	(29)
Finance income	10	(6)	(8)
Finance expense	10	37	37
		175	291
Changes in non-cash working capital balances	14	3	7
Increase in long-term payables		15	23
Increase in contract asset		(155)	(287)
Interest received		6	9
Interest paid		-	(1)
Net cash provided from operating activities		44	42
Financing activities			
Increase in restricted cash		(2)	(18)
Dividends paid	8	(42)	(24)
Net cash used in financing activities		(44)	(42)
Net increase (decrease) in cash		-	-
Cash, beginning of the period		-	-
Cash, end of the period		-	-

See accompanying notes

MUSKRAT FALLS CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

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

Musktrat Falls' principal activity is to operate the Musktrat Falls hydroelectric generating facility (MF Plant) on the lower Churchill River.

Musktrat Falls has entered into a power purchase agreement (PPA) with Hydro for the sale of energy and capacity from the MF Plant. Musktrat Falls has also entered into the Generator Interconnection Agreement (GIA) with Hydro and Labrador Transmission Corporation (Labrador Transco) which provides transmission interconnection services between the MF Plant, the Labrador-Island Link (LIL), Churchill Falls (Labrador) Corporation (Churchill Falls) hydroelectric facility and Hydro's Labrador transmission assets. Under the terms of the GIA, Musktrat Falls is required to pay for all costs associated with the Labrador Transmission Assets (LTA). Under the terms of the PPA, Musktrat Falls will recover all costs associated with the MF Plant as well as the costs incurred by Musktrat Falls under the GIA. Hydro's obligation to pay for the costs under the PPA is absolute, non-conditional and irrevocable.

2. MATERIAL ACCOUNTING POLICIES

Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with *International Accounting Standard 34 - Interim Financial Reporting* and have been prepared using accounting policies consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2025.

These condensed interim financial statements do not include all of the disclosures normally found in Musktrat Falls' annual audited financial statements and should be read in conjunction with the annual audited financial statements.

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

MUSKRAT FALLS CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

3. PROPERTY, PLANT AND EQUIPMENT

<i>(millions of Canadian dollars)</i>	Hydraulic Generation	Service Facilities and Other	Construction in Progress	Total
Cost				
Balance at January 1, 2025	6,405	220	3	6,628
Additions	1	-	2	3
Transfers	1	1	(2)	-
Balance at December 31, 2025	6,407	221	3	6,631
Balance at March 31, 2026	6,407	221	3	6,631
Depreciation				
Balance at January 1, 2025	156	195	-	351
Depreciation	89	1	-	90
Balance at December 31, 2025	245	196	-	441
Depreciation	22	-	-	22
Balance at March 31, 2026	267	196	-	463
Carrying value				
Balance at January 1, 2025	6,249	25	3	6,277
Balance at December 31, 2025	6,162	25	3	6,190
Balance at March 31, 2026	6,140	25	3	6,168

4. CONTRACT ASSET

<i>As at (millions of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Contract asset, beginning of the period		1,148	726
Revenue recognized		234	742
Payments		(79)	(320)
Contract asset, end of the period	12	1,303	1,148
Less: current portion		(322)	(324)
		981	824

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

5. TRADE AND OTHER PAYABLES

<i>As at (millions of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Accrued interest		49	12
Due to related parties	12	24	30
Trade payables and accruals		4	4
		77	46

MUSKRAT FALLS CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

6. LONG-TERM DEBT

The following table represents the value of long-term debt measured at amortized cost:

<i>As at (millions of Canadian dollars)</i>	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	March 31 2026	December 31 2025
Tranche A	542	3.63	2013	2029	542	542
Tranche B	563	3.83	2013	2037	563	563
Tranche C	1,064	3.86	2013	2048	1,064	1,064
Tranche 12-20	169	1.90-2.37	2017	2026-2030	169	169
Tranche 21-30	211	2.41-2.64	2017	2030-2035	211	211
Tranche 31-40	241	2.66-2.80	2017	2035-2040	241	241
Tranche 41-50	276	2.81-2.86	2017	2040-2045	277	277
Tranche 51-60	318	2.84-2.86	2017	2045-2050	318	318
Tranche 61-64	140	2.85	2017	2050-2052	140	140
Tranche A-T	417	3.35-3.38	2022	2037-2047	417	417
Tranche U	417	3.38	2022	2057	417	417
Total	4,358				4,359	4,359
Less: maturities of debt within one year					(36)	(36)
					4,323	4,323

7. LONG-TERM PAYABLES

<i>As at (millions of Canadian dollars)</i>	Note	March 31 2026	December 31 2025
Long-term payables, beginning of the period		417	347
Additions		28	115
Payments		(13)	(45)
Long-term payables, end of the period	12	432	417
Less: current portion		(54)	(60)
		378	357

The long-term payable represents the timing difference between receipt of services from Labrador Transco under the GIA and the timing of commercial payments.

8. SHAREHOLDER'S EQUITY

Dividends

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Three months ended	
	2026	2025
Declared and paid during the period		
Preferred dividend for current period (3% coupon rate)	13	13
Common dividend for current period	29	11
	42	24

MUSKRAT FALLS CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

9. OPERATING COSTS

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Three months ended	
	2026	2025
Impacts and Benefits agreement	3	3
Salaries and benefits	2	2
Maintenance and materials	1	2
Professional services	1	1
Insurance	1	1
Other operating costs	-	1
	8	10

10. NET FINANCE EXPENSE

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Three months ended	
	2026	2025
Finance income		
Interest on restricted cash	5	7
Interest on investments	1	1
	6	8
Finance expense		
Interest and fees on long-term debt	37	37
Net finance expense	31	29

11. FINANCIAL INSTRUMENTS

Fair Value

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

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

Establishing Fair Value

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

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

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

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

MUSKRAT FALLS CORPORATION
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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 year. There were no transfers between Level 1, 2 and 3 fair value measurements during the period ended March 31, 2026 and the year ended December 31, 2025.

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

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		March 31, 2026		December 31, 2025	
<i>(millions of Canadian dollars)</i>					
Financial assets					
Investments, including short-term	2	130	131	130	132
Financial liabilities					
Long-term debt, including amount due within one year	2	4,359	3,889	4,359	3,861

The fair values of restricted cash, trade and other receivables and trade and other payables approximate their carrying values due to their short-term maturity. The fair value of the long-term payables approximates its carrying value due to the underlying nature of the balance with its intercompany counterparty.

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.

12. RELATED PARTY TRANSACTIONS

Muskrat Falls 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 Muskrat Falls transacts are as follows:

Related Party	Relationship
Hydro	100% shareholder of Muskrat Falls
Labrador Transco	Wholly-owned subsidiary of Hydro
Nalcor Energy Marketing Corporation (Energy Marketing)	Wholly-owned subsidiary of Hydro
The Province	100% shareholder of Hydro
Churchill Falls	Joint arrangement of Hydro
Lower Churchill Management Corporation	Wholly-owned subsidiary of Hydro
Labrador-Island Link Operating Corporation	Wholly-owned subsidiary of Hydro
Labrador-Island Link Limited Partnership	Limited partnership between Labrador-Island Link Holding Corporation and KKR Island Link Incorporated (KKR)

MUSKRAT FALLS CORPORATION
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Significant related party transactions, which are not otherwise disclosed separately in the condensed interim financial statements, are summarized below:

		March 31	December 31
		2026	2025
<i>As at (millions of Canadian dollars)</i>			
Trade and other receivables:			
Parent		17	19
Other related parties		1	8
Contract asset (including current portion):			
Parent	Note 4	1,303	1,148
Other long-term asset:			
Other related parties		4	4
Trade and other payables:			
Parent	Note 5	20	16
The Province	(a)	4	14
Long-term payables (including current portion):			
Other related parties	Note 7	432	417
		Three months ended	
		2026	2025
<i>For the period ended March 31 (millions of Canadian dollars)</i>			
Revenue:			
Parent	(b)(c)	232	349
Other related parties	(d)(f)	15	11
Operating costs:			
Parent		3	2
Transmission expense:			
Other related parties	(e)	29	29
Other expense:			
The Province	(a)	4	4

- (a) 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.
- (b) Muskrat Falls earned revenue from contributed energy to Hydro related to delivery of the Nova Scotia Block of \$29.5 million (March 31, 2025 - \$29.3 million).
- (c) Muskrat Falls earned revenue from Hydro in relation to the PPA and Residual Block sales.
- (d) Muskrat Falls earned revenue from Energy Marketing in relation to the Residual Block sales.
- (e) Muskrat Falls has a transmission expense with Labrador Transco in relation to the GIA.
- (f) Muskrat Falls earned revenue from Churchill Falls related to an Energy Purchase Agreement for the sale of banked energy.

13. COMMITMENTS AND CONTINGENCIES

- (a) Muskrat Falls has entered into the GIA and PPA with Labrador Transco and Hydro, whereby Muskrat Falls has committed to provide interconnection transmission services, energy and capacity for a 50 year term. Revenue allocated to the remaining performance obligation related to energy and capacity sales under the PPA as at March 31, 2026 is \$626 million (December 31, 2025 - \$608 million) within one year and \$35,790 million (December 31, 2025 - \$36,042 million) in more than one year.

MUSKRAT FALLS CORPORATION

NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

- (b) Muskrat Falls 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 Company, they may have a significant adverse effect on the Company's financial position.
- (c) Outstanding commitments for capital projects total approximately \$1.2 million as at March 31, 2026 (December 31, 2025 – 1.1 million).

14. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the period ended March 31 (millions of Canadian dollars)</i>	Three months ended	
	2026	2025
Trade and other receivables	10	7
Inventories	(1)	(1)
Trade and other payables	(6)	1
Changes in non-cash working capital balances	3	7
Related to:		
Operating activities	3	7
	3	7