MUSKRAT FALLS CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
June 30, 2026
(Unaudited)

MUSKRAT FALLS CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (millions of Canadian dollars)	Notes	**June 30 2026**	December 31 2025
ASSETS			
Current assets			
Restricted cash		**725**	759
Trade and other receivables		**30**	30
Short-term investments	4	**37**	36
Current portion of contract asset	5	**326**	324
Other current assets		**8**	7
Total current assets		**1,126**	1,156
Non-current assets			
Property, plant and equipment	3	**6,146**	6,190
Investments	4	**75**	94
Contract asset	5	**1,018**	824
Other long-term asset	13	**4**	4
Total assets		**8,369**	8,268
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	6	**50**	46
Current portion of long-term debt	7	**37**	36
Current portion of long-term payables	8	**56**	60
Total current liabilities		**143**	142
Non-current liabilities			
Long-term debt	7	**4,305**	4,323
Long-term payables	8	**392**	357
Total liabilities		**4,840**	4,822
Shareholder’s equity			
Share capital		**1,802**	1,802
Shareholder contributions		**1,179**	1,179
Reserves		**(35)**	(36)
Retained earnings		**583**	501
Total equity		**3,529**	3,446
Total liabilities and equity		**8,369**	8,268

Commitments and contingencies (Note 14)

See accompanying notes

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

For the period ended June 30 (millions of Canadian dollars)	Notes	**Three months ended** **2026**	2025	**Six months ended** **2026**	2025
Revenue	13	**154**	150	**401**	510
Total revenue		**154**	150	**401**	510
Operating costs	10	**10**	11	**18**	21
Transmission expense	13	**29**	28	**58**	57
Depreciation	3	**23**	23	**45**	45
Net finance expense	11	**31**	30	**62**	59
Other expense		**22**	4	**27**	6
Total expenses		**115**	96	**210**	188
Profit for the period		**39**	54	**191**	322
Other comprehensive income					
Total items that may or have been reclassified to profit:					
Reclassification adjustment related to:					
Cash flow hedges recognized in profit		**1**	-	**1**	1
Other comprehensive income for the period		**1**	-	**1**	1
Total comprehensive income for the period		**40**	54	**192**	323

See accompanying notes

MUSKRAT FALLS CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

(millions of Canadian dollars)	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		**-**	**-**	**-**	**191**	**191**
Other comprehensive income		**-**	**-**	**1**	**-**	**1**
Total comprehensive income for the period		**-**	**-**	**1**	**191**	**192**
Dividends	9	**-**	**-**	**-**	**(63)**	**(63)**
Non-cash distribution to parent	13(b)	**-**	**-**	**-**	**(46)**	**(46)**
Balance at June 30, 2026		**1,802**	**1,179**	**(35)**	**583**	**3,529**
Balance at January 1, 2025		1,802	1,179	(39)	221	3,163
Profit for the period		-	-	-	322	322
Other comprehensive income		-	-	1	-	1
Total comprehensive income for the period		-	-	1	322	323
Dividends	9	-	-	-	(43)	(43)
Non-cash distribution to parent	13(b)	-	-	-	(48)	(48)
Balance at June 30, 2025		1,802	1,179	(38)	452	3,395

See accompanying notes

MUSKRAT FALLS CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

For the period ended June 30 (millions of Canadian dollars)	Notes	**Three months ended 2026**	Three months ended 2025	**Six months ended 2026**	Six months ended 2025
Operating activities					
Profit for the period		**39**	54	**191**	322
Adjustments to reconcile profit to cash (used in) provided from operating activities:					
Depreciation	3	**23**	23	**45**	45
Reserves amortized to profit		**1**	-	**1**	1
Non-cash distribution to parent	13(b)	**(16)**	(19)	**(46)**	(48)
Finance income	11	**(6)**	(8)	**(12)**	(16)
Finance expense	11	**37**	38	**74**	75
		78	88	**253**	379
Changes in non-cash working capital balances	15	**-**	(40)	**3**	(33)
Increase in long-term payables		**16**	15	**31**	38
Increase in contract asset		**(41)**	(34)	**(196)**	(321)
Interest received		**7**	8	**13**	17
Interest paid		**(74)**	(74)	**(74)**	(75)
Net cash (used in) provided from operating activities		**(14)**	(37)	**30**	5
Investing activities					
Redemption of investments		**18**	18	**18**	18
Additions to property, plant and equipment	3	**(1)**	(1)	**(1)**	(1)
Changes in non-cash working capital balances	15	**-**	1	**-**	1
Net cash provided from investing activities		**17**	18	**17**	18
Financing activities					
Decrease in restricted cash		**36**	56	**34**	38
Repayment of long-term debt		**(18)**	(18)	**(18)**	(18)
Dividends paid	9	**(21)**	(19)	**(63)**	(43)
Net cash (used in) provided from financing activities		**(3)**	19	**(47)**	(23)
Net increase (decrease) in cash		**-**	-	**-**	-
Cash, beginning of the period		**-**	-	**-**	-
Cash, end of the period		**-**	-	**-**	-

See accompanying notes

1. DESCRIPTION OF BUSINESS

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

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

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 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, Muskrat Falls is required to pay for all costs associated with the Labrador Transmission Assets (LTA). Under the terms of the PPA, Muskrat Falls will recover all costs associated with the MF Plant as well as the costs incurred by Muskrat 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 Muskrat 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 Muskrat 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 August 13, 2026.

3. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	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
Additions	**-**	**-**	**1**	**1**
Balance at June 30, 2026	**6,407**	**221**	**4**	**6,632**
Depreciation				
Balance at January 1, 2025	156	195	-	351
Depreciation	89	1	-	90
Balance at December 31, 2025	245	196	-	441
Depreciation	**45**	**-**	**-**	**45**
Balance at June 30, 2026	**290**	**196**	**-**	**486**
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 June 30, 2026	**6,117**	**25**	**4**	**6,146**

4. INVESTMENTS

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

As at (millions of Canadian dollars)	Year of Maturity	**June 30 2026**	December 31 2025
Amortizing Fixed Rate Deposit Notes with interest paid at a rate of 3.75% per annum.	2026-2029	**112**	130
Less: redemptions to be received within one year		**(37)**	(36)
		75	94

5. CONTRACT ASSET

As at (millions of Canadian dollars)	Note	**June 30 2026**	December 31 2025
Contract asset, beginning of the period		**1,148**	726
Revenue recognized		**353**	742
Payments		**(157)**	(320)
Contract asset, end of the period	13	**1,344**	1,148
Less: current portion		**(326)**	(324)
		1,018	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.

6. TRADE AND OTHER PAYABLES

As at (millions of Canadian dollars)	Note	**June 30 2026**	December 31 2025
Trade payables and accruals		**21**	4
Due to related parties	13	**17**	30
Accrued interest		**12**	12
		50	46

7. LONG-TERM DEBT

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

As at (millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**June 30 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 13-20	151	1.99-2.37	2017	2026-2030	**152**	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	4,340				**4,342**	4,359
Less: maturities of debt within one year					**(37)**	(36)
					4,305	4,323

8. LONG-TERM PAYABLES

As at (millions of Canadian dollars)	Note	**June 30 2026**	December 31 2025
Long-term payables, beginning of the period		**417**	347
Additions		**58**	115
Payments		**(27)**	(45)
Long-term payables, end of the period	13	**448**	417
Less: current portion		**(56)**	(60)
		392	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.

9. DIVIDENDS

	Three months ended		**Six months ended**	
For the period ended June 30 (millions of Canadian dollars)	**2026**	2025	**2026**	2025
Declared and paid during the period				
Preferred dividend for current period (3% coupon rate)	**14**	14	**27**	27
Common dividend for current period	**7**	5	**36**	16
	21	19	**63**	43

10. OPERATING COSTS

	Three months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**2026**	2025	**2026**	2025
Impacts and Benefits agreement	**4**	4	**7**	7
Salaries and benefits	**2**	2	**4**	4
Maintenance and materials	**2**	2	**3**	4
Professional services	**-**	1	**1**	2
Insurance	**-**	-	**1**	1
Other operating costs	**2**	2	**2**	3
	10	11	**18**	21

11. NET FINANCE EXPENSE

	Three months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**2026**	2025	**2026**	2025
Finance income				
Interest on restricted cash	**5**	6	**10**	13
Interest on investments	**1**	2	**2**	3
	6	8	**12**	16
Finance expense				
Interest and fees on long-term debt	**37**	37	**74**	74
Other interest	**-**	1	**-**	1
	37	38	**74**	75
Net finance expense	**31**	30	**62**	59

12. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at June 30, 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).

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 June 30, 2026 and the year ended December 31, 2025.

As at June 30, 2026 and December 31, 2025, the Company did not have any Level 3 instruments.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
(millions of Canadian dollars)			**June 30, 2026**		December 31, 2025
Financial assets					
Investments, including short-term	**2**	**112**	**113**	130	132
Financial liabilities					
Long-term debt, including amount due within one year	**2**	**4,342**	**3,954**	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.

13. 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)

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

As at (millions of Canadian dollars)		**June 30 2026**	December 31 2025
Trade and other receivables:			
Parent		**23**	19
Other related parties		**5**	8
Contract asset (including current portion):			
Parent	Note 5	**1,344**	1,148
Other long-term asset:			
Other related parties		**4**	4
Trade and other payables:	Note 6		
Parent		**9**	16
The Province	(a)	**8**	14
Long-term payables (including current portion):			
Other related parties	Note 8	**448**	417

		Three months ended		**Six months ended**	
For the period ended June 30 (millions of Canadian dollars)		**2026**	2025	**2026**	2025
Revenue:					
Parent	(b)(c)	**143**	131	**375**	480
Other related parties	(d)(f)	**11**	19	**26**	30
Operating costs:					
Parent		**2**	3	**5**	5
Transmission expense:					
Other related parties	(e)	**29**	28	**58**	57
Other expense:					
The Province	(a)	**4**	4	**8**	8

(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 $46.2 million (June 30, 2025 - $47.8 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.

14. 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 June 30, 2026 is $632 million (December 31, 2025 - $608 million) within one year and $35,665 million (December 31, 2025 - $36,042 million) in more than one year.

(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 $2.6 million as at June 30, 2026 (December 31, 2025 – $1.1 million).

15. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended		Six months ended	
For the period ended June 30 (millions of Canadian dollars)	**2026**	2025	**2026**	2025
Trade and other receivables	**(10)**	-	**-**	7
Prepayments	**1**	1	**1**	1
Inventories	**(1)**	(1)	**(2)**	(2)
Trade and other payables	**10**	(39)	**4**	(38)
Changes in non-cash working capital balances	**-**	(39)	**3**	(32)
Related to:				
Operating activities	**-**	(40)	**3**	(33)
Investing activities	**-**	1	**-**	1
	-	(39)	**3**	(32)