

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
September 30, 2016
(Unaudited)

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	Notes	September 30	December 31
		2016	2015
ASSETS			
Current assets			
Cash and cash equivalents		48,326	54,924
Short-term investments		20,062	-
Trade and other receivables		12,633	23,782
Inventories		18,589	18,753
Prepayments		2,764	1,932
Total current assets		102,374	99,391
Non-current assets			
Property, plant and equipment	3	650,912	615,457
Intangible assets	4	559	668
Investment in joint venture	5	1,821	1,853
Reserve fund		46,894	47,015
Long-term related party receivable		-	7
Total assets		802,560	764,391
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		36,469	27,841
Rental and royalty payable		5,167	7,752
Current portion of deferred contributions	6	783	783
Total current liabilities		42,419	36,376
Non-current liabilities			
Deferred contributions	6	11,764	12,351
Decommissioning liabilities	7	1,329	1,296
Employee future benefits		32,930	31,339
Total liabilities		88,442	81,362
Shareholders' equity			
Share capital	10	82,900	82,900
Shareholder contributions	10	5,259	4,966
Reserves		(7,489)	(7,205)
Retained earnings		633,448	602,368
Total equity		714,118	683,029
Total liabilities and equity		802,560	764,391

Commitments and contingencies (Note 16)

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Nine months ended	
		2016	2015	2016	2015
Power sales		23,962	22,302	84,165	84,797
Guaranteed winter availability		-	-	21,275	21,758
Other revenue	6	196	196	587	587
Revenue		24,158	22,498	106,027	107,142
Operating costs	11	15,732	17,112	49,979	50,370
Depreciation and amortization	3,4	5,792	5,061	17,049	15,241
Net finance (income) expense	12	(204)	(495)	(1,089)	(1,251)
Other (income) expense	13	(281)	1,012	(99)	1,369
Share of loss of joint venture	5	9	24	31	150
Profit (loss) for the period		3,110	(216)	40,156	41,263
Other comprehensive loss for the period					
Net fair value loss on available-for-sale financial instruments	9	(48)	(311)	(115)	15
Amounts reclassified to profit or loss	9	(59)	(14)	(169)	(47)
Other comprehensive loss for the period		(107)	(325)	(284)	(32)
Total comprehensive income (loss) for the period		3,003	(541)	39,872	41,231

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	Share Capital	Shareholder Contributions	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2016		82,900	4,966	851	(8,056)	602,368	683,029
Profit for the period		-	-	-	-	40,156	40,156
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments	9	-	-	(115)	-	-	(115)
Net change in fair value of financial instruments reclassified to profit or loss	9	-	-	(169)	-	-	(169)
Total comprehensive (loss) income for the period		-	-	(284)	-	40,156	39,872
Shareholder contributions	10	-	293	-	-	-	293
Preferred dividends	10	-	-	-	-	(9,076)	(9,076)
Balance at September 30, 2016		82,900	5,259	567	(8,056)	633,448	714,118
Balance at January 1, 2015		82,900	4,844	953	(11,864)	554,177	631,010
Profit for the period		-	-	-	-	41,263	41,263
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments	9	-	-	15	-	-	15
Net change in fair value of financial instruments reclassified to profit or loss	9	-	-	(47)	-	-	(47)
Total comprehensive (loss) income for the period		-	-	(32)	-	41,263	41,231
Shareholder contributions	10	-	103	-	-	-	103
Preferred dividends	10	-	-	-	-	(10,216)	(10,216)
Balance at September 30, 2015		82,900	4,947	921	(11,864)	585,224	662,128

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Nine months ended	
		2016	2015	2016	2015
Cash provided from (used in)					
Operating activities					
Profit (loss) for the period		3,110	(216)	40,156	41,263
Adjusted for items not involving a cash flow:					
Depreciation and amortization	3,4	5,792	5,061	17,049	15,241
Amortization of deferred contributions	6	(196)	(196)	(587)	(587)
Employee benefits		537	414	1,591	1,399
(Gain) loss on disposal of property, plant and equipment	13	(12)	425	6	439
Accretion of decommissioning liability	7	11	12	33	36
Net discount on reserve fund		(59)	(14)	(169)	(46)
Share of loss of joint venture	5	9	24	31	150
		9,192	5,510	58,110	57,895
Change in non-cash working capital balances	17	10,886	4,800	16,524	11,785
Net cash provided from operating activities		20,078	10,310	74,634	69,680
Investing activities					
Additions to property, plant and equipment	3	(26,025)	(21,888)	(52,458)	(37,423)
(Increase) decrease in short-term investments		(49)	27,523	(20,062)	5,007
Withdrawal from reserve fund		7	-	7	-
Proceeds on disposal of property, plant and equipment		57	-	57	-
Net cash (used in) provided from investing activities		(26,010)	5,635	(72,456)	(32,416)
Financing activities					
Increase in long-term related party payable		-	4,288	7	779
Increase in shareholder contributions	10	16	3	293	103
Preferred dividends	10	(2,733)	(3,400)	(9,076)	(10,216)
Net cash (used in) provided from financing activities		(2,717)	891	(8,776)	(9,334)
Net (decrease) increase in cash and cash equivalents		(8,649)	16,836	(6,598)	27,930
Cash and cash equivalents, beginning of period		56,975	37,705	54,924	26,611
Cash and cash equivalents, end of period		48,326	54,541	48,326	54,541
Interest received		471	458	1,255	1,639
Interest paid		21	38	56	134

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Churchill Falls (Labrador) Corporation Limited (Churchill Falls) is incorporated under the laws of Canada and operates a hydroelectric generating plant and related transmission facilities in Labrador with a rated capacity of 5,428 megawatts (MW). Churchill Falls operates under rights leased from the Province of Newfoundland and Labrador (the Province) for 99 years, which are renewable for a further term of 99 years under the Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961 (the Lease) as amended, covering the water power potential of the Upper Churchill watershed. Energy from Churchill Falls is provided to two customers: Hydro-Québec and Newfoundland and Labrador Hydro (Hydro). Churchill Falls is 65.8% owned by Hydro, whose parent company is Nalcor Energy (Nalcor). The remaining 34.2% is owned by Hydro-Québec. Effective June 18, 1999, the two shareholders of Churchill Falls, Hydro and Hydro-Québec, entered into a Shareholders' Agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to joint approval by representatives of Hydro and Hydro-Québec. The head and corporate office for Churchill Falls is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 3T5.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 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, 2015.

These condensed interim financial statements do not include all of the disclosures normally found in Churchill 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 except for available-for-sale financial assets which have been measured at fair value. The condensed interim financial statements are presented in Canadian dollars and all values are rounded to the nearest thousand, except when otherwise noted. The condensed interim financial statements were approved by Churchill Falls' Audit Committee on November 8, 2016.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

3. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Hydroelectric Generation Plant	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost					
Balance at January 1, 2015	760,280	235,093	177,457	18,449	1,191,279
Additions	(34)	-	-	54,772	54,738
Decommissioning liabilities and revisions	-	51	-	-	51
Disposals	(2,762)	(1,167)	(2,738)	-	(6,667)
Transfers	19,255	15,830	15,318	(50,403)	-
Balance at December 31, 2015	776,739	249,807	190,037	22,818	1,239,401
Additions	-	-	24	52,434	52,458
Disposals	(88)	(5)	(480)	-	(573)
Transfers	332	-	999	(1,331)	-
Balance at September 30, 2016	776,983	249,802	190,580	73,921	1,291,286
Depreciation					
Balance at January 1, 2015	404,666	127,629	76,014	-	608,309
Depreciation	9,876	3,635	7,609	-	21,120
Disposals	(2,124)	(920)	(2,441)	-	(5,485)
Balance at December 31, 2015	412,418	130,344	81,182	-	623,944
Depreciation	7,814	2,985	6,141	-	16,940
Disposals	(76)	(4)	(430)	-	(510)
Balance at September 30, 2016	420,156	133,325	86,893	-	640,374
Carrying value					
Balance at January 1, 2015	355,614	107,464	101,443	18,449	582,970
Balance at December 31, 2015	364,321	119,463	108,855	22,818	615,457
Balance at September 30, 2016	356,827	116,477	103,687	73,921	650,912

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

4. INTANGIBLE ASSETS

<i>(thousands of Canadian dollars)</i>	Software
Cost	
Balance at January 1, 2015	1,021
Additions	217
Disposals	-
Transfers	-
Balance at December 31, 2015	1,238
Additions	-
Disposals	-
Transfers	-
Balance at September 30, 2016	1,238
Amortization	
Balance at January 1, 2015	451
Amortization	119
Disposals	-
Transfers	-
Balance at December 31, 2015	570
Amortization	109
Disposals	-
Balance at September 30, 2016	679
Carrying value	
Balance at January 1, 2015	570
Balance at December 31, 2015	668
Balance at September 30, 2016	559

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

5. INVESTMENT IN JOINT VENTURE

Churchill Falls holds a 33.33% equity shareholding and majority voting power in Twin Falls Power Corporation Limited (Twin Falls), subject to the provisions of the Participation Agreement. Twin Falls is incorporated under the laws of Canada and has developed a 225 MW hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974. There has been no change in Churchill Falls' ownership or voting interest during the period.

The following is summarized financial information with respect to Twin Falls:

	Nine months ended	
	September 30	September 30
	2016	2015
<i>(thousands of Canadian dollars)</i>		
Current assets	5,665	6,194
Non-current assets	314	827
Current liabilities	467	179
Non-current liabilities	45	563
Net assets	5,467	6,279
Churchill Falls' share of net assets	1,821	2,093
Total loss	(94)	(449)
Churchill Falls' share of loss	(31)	(150)

The above amounts of assets and liabilities include the following:

Cash and cash equivalents	5,599	3,569
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6. DEFERRED CONTRIBUTIONS

Churchill Falls has received contributions from Transport Canada related to the airport. These contributions are deferred and amortized to other revenue over the life of the related item of property, plant and equipment.

	September 30	December 31
	2016	2015
<i>As at (thousands of Canadian dollars)</i>		
Deferred contributions, beginning of period	13,134	13,917
Amortization	(587)	(783)
Deferred contributions, end of period	12,547	13,134
Less: current portion	(783)	(783)
	11,764	12,351

7. DECOMMISSIONING LIABILITIES

Churchill Falls has recognized liabilities associated with the disposal of Polychlorinated Biphenyls (PCB).

The reconciliation of the beginning and ending carrying amounts of decommissioning liabilities as at September 30, 2016 and December 31, 2015 are as follows:

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

<i>As at (thousands of Canadian dollars)</i>	September 30	December
	2016	2015
Decommissioning liabilities, beginning of period	1,296	1,197
Accretion	33	48
Revisions	-	51
Decommissioning liabilities, end of period	1,329	1,296

8. EMPLOYEE FUTURE BENEFITS

8.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the period ended September 30, 2016 of \$1,870,000 (2015 - \$1,761,000) are expensed as incurred.

8.2 Other Benefits

Churchill Falls provides group life insurance and healthcare benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. In 2016, cash payments to beneficiaries for its unfunded other employee future benefits were \$519,000 (2015 - \$760,000). An actuarial valuation was performed as at December 31, 2015, with an extrapolation to December 31, 2016.

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2016	2015	2016	2015
Component of benefit cost				
Current service cost	371	361	1,114	1,082
Interest cost	332	359	996	1,077
Total benefit expense for the period	703	720	2,110	2,159

9. ACCUMULATED OTHER COMPREHENSIVE INCOME

The components of, and changes in, accumulated other comprehensive income (loss) are as follows:

Items that will not be reclassified to profit or loss:

<i>(thousands of Canadian dollars)</i>	2016	2015
Employee benefits liability		
Balance at January 1	(8,056)	(11,864)
Net actuarial gains/losses on defined benefit plan	-	-
Balance at September 30	(8,056)	(11,864)

Items that may or have been reclassified to profit or loss:

<i>(thousands of Canadian dollars)</i>	2016	2015
Available-for-sale financial instruments		
Balance at January 1	851	953
Net fair value (loss) gain on available-for-sale during the period	(115)	15
Amounts reclassified to profit or loss	(169)	(47)
Balance at September 30	567	921

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

10. SHAREHOLDERS' EQUITY

10.1 Share Capital

	September 30	December 31
<i>As at (thousands of Canadian dollars)</i>	2016	2015
Common shares without nominal or par value		
Authorized - unlimited		
Issued, fully paid and outstanding - 8,759,999	82,900	82,900
Preferred shares without nominal or par value		
Authorized - 3		
Issued, fully paid and outstanding - 3	-	-

10.2 Shareholder Contributions

	September 30	December 31
<i>As at (thousands of Canadian dollars)</i>	2016	2015
Total shareholder contributions	5,259	4,966

During 2016, the Churchill Falls (Labrador) Corporation Trust (the Trust) contributed \$293,000 (2015 - \$122,000).

10.3 Dividends Paid and Proposed

	Three months ended		Nine months ended	
<i>For the period ended September 30 (thousands of Canadian dollars)</i>	2016	2015	2016	2015
Declared during the period				
Final preferred dividend for prior year	-	-	1,243	(26)
Interim preferred dividend for current period	2,733	3,400	7,833	10,242
	2,733	3,400	9,076	10,216

During the period, Churchill Falls did not pay any common dividends (2015 - \$nil).

11. OPERATING COSTS

	Three months ended		Nine months ended	
<i>For the period ended September 30 (thousands of Canadian dollars)</i>	2016	2015	2016	2015
Salaries and benefits expense	10,724	10,653	32,445	30,311
Rental and royalty expense	473	370	5,169	5,291
Maintenance and materials	3,025	3,726	6,705	7,114
Professional services	1,019	1,915	3,735	3,751
Other operating costs	491	448	1,925	3,903
	15,732	17,112	49,979	50,370

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

12. NET FINANCE (INCOME) EXPENSE

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2016	2015	2016	2015
Finance income				
Interest on short-term investments	49	102	61	240
Interest on reserve fund	300	345	915	1,033
Other interest income	131	18	408	110
	480	465	1,384	1,383
Finance expense				
Related party payable/receivable	246	(61)	231	59
Accretion of decommissioning liability	11	12	33	36
Other interest expense	19	19	31	37
	276	(30)	295	132
Net finance (income) expense	(204)	(495)	(1,089)	(1,251)

13. OTHER (INCOME) EXPENSE

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2016	2015	2016	2015
Realized foreign exchange (gain) loss	(55)	91	(197)	169
Unrealized foreign exchange (gain) loss	(40)	(90)	87	(117)
(Gain) loss on disposal of property, plant and equipment	(12)	425	6	439
Other asset disposal (recoveries) costs	(174)	586	5	878
Other (income) expense	(281)	1,012	(99)	1,369

14. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at September 30, 2016 and December 31, 2015 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 below are not necessarily indicative of the amounts that Churchill Falls might receive or incur in actual market transactions.

As a significant number of Churchill Falls' assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of Churchill 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).

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

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, Churchill Falls 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 measurement during the periods ended September 30, 2016 and December 31, 2015.

As at September 30, 2016 and December 31, 2015, Churchill Falls did not have any Level 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		September 30, 2016		December 31, 2015	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Long-term related party receivable	2	-	-	7	7
Reserve fund	2	46,894	46,894	47,015	47,015

As at September 30, 2016, the related party payable relating to the Annual Energy Base of \$2,331,000 and fair value of \$2,531,000 (2015 - \$476,000 and fair value of \$511,000) was included in trade and other payables.

The fair values of cash and cash equivalents, short-term investments, trade and other receivables, trade and other payables, rental and royalty payable, with the exception of the long-term related party receivable, reserve fund and long-term related party payable, 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 and currency rates.

15. RELATED PARTY TRANSACTIONS

Churchill Falls enters into various transactions with its shareholders and other affiliates. 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. Related parties with which Churchill Falls transacts are as follows:

Related Party	Relationship
Hydro	65.8% shareholder of Churchill Falls
Hydro-Québec	34.2% shareholder of Churchill Falls
Nalcor	100% shareholder of Hydro
The Province	100% shareholder of Nalcor
Twin Falls	Jointly controlled by Churchill Falls
The Trust	Churchill Falls (Labrador) Corporation Trust was created by the Province with Churchill Falls as the beneficiary

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
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Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

The amounts included in the financial statements for related party transactions are as follows:

<i>As at (thousands of Canadian dollars)</i>	Related party	September 30		December 31	
		2016		2015	
Trade and other receivables:					
Power sales	Hydro-Québec	5,444		15,260	
Power sales	Hydro	3,608		5,160	
Engineering, technical, management, and administrative services	Other	7		5	
CF Trust receivable	The Trust	14		16	
AEB and other	Hydro-Québec	454		712	
Trade and other payables:					
AEB and other	Hydro-Québec	4,600		1,896	
Engineering, technical, management, and administrative services	Nalcor	1,071		894	
Rental and royalty payable	The Province	5,167		7,752	
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		Three months ended		Nine months ended	
		2016		2015	
<i>For the period ended September 30 (thousands of Canadian)</i>					
Power sales:					
Long term power contract	Hydro-Québec	13,607	11,616	51,319	52,320
Long term power contract	Hydro	10,355	10,686	32,846	32,477
Guaranteed winter availability:					
Guaranteed winter availability contract	Hydro-Québec	-	-	21,275	21,758
Operating (recovery) costs:					
Engineering, technical, management, and administrative services	Hydro-Québec	(150)	(10)	(424)	(590)
Engineering, technical, management, and administrative services	Hydro	321	801	1,466	2,134
Rental and royalty expense	The Province	473	372	5,169	5,293
Engineering, technical, management, and administrative services	Other	884	503	1,913	1,376
Net finance (income) expense:					
Related party payable/receivable	Hydro-Québec	246	(61)	231	59

16. COMMITMENTS AND CONTINGENCIES

- (a) Outstanding commitments for capital projects total approximately \$25.3 million as at September 30, 2016 (2015 - \$18.2 million).
- (b) Churchill Falls is subject to various legal proceedings and claims in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, Management currently believes Churchill Falls' exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, will not materially affect its financial position.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
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(c) The Sub-lease between Twin Falls and Churchill Falls dated November 15, 1961 giving Twin Falls the right to develop hydroelectric power on the Unknown River expired on December 31, 2014. A sub-lease was signed between Hydro, Churchill Falls and Twin Falls naming Hydro as the sub-lessee of the transmission lines and related assets from Churchill Falls to Labrador West, covering the period of January 1 to June 30, 2015. The term of this Sub-lease has been extended to December 31, 2016.

Discussions continue between Churchill Falls, Twin Falls and Hydro regarding the commercial matters arising from the expiration of the Sub-lease, including the ownership of assets and the assumption of liabilities related thereto (including any environmental liabilities). The interim financial statements of Twin Falls for the period ended September 30, 2016 do not include adjustments to the carrying values and classification of assets and liabilities as they are undeterminable at this time. These adjustments could be material.

17. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2016	2015	2016	2015
Trade and other receivables	4,767	(1,168)	11,149	8,669
Inventories	67	(198)	164	(546)
Prepayments	(1,999)	(1,914)	(832)	(768)
Trade and other payables	7,577	7,707	8,628	3,863
Rental and royalty payable	474	373	(2,585)	567
Change in non-cash working capital balances	10,886	4,800	16,524	11,785