

LOWER CHURCHILL MANAGEMENT CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2015
(Unaudited)

DIRECTORS

EDMUND MARTIN
President and Chief Executive Officer

GILBERT BENNETT
Vice President

GERARD MCDONALD
Vice President, Human Resources & Organizational
Effectiveness

DERRICK STURGE
Vice President and Chief Financial Officer

DONNA STONE
Investment Advisor, CIBC Wood Gundy

JUNE PERRY
President and CEO, Pilot Communications

OFFICERS

EDMUND MARTIN
Chairperson
President and Chief Executive Officer

GILBERT BENNETT
Vice President, Lower Churchill Project

GERARD MCDONALD
Vice President, Human Resources & Organizational
Effectiveness

DERRICK STURGE
Vice President, Finance and Chief Financial Officer

WAYNE CHAMBERLAIN
General Counsel and Corporate Secretary

PETER HICKMAN
Assistant Corporate Secretary

JAMES MEANEY
General Manager, Finance

AUBURN WARREN
General Manager, Commercial, Treasury and Risk

HEAD AND CORPORATE OFFICE

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Hydro Place, 500 Columbus Drive
St. John's, NL
Canada A1B 0M7

LOWER CHURCHILL MANAGEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

	March 31	December 31
<i>As at (thousands of Canadian dollars)</i>	2015	2014
ASSETS		
Current assets		
Cash and cash equivalents	5,505	3,219
Trade and other receivables	13,642	22,061
Prepayments	-	2,275
Total assets	19,147	27,555
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities		
Trade and other payables	18,801	27,290
Total liabilities	18,801	27,290
Shareholder's equity		
Retained earnings	346	265
Total shareholder's equity	346	265
Total liabilities and shareholder's equity	19,147	27,555

Commitments and contingencies (Note 7)

See accompanying notes

LOWER CHURCHILL MANAGEMENT CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2015	2014
Revenue			
Other revenue		90	-
Expenses			
Operating costs		(3)	(20)
Net finance income and expense	3	(6)	(29)
Income (loss) for the period, being the comprehensive income (loss) for the period		81	(49)

See accompanying notes

LOWER CHURCHILL MANAGEMENT CORPORATION
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Retained Earnings	Total
Balance at January 1, 2015	265	265
Income for the period, being the comprehensive income for the period	81	81
Balance at March 31, 2015	346	346
Balance at January 1, 2014	(3)	(3)
Loss for the period, being the comprehensive loss for the period	(49)	(49)
Balance at March 31, 2014	(52)	(52)

See accompanying notes

LOWER CHURCHILL MANAGEMENT CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2015	2014
Cash provided from (used in)			
Operating activities			
Profit (loss) for the period		81	(49)
Changes in non-cash working capital balances	4	2,205	100
Net cash provided from operating activities		2,286	51
Net change in cash and cash equivalents		2,286	51
Cash and cash equivalents, beginning of period		3,219	-
Cash and cash equivalents, end of period		5,505	51

Supplementary cash flow information (Note 4)

See accompanying notes

LOWER CHURCHILL MANAGEMENT CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Lower Churchill Management Corporation (LCMC or the Company), was incorporated on November 13, 2013 under the laws of Newfoundland and Labrador to carry out the project development and management functions for Phase 1 of the Lower Churchill Project including planning, engineering and design management, construction management, risk management, finance, procurement and supply chain management for Muskrat Falls Corporation (Muskrat Falls), Labrador Transmission Corporation (Labrador Transco) and the Labrador-Island Link Limited Partnership (LIL LP).

LCMC is a 100% owned subsidiary of Nalcor Energy (Nalcor).

In addition, LCMC acts as the administrator on behalf of the Trustee for the Muskrat Falls/Labrador Transmission Assets Funding Trust (MF/LTA Funding Trust), the Labrador-Island Link Funding Trust (LIL Funding Trust) and the LIL Construction Project Trust (IT) (collectively the Trusts) as part of the project financing arrangements of the \$5 billion in debt, guaranteed by the Government of Canada. In this capacity LCMC provides management and administrative services as required by the Trusts.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (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, 2014.

These condensed interim financial statements do not include all of the disclosures normally found in LCMC's 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 thousand, except when otherwise noted.

3. NET FINANCE INCOME AND EXPENSE

	Three months ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2015	2014
Finance expense		
Net interest on long-term related party payable/receivable	(4)	(29)
Other net finance expense	(2)	-
Net finance income and expense	(6)	(29)

4. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	
<i>(thousands of Canadian dollars)</i>	March 31	March 31
	2015	2014
Trade and other receivables	8,419	(35,934)
Prepayment	2,275	-
Trade and other payables	(8,489)	36,034
Changes in non-cash working capital balances	2,205	100
Interest paid	6	29

LOWER CHURCHILL MANAGEMENT CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

5. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at March 31, 2015 and December 31, 2014 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 LCMC might receive or incur in actual market transactions.

As a significant number of LCMC's assets and liabilities do not meet the definition of a financial instrument, the fair value estimates below do not reflect the fair value of LCMC 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 period. There were no transfers between Level 1, 2 and 3 fair value measurement during the period ended March 31, 2015 and the year ended December 31, 2014.

As of March 31, 2015 and December 31, 2014, the Company did not have any level 2 or 3 financial instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		March 31, 2015		December 31, 2014	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Cash and cash equivalents	1	5,505	5,505	3,219	3,219
Trade and other receivables	1	13,642	13,642	22,061	22,061
Financial liabilities					
Trade and other payables	1	18,801	18,801	27,290	27,290

The fair value of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying values due to their short-term maturity.

6. RELATED PARTY TRANSACTIONS

LCMC enters into various transactions with its parent 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 LCMC transacts are as follows:

LOWER CHURCHILL MANAGEMENT CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

Related Party	Relationship
Nalcor	100% shareholder of LCMC
Newfoundland and Labrador Hydro	100% owned subsidiary of Nalcor
MF/LTA Funding Trust	Party to the Project Finance Agreements (PFA's)
LIL Funding Trust	Party to the PFA's
IT	Party to the PFA's
Labrador Transco	100% owned subsidiary of Nalcor
Muskat Falls	100% owned subsidiary of Nalcor
Labrador-Island Link General Partnership	100% owned subsidiary of Nalcor
Labrador-Island Link Operating Corporation	100% owned subsidiary of Nalcor
LIL LP	Limited Partnership between Labrador-Island Link Limited Holding Corporation (LIL Holdco) and Emera Newfoundland and Labrador Island-Link Inc.
LIL Holdco	100% owned subsidiary of Nalcor

7. COMMITMENTS AND CONTINGENCIES

As at March 31, 2015, LCMC had outstanding commitments for construction costs related to the Lower Churchill Project of \$277.9 million (December 31, 2014 - \$279.2 million).