

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
CONDENSED INTERIM FINANCIAL STATEMENTS

June 30, 2016

(Unaudited)

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF FINANCIAL POSITION
(Unaudited)

June 30 December 31
2016 2015

As at (thousands of Canadian dollars)

ASSETS

Current assets

Cash and cash equivalents

- 1

Total assets

- 1

LIABILITIES AND DEFICIENCY

Non-current liabilities

Trade and other payables

185 158

Total liabilities

185 158

Shareholder's deficiency

Share capital

1 1

Deficit

(186) (158)

Total deficiency

(185) (157)

Total liabilities and deficiency

- 1

Commitments and contingencies (Note 5)

See accompanying notes

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

| <i>For the period ended June 30 (thousands of Canadian dollars)</i> | Three months ended | | Six months ended | |
|---|---------------------------|------|-------------------------|------|
| | 2016 | 2015 | 2016 | 2015 |
| Operating costs | 18 | 12 | 28 | 30 |
| Total comprehensive loss for the period | (18) | (12) | (28) | (30) |

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF CHANGES IN DEFICIT
(Unaudited)

| <i>(thousands of Canadian dollars)</i> | Share Capital | Deficit | Total |
|--|--------------------------|----------------|--------------|
| Balance at January 1, 2016 | 1 | (158) | (157) |
| Total comprehensive loss for the period | - | (28) | (28) |
| Balance at June 30, 2016 | 1 | (186) | (185) |
| Balance at January 1, 2015 | 1 | (105) | (104) |
| Total comprehensive loss for the period | - | (30) | (30) |
| Balance at June 30, 2015 | 1 | (135) | (134) |

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

| <i>For the period ended June 30 (thousands of Canadian dollars)</i> | Notes | Three months ended | | Six months ended | |
|---|-------|---------------------------|------|-------------------------|------|
| | | 2016 | 2015 | 2016 | 2015 |
| Cash provided from (used in) | | | | | |
| Operating activities | | | | | |
| Loss for the period | | (18) | (12) | (28) | (30) |
| Changes in non-cash working capital balances | 6 | 17 | 13 | 27 | 31 |
| Net cash (used in) provided from operating activities | | (1) | 1 | (1) | 1 |
| Net (decrease) increase in cash and cash equivalents | | (1) | 1 | (1) | 1 |
| Cash and cash equivalents, beginning of period | | 1 | - | 1 | - |
| Cash and cash equivalents, end of period | | - | 1 | - | 1 |

See accompanying notes

LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Labrador-Island Link General Partner Corporation (LIL GP or the Company) was incorporated on July 26, 2012 under the laws of Newfoundland and Labrador. LIL GP is a 100% owned subsidiary of Nalcor Energy (Nalcor) and is the general partner of the Labrador-Island Link Limited Partnership (LIL LP). LIL GP's head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 0M1, Canada.

LIL LP was formed 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). LIL LP has entered into the LIL Lease Agreement and the Transmission Funding Agreement with Labrador-Island Link Operating Corporation (LIL Opco) and Newfoundland and Labrador Hydro (Hydro), both of which are wholly-owned subsidiaries of Nalcor. These agreements effectively provide for a lease of the LIL assets to Hydro. LIL Opco will maintain and operate the LIL on behalf of LIL LP.

The Company owns the only issued general partner unit of the LIL LP, thereby constituting it the LIL LP general partner. As the general partner, in accordance with the Limited Partnership Agreement relating to the LIL LP and applicable law, the LIL GP has the power to control and manage LIL LP. Labrador-Island Link Holding Corporation (LIL Holdco), a wholly-owned subsidiary of Nalcor, and Emera Newfoundland and Labrador Island Link Inc. (Emera NL) are the limited partners of LIL LP.

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 LIL GP'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. The condensed interim financial statements were approved by LIL GP's Board of Directors on August 9, 2016.

3. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at June 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 LIL GP might receive or incur in actual market transactions.

As a significant number of LIL GP'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 LIL GP 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.

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NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

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 measurements during the periods ended June 30, 2016 and December 31, 2015.

As at June 30, 2016 and December 31, 2015, the Company did not have any Level 2 or Level 3 instruments. The fair value of cash and cash equivalents approximates its carrying value due to its short-term maturity. The fair value of trade and other payables approximates its carrying value due to the underlying nature of the balances with its intercompany counterparties.

4. RELATED PARTY TRANSACTIONS

LIL GP 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 LIL GP transacts are as follows:

| Related Party | Relationship |
|--|---|
| Nalcor | 100% shareholder of LIL GP |
| Hydro | 100% owned subsidiary of Nalcor |
| LIL Holdco | 100% owned subsidiary of Nalcor and limited partner of LIL LP |
| Lower Churchill Management Corporation | 100% owned subsidiary of Nalcor |
| LIL LP | Limited partnership between LIL Holdco and Emera NL |
| Emera NL | Limited partner of LIL LP |

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms.

5. COMMITMENTS AND CONTINGENCIES

- (a) Under the terms of the Newfoundland and Labrador Development Agreement (NLDA), the Company has certain responsibilities and provisions of duty with which it must comply in its role as the general partner. Any failure of LIL GP to comply with the NLDA will result in Nalcor indemnifying Emera NL for any losses sustained.
- (b) LIL GP 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 LIL GP's exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for is not expected to materially affect its financial position.

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6. SUPPLEMENTARY CASH FLOW INFORMATION

| <i>For the period ended June 30 (thousands of Canadian dollars)</i> | Three months ended | | Six months ended | |
|---|---------------------------|-------------|-------------------------|-------------|
| | 2016 | 2015 | 2016 | 2015 |
| Trade and other receivables | - | 1 | - | 1 |
| Trade and other payables | 17 | 12 | 27 | 30 |
| Changes in non-cash working capital balances | 17 | 13 | 27 | 31 |