

**LABRADOR - ISLAND LINK GENERAL PARTNER CORPORATION**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**September 30, 2014**  
**(Unaudited)**

**DIRECTORS**

KEN MARSHALL  
Acting Chairperson  
President – Atlantic Region  
Rogers Cable

EDMUND MARTIN  
President and Chief Executive Officer

GERALD SHORTALL  
Corporate Director  
Chartered Accountant

LIBBY BURNHAM  
Lawyer

RON ELLSWORTH  
Business Person

**OFFICERS**

KEN MARSHALL  
Acting Chairperson  
President – Atlantic Region  
Rogers Cable

EDMUND MARTIN  
President and Chief Executive Officer

DERRICK STURGE  
Vice-President, Finance and Chief Financial Officer

GILBERT BENNETT  
Vice-President

WAYNE CHAMBERLAIN  
General Counsel and Corporate Secretary

PETER HICKMAN  
Assistant Corporate Secretary

JAMES MEANEY  
General Manager Finance

AUBURN WARREN  
General Manager, Commercial, Treasury & Risk

**HEAD OFFICE**

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

<i>As at (thousands of Canadian dollars)</i>	<b>September 30</b>	December 31
	<b>2014</b>	2013
<b>ASSETS</b>		
Current assets		
Trade and other receivables	<b>1</b>	<b>1</b>
<b>Total assets</b>	<b>1</b>	<b>1</b>
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>		
Current liabilities		
Trade and other payables	<b>110</b>	70
<b>Total liabilities</b>	<b>110</b>	70
Shareholder's equity		
Share capital	<b>1</b>	<b>1</b>
Deficit	<b>(110)</b>	(70)
<b>Total shareholder's equity</b>	<b>(109)</b>	(69)
<b>Total liabilities and shareholder's equity</b>	<b>1</b>	<b>1</b>

Commitments and contingencies (Note 5)

*See accompanying notes*

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

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
<i>For the period ended September 30 (thousands of Canadian dollars)</i>	<b>2014</b>	2013	<b>2014</b>	2013
Operating costs	-	(8)	<b>(40)</b>	(32)
Expenses	-	(8)	<b>(40)</b>	(32)
Loss for the period, being total comprehensive loss for the period	-	(8)	<b>(40)</b>	(32)

*See accompanying notes*

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

<i>(thousands of Canadian dollars)</i>	Share Capital	Deficit	Total
<b>Balance at January 1, 2014</b>	<b>1</b>	<b>(70)</b>	<b>(69)</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>(40)</b>	<b>(40)</b>
<b>Balance at September 30, 2014</b>	<b>1</b>	<b>(110)</b>	<b>(109)</b>
Balance at January 1, 2013	1	(17)	(16)
Total comprehensive loss for the period	-	(32)	(32)
Balance at September 30, 2013	1	(49)	(48)

*See accompanying notes*

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

	Notes	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
<i>For the period ended September 30 (thousands of Canadian dollars)</i>		<b>2014</b>	2013	<b>2014</b>	2013
Cash provided by (used in)					
Operating activities					
Loss for the period		-	(8)	<b>(40)</b>	(32)
Changes in non-cash working capital balances	6	-	8	<b>40</b>	32
Net cash used in operating activities		-	-	-	-
Net change in cash					
Cash at beginning of period		-	-	-	-
Cash at end of period		-	-	-	-

Supplementary cash flow information (Note 6)

*See accompanying notes*

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

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**1. DESCRIPTION OF BUSINESS**

Labrador-Island Link General Partner Corporation (LIL GP or the Company) was incorporated under the laws of Newfoundland and Labrador on July 26, 2012, and is the general partner of the Labrador-Island Link Limited Partnership (LIL LP). LIL GP is a 100% owned subsidiary of Nalcor Energy (Nalcor).

The 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 (the 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 the LIL LP.

The Company owns the only issued general partner unit of the LIL LP, 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 the LIL LP. Labrador Island Link Holding Corporation (LIL Holdco), a wholly-owned subsidiary of Nalcor, and Emera Newfoundland and Labrador Holdings Inc. (Emera NL) are the limited partners of the LIL LP. The head office of LIL GP is located in St. John's, Newfoundland and Labrador.

**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 as issued by the International Accounting Standards Board (IASB).

These condensed interim financial statements have been prepared using the accounting policies, critical accounting judgments and key estimates consistent with those used in the preparation of the Annual Audited Financial Statements for the year ended December 31, 2013. 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 except as detailed in the accounting policies disclosed in the Company's financial statements for the year ended December 31, 2013. The condensed interim financial statements are presented in Canadian dollars and all values rounded to the nearest thousand, except when otherwise noted.

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

**3. FINANCIAL INSTRUMENTS**

**Fair Value**

The estimated fair values of financial instruments as at September 30, 2014 and December 31, 2013 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.

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 includes 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 September 30, 2014 and the year ended December 31, 2013.

As of September 30, 2014 and December 31, 2013, the Company did not have any level 2 or 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		September 30, 2014		December 31, 2013	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Trade and other receivables	1	1	1	1	1
Financial liabilities					
Trade and other payables	1	110	110	70	70

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

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

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**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
LIL LP	Limited partnership between LIL Holdco and Emera NL
Lower Churchill Management Corporation	100% owned subsidiary of Nalcor
LIL Holdco	100% owned subsidiary of Nalcor and limited partner of the LIL LP
Emera NL	Limited partner of the LIL LP

**5. COMMITMENTS AND CONTINGENCIES**

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 the financial position of LIL GP.

Under the terms of the Newfoundland and Labrador Development Agreement (NLDA), the Company has certain responsibilities and provisions of duty in which it must comply in its role as the general partner. Any failure of the LIL GP to comply with the NLDA will result in Nalcor indemnifying Emera NL for any losses sustained.

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 is not expected to materially affect the financial position of LIL GP.

**6. SUPPLEMENTARY CASH FLOW INFORMATION**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
<i>For the period ended September 30 (thousands of Canadian dollars)</i>				
Trade and other payables	-	8	<b>40</b>	32
Changes in non-cash working capital balances	-	8	<b>40</b>	32