TWIN FALLS POWER CORPORATION LIMITED
FINANCIAL STATEMENTS
December 31, 2015

Deloitte.

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Independent Auditor's Report

To the Shareholders of Twin Falls Power Corporation Limited

We have audited the accompanying financial statements of Twin Falls Power Corporation Limited, which comprise the statement of financial position as at December 31, 2015 and the statements of profit and comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Twin Falls Power Corporation Limited as at December 31, 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
We draw attention to Note 1 to the financial statements which describes certain matters which indicate the existence of a material uncertainty that may cast significant doubt about Twin Falls Power Corporation Limited's ability to continue as a going concern. Our opinion is not qualified in respect of this manner.

Deloitte LLP

Chartered Professional Accountants
March 11, 2016

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION

As at December 31 (thousands of Canadian dollars)	Notes	**2015**	2014
ASSETS			
Current assets			
Cash and cash equivalents	5	**5,558**	1,369
Short-term investments		**-**	5,247
Trade and other receivables	6	**329**	3,709
Prepayments		**11**	-
Total current assets		**5,898**	10,325
Non-current assets			
Property, plant and equipment	7	**346**	388
Total assets		**6,244**	10,713
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	8	**231**	3,264
Environmental liabilities	9	**399**	621
Total current liabilities		**630**	3,885
Non-current liabilities			
Deferred income taxes		**53**	100
Total liabilities		**683**	3,985
Shareholders' equity			
Share capital	10	**2,513**	2,513
Retained earnings		**3,048**	4,215
Total equity		**5,561**	6,728
Total liabilities and equity		**6,244**	10,713

Description of business and going concern (Note 1)
Commitments and contingencies (Note 15)

See accompanying notes

On behalf of the Board:

Director

Director

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2015**	2014
Power sales		**-**	4,904
Revenue		**-**	4,904
Operating costs	11	**1,498**	2,642
Depreciation	7	**42**	42
Net finance (income) expense	12	**(47)**	(63)
(Loss) profit before income taxes		**(1,493)**	2,283
Current income tax (recovery) expense	17	**(279)**	613
Deferred income tax recovery	17	**(47)**	(11)
Income tax (recovery) expense		**(326)**	602
(Loss) profit for the year		**(1,167)**	1,681

See accompanying notes

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY

(thousands of Canadian dollars)	**Share Capital**	**Retained Earnings**	**Total**
Balance at January 1, 2015	**2,513**	**4,215**	**6,728**
Loss for the year	**-**	**(1,167)**	**(1,167)**
Balance at December 31, 2015	**2,513**	**3,048**	**5,561**
Balance at January 1, 2014	2,513	2,534	5,047
Profit for the year	-	1,681	1,681
Balance at December 31, 2014	2,513	4,215	6,728

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF CASH FLOWS

For the year ended December 31 (thousands of Canadian dollars)	Notes	**2015**	2014
Cash provided from (used in)			
Operating activities			
(Loss) profit for the year		**(1,167)**	1,681
Adjusted for items not involving a cash flow:			
Depreciation	7	**42**	42
Revisions to environmental liabilities	9	**(122)**	30
Deferred income tax recovery	17	**(47)**	(11)
		(1,294)	1,742
Changes in non-cash working capital balances	18	**236**	327
Net cash (used in) provided from operating activities		**(1,058)**	2,069
Investing activity			
Decrease (increase) in short-term investments		**5,247**	(2,270)
Net cash provided from (used in) investing activity		**5,247**	(2,270)
Net increase (decrease) in cash and cash equivalents		**4,189**	(201)
Cash and cash equivalents, beginning of year		**1,369**	1,570
Cash and cash equivalents, end of year		**5,558**	1,369

Supplementary cash flow information (Note 18)

See accompanying notes

1. DESCRIPTION OF BUSINESS AND GOING CONCERN

Twin Falls Power Corporation Limited (Twin Falls) is incorporated under the laws of Canada and has developed a 225 megawatt (MW) hydroelectric generating plant on the Unknown River in Labrador. The plant has been inoperative since 1974. The plant is located on land that was sub-leased by Twin Falls from Churchill Falls (Labrador) Corporation Limited (Churchill Falls). That sub-lease expired on December 31, 2014 and ownership of the plant now resides with Churchill Falls.

These annual audited financial statements have been prepared by Management in accordance with International Financial Reporting Standards (IFRS) applicable to a going concern, which assumes Twin Falls will be able to realize its assets and discharge its liabilities in the normal course of operations for the foreseeable future.

On December 31, 2014, the Sub-lease dated November 15, 1961 with Churchill Falls for the right to develop hydroelectric power on the Unknown River (the Sub-lease) expired. Twin Falls is a party to various agreements signed between Newfoundland and Labrador Hydro (Hydro), Churchill Falls and third parties utilizing assets in which Twin Falls has an ownership interest. As such, Management has not made the decision to formally cease operations within the current fiscal year. Any changes to Twin Falls operations impacting the values of these assets would be subject to Newfoundland and Labrador Board of Commissioners of Public Utilities (PUB) review and approval.

As at December 31, 2015, Twin Falls has sufficient funds to discharge all known and measurable liabilities. Accordingly, these financial statements do not include adjustments to the carrying values and classification of assets and liabilities that may be necessary should Twin Falls no longer be a going concern. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These annual audited financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). Twin Falls has adopted accounting policies which are based on the IFRS applicable as at December 31, 2015, and includes individual IFRS, International Accounting Standards (IAS), and interpretations made by the IFRS Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

These annual audited financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The annual audited financial statements are presented in Canadian dollars and all values rounded to the nearest thousands, except when otherwise noted. These annual audited financial statements have been approved by the Board of Directors of Twin Falls on February 25, 2016.

2.2 Cash and Cash Equivalents and Short-Term Investments

Cash and cash equivalents consist of amounts on deposit with a Schedule 1 Canadian Chartered bank, as well as highly liquid investments with maturities of three months or less. Investments with maturities greater than three months and less than twelve months are classified as short-term investments. The effective interest rate on the investments at December 31, 2015 was 0.63% per annum (2014 - 1.20% to 1.28% per annum). Cash and cash equivalents are measured at cost which approximates fair value while short-term investments are measured at fair value.

2.3 Trade and Other Receivables

Trade and other receivables are classified as loans and receivables and are measured at amortized cost using the effective interest method.

2.4 Property, Plant and Equipment

Items of property, plant and equipment are recognized using the cost model and thus are recorded at cost less accumulated depreciation and accumulated impairment losses. Cost includes materials, labour, contracted services, professional fees. Costs capitalized with the related asset include all those costs directly attributable to bringing the asset into operation. When significant parts of property, plant and equipment are required to be replaced at intervals, Twin Falls recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the profit or loss as incurred. Property, plant and equipment is not revalued for financial reporting purposes. Depreciation of these assets commences when the assets are ready for their intended use.

Depreciation is calculated on a straight-line basis over the estimated useful life of 33 years.

The assets' residual values, useful lives and method of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate. The carrying value of property, plant and equipment is reviewed for impairment whenever events indicate that the carrying amounts of those assets may not be recoverable.

2.5 Impairment of Non-Financial Assets

At the end of each reporting period, Twin Falls reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, Twin Falls estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Value in use is generally computed by reference to the present value of future cash flows expected to be derived from non-financial assets.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

2.6 Provisions

A provision is a liability of uncertain timing or amount. A provision is recognized if Twin Falls has a present legal obligation or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses. The provision is measured at the present value of the best estimate of the expenditures expected to be required to settle the obligation using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. Provisions are re-measured at each Statement of Financial Position date using the current discount rate.

2.7 Decommissioning, Restoration and Environmental Liabilities

Legal and constructive obligations associated with the retirement of property, plant and equipment and other environmental liabilities are recorded as liabilities when those obligations are incurred and are measured as the present value of the expected costs to settle the liability, discounted at a current pre-tax rate specific to the liability. The carrying amount of decommissioning, restoration and environmental liabilities is reviewed annually with changes in the estimates of timing or amount of cash flows added to or deducted from the related receivable.

Twin Falls' assets are located on land sub-leased from a related party, whose rights to the land are subject to renewal into the foreseeable future. The timing of, and responsibility for, the removal of these assets has not been determined. If it is determined that the assets are to be removed by Twin Falls and it is possible to estimate the fair value of the cost of removing them, a decommissioning liability will be recognized at that time.

2.8 Income Taxes

Twin Falls follows the deferral method of accounting for income taxes. Under the deferral method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax basis of assets and liabilities, as well as the benefit of losses carried forward to future years that are probable of being realized to reduce income taxes. Assets and liabilities are measured using enacted and substantively enacted tax rates and laws that are expected to be in effect in the periods in which the deferred tax assets or liabilities are expected to be realized or settled. The effect of a change in substantively enacted income tax rates on deferred income tax assets and liabilities is recognized in income in the period that the change occurs.

2.9 Revenue Recognition

Revenue from the sale of energy is recognized when Twin Falls has transferred the significant risks and rewards of ownership to the buyer; recovery of the consideration is probable; and the amount of revenue can be reliably measured.

2.10 Net Finance (Income) Expense

For all financial instruments measured at amortized cost and interest bearing financial assets classified as available-for-sale, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

2.11 Foreign Currencies

Transactions in currencies other than Twin Falls’ functional currency (foreign currencies) are recognized using the exchange rate in effect at the date of transaction, approximated by the prior month end close rate. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates of exchange in effect at the period end date. Foreign exchange gains and losses are included in income as other (income) expense.

2.12 Financial Instruments

Financial assets and financial liabilities are recognized in the Statement of Financial Position when Twin Falls becomes a party to the contractual provisions of the instrument and are initially measured at fair value. Subsequent measurement is based on classification. Financial instruments are classified into the following specified categories: financial assets at fair value through profit or loss (‘at FVTPL’), ‘AFS’ financial assets, ‘loans and receivables’, held-to-maturity investments, financial liabilities designated ‘at FVTPL’, financial instruments used for hedging and other financial liabilities. The classification depends on the nature and purpose of the financial instruments and is determined at the time of initial recognition.

Classification of Financial Instruments

Twin Falls has classified each of its financial instruments into the following categories: loans and receivables, AFS financial assets and other financial liabilities.

Cash and cash equivalents	Loans and receivables
Short-term investments	AFS financial assets
Trade and other receivables	Loans and receivables
Trade and other payables	Other financial liabilities

(i) Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income or expense is recognized on an effective interest basis for financial instruments other than those financial assets and liabilities classified as at FVTPL.

Financial Assets

(ii) Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that Twin Falls manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with Twin Falls' documented risk management or investment strategy, and information about the grouping is provided internally on that basis;
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognized in other (income) expense. The net gain or loss incorporates any dividends or interest earned.

(iii) Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(iv) Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that Twin Falls has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment, with interest revenue recognized on an effective yield basis.

(v) AFS Financial Assets
AFS financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the previous categories. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss.

Financial Liabilities and Equity Instruments

(vi) Classification as Debt or Equity
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and equity instrument.

(vii) Financial Liabilities at FVTPL
A financial liability may be classified as at FVTPL if the contracted liability contains one or more embedded derivatives, and if the embedded derivative significantly modified the cash flows or if the embedded derivative is not closely related to the host liability. Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising from re-measurement recognized in profit or loss.

(viii) Other Financial Liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

(ix) Derivative Instruments and Financial Instruments Used for Hedging
A derivative is a financial instrument or other contract whose value changes in response to a change in its underlying, requires little or no net investment and is settled at a future date. Derivatives are initially measured at fair value at the date the derivative contracts are entered into and are subsequently measured at their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging relationship.

2.13 Impairment of Financial Assets
Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Evidence of impairment could include:
- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- the borrower, more probable than not, entering into bankruptcy or financial re-organization.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include Twin Falls' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

2.14 Derecognition of Financial Instruments

Twin Falls derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If Twin Falls neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, its retained interest in the asset and an associated liability for amounts it may have to pay is recognized. If Twin Falls retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received. Twin Falls derecognizes financial liabilities when, and only when, its obligations are discharged, cancelled or they expire.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the annual audited financial statements in conformity with IFRS requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ materially from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is reviewed if the revision affects only that period or future periods.

3.1 Use of Estimates

(i) Property, Plant and Equipment

Amounts recorded for depreciation are based on the useful lives of Twin Falls' assets. These useful lives of property, plant and equipment are Management's best estimate of the service lives of these assets. Changes to these lives could materially affect the amount of depreciation recorded.

(ii) Environmental Liabilities

The fair value of the future expenditures required to settle legal obligations associated with environmental liabilities is recognized to the extent that they are reasonably estimable. Environmental liabilities are recorded at fair value.

(iii) Evaluation of Going Concern

The preparation of the annual audited financial statements requires Management to make judgments regarding the going concern of Twin Falls as previously discussed in Note 1.

4. FUTURE CHANGES IN ACCOUNTING POLICIES

Twin Falls has not applied the following new and revised IFRS that have been issued but are not yet effective:

Amendments to IAS 1	Disclosure Initiative[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortization[1]
IFRS 9	Financial Instruments[2]

[1]Effective for annual periods beginning on or after January 1, 2016, with earlier application permitted.
[2]Effective for annual periods beginning on or after January 1, 2018, with earlier application permitted.

4.1 Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. Management does not anticipate that the application of these amendments to IAS 1 will have a material impact on Twins Falls' annual audited financial statements.

4.2 Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization

The amendments to IAS 16 prohibit entities from using revenue-based depreciation methods for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) When the intangible asset is expressed as a measure of revenue, or
b) When it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after January 1, 2016. Currently, Twin Falls uses the straight-line method for depreciation of its property, plant and equipment.

Management believes that the straight-line method is the most appropriate method to reflect the consumption of economic benefit inherent in the respective assets and accordingly does not anticipate that the application of these amendments to IAS 16 and IAS 38 will have a material impact on Twin Falls' financial statements.

4.3 IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include:

a) impairment requirements for financial assets; and
b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key Requirements of IFRS 9:

- All recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at FVTPL, IFRS 9 requires that the amount of change in the fair value of the financial liability attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management anticipates that the application of IFRS 9 in the future may have a material impact on the amounts reported and disclosures made in Twins Falls' annual audited financial statements; however, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until Management performs a detailed review.

5. CASH AND CASH EQUIVALENTS

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Cash	**3,529**	1,369
Cash equivalents	**2,029**	-
	5,558	1,369

6. TRADE AND OTHER RECEIVABLES

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Due from related parties	**780**	3,709
Other receivables	**329**	-
Allowance for doubtful accounts	**(780)**	-
	329	3,709

Other receivables are comprised of input tax credits and income tax recovery.

As at December 31 (thousands of Canadian dollars)	**2015**	2014
0-60 days	**329**	3,709
	329	3,709

7. PROPERTY, PLANT AND EQUIPMENT

As at December 31 (thousands of Canadian dollars)	Transmission and Terminals	Service Facilities and Other	Total
Cost			
Balance at January 1, 2014	6,122	431	6,553
Balance at December 31, 2014	6,122	431	6,553
Balance at December 31, 2015	**6,122**	**431**	**6,553**
Depreciation			
Balance at January 1, 2014	5,781	342	6,123
Depreciation	34	8	42
Balance at December 31, 2014	5,815	350	6,165
Depreciation	**34**	**8**	**42**
Balance at December 31, 2015	**5,849**	**358**	**6,207**
Carrying value			
Balance at January 1, 2014	341	89	430
Balance at December 31, 2014	307	81	388
Balance at December 31, 2015	**273**	**73**	**346**

8. TRADE AND OTHER PAYABLES

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Due to related parties	**86**	2,880
Other payables	**145**	217
Corporate taxes payable	**-**	167
	231	3,264

9. ENVIRONMENTAL LIABILITIES

During 2013, Twin Falls recognized liabilities associated with the disposal of polychlorinated biphenyls (PCBs) and the remediation of water contamination. The reconciliation of the beginning and ending carrying amounts of environmental liabilities for the years ended December 31, 2015 and December 31, 2014 is as follows:

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Environmental liabilities, beginning of year	**621**	1,688
Revisions	**(122)**	30
Liabilities settled	**(100)**	(1,097)
Environmental liabilities, end of year	**399**	621

In 2015, Twin Falls incurred revisions of $122,000 to environmental liabilities (2014 - $(30,000)) which have been recorded in operating costs in the profit or loss. These estimates are based on a review of the costs associated with PCBs and the remediation of water contamination at the Twin Falls plant and may vary as a result of further study.

10. SHAREHOLDERS' EQUITY

Share Capital

The share capital of Twin Falls is summarized below. The Class A shares are entitled to four votes per share and the Class B shares are entitled to one vote per share but rank pari passu in all other respects.

As at December 31 (thousands of Canadian dollars)	**2015**	2014
Share capital		
Authorized		
Class A shares without nominal or par value - 500,000		
Class B shares without nominal or par value - 1,000,000		
Issued, fully paid and outstanding		
Class A shares – 250,000	**838**	838
Class B shares – 500,000	**1,675**	1,675
	2,513	2,513

11. OPERATING COSTS

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Bad debt expense	**690**	-
Maintenance and environmental costs	**451**	-
Other operating costs	**357**	636
Power purchased	**-**	986
Rental and royalty expense	**-**	735
Capacity expansion	**-**	285
	1,498	2,642

12. NET FINANCE (INCOME) EXPENSE

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Finance income		
Interest on short-term investments	**(47)**	(52)
Other interest income	**-**	(11)
Net finance (income) expense	**(47)**	(63)

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

13.1 Fair Value

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

As a significant number of Twin 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 Twin 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, Twin 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 years ended December 31, 2015 and 2014.

As at December 31, 2015 Twin Falls did not have any Level 3 instruments.

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

13.1 Risk Management

Twin Falls is exposed to certain credit, liquidity and market price risks through its operating, financing and investing activities. Financial risk is managed in accordance with a Board-approved policy, which outlines the objectives and strategies for the management of financial risk, including the use of derivative contracts. Permitted financial risk management strategies are aimed at minimizing the volatility of Twin Falls' expected future cash flows.

Credit Risk

Credit risk on cash and cash equivalents is minimal, as cash deposits are held by a Schedule 1 Canadian Chartered Bank with a rating of A+ (Standard and Poor's). Credit risk on short-term investments is minimized by limiting holdings to high-quality, investment grade securities issued by Federal and Provincial governments, as well as bankers' acceptances and term deposits issued by Schedule 1 Canadian Chartered Banks.

Liquidity Risk

Twin Falls is exposed to liquidity risk with respect to its contractual obligations and financial liabilities. Short-term liquidity is provided through cash and cash equivalents. Long-term liquidity risk is minimized, on a go forward basis, by retaining all earnings.

Market Risk

In the course of carrying out its operating activities, Twin Falls is exposed to possible market price movements that could impact expected future cash flow and the carrying value of certain financial assets and liabilities. Market price movements, to which Twin Falls has exposure, include those relating to prevailing interest rates.

Interest Rates

Changes in prevailing interest rates will impact the fair value of cash equivalents. The expected future cash flows associated with those cash equivalents can also be impacted.

The following table illustrates Twin Falls' exposure to a 50 basis point (0.5%) change in interest rates:

	Loss and Comprehensive Loss	
(thousands of Canadian dollars)	0.5% Decrease	0.5% Increase
Cash equivalents	(12)	12

14. RELATED PARTY TRANSACTIONS

Twin 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 Twin Falls transacts are as follows:

Related Party	Relationship
Churchill Falls	33.3% shareholder of Twin Falls
Iron Ore Company of Canada (IOC)	49.6% shareholder of Twin Falls
Wabush Resources Inc. (Wabush Mines)	12.5% shareholder of Twin Falls
Wabush Iron Co. Limited (Wabush Mines)	4.6% shareholder of Twin Falls
Hydro	65.8% shareholder of Churchill Falls
Nalcor Energy (Nalcor)	100.0% shareholder of Hydro

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

	Churchill Falls	**Hydro**	**IOC**	**Wabush Mines**	**Nalcor**	**Total**
(thousands of Canadian dollars)			**2015**			
Operating costs	**177**	**15**	**-**	**-**	**68**	**260**
Trade and other receivables	**-**	**-**	**-**	**780**	**-**	**780**
Trade and other payables	**5**	**29**	**37**	**-**	**15**	**86**
(thousands of Canadian dollars)			2014			
Power sales	-	-	3,741	1,163	-	4,904
Operating costs	7,760	19	(4,669)	(987)	122	2,245
Trade and other receivables	-	-	2,770	939	-	3,709
Trade and other payables	2,825	2	-	-	53	2,880

(a) During 2015, Twin Falls paid $nil (2014 - $2,081,000) to Churchill Falls for reimbursement of operating costs, rental and royalties and management fees incurred on behalf of Twin Falls.

(b) During 2015, Twin Falls recorded sales of power to IOC and Wabush Mines in the amounts of $nil (2014 - $3,741,000) and $nil (2014 - $1,163,000), respectively. As at December 31, 2015, power sales of $nil (2014 - $328,000) to IOC and $110,000 (2014 - $110,000) to Wabush Mines are recorded in trade and other receivables.

(c) Twin Falls incurred $52,000 (2014 - $5,656,000) in maintenance costs. This work was performed by Churchill Falls and these costs were recovered from IOC and Wabush Mines in the amounts of $nil (2014 - $4,669,000) and $nil (2014 - $987,000), respectively. As at December 31, 2015, maintenance costs of $nil (2014 - $1,979,000) to IOC and $671,000 (2014 - $671,000) to Wabush Mines are recorded in trade and other receivables.

(d) During 2015, Twin Falls incurred $47,000 (2014 - $122,000), $10,000 (2014 - $20,000) and $13,000 (2014 - $24,000) in operating expenses related to transition costs provided by Nalcor, Hydro and Churchill Falls respectively.

(e) In February 2014, Wabush Mines ceased operations in Labrador. On May 20, 2015, Wabush Mines obtained protection from their creditors under the federal Companies' Creditors Arrangement Act. As at December 31, 2015, Twin has recorded accounts receivable from Wabush Mines totaling $780,000 (2014 - $866,000). Due to uncertainty related to recovery of this amount related to the proceeding, Twin has provided $780,000 (2014 - $nil) as an allowance for doubtful accounts related to this amount receivable.

14.1 Key Management Personnel

Compensation for key management personnel, which Twin Falls defines as its executives who have the primary authority and responsibility in planning, directing and controlling the activities of the entity, includes compensation for senior executives. Salaries and employee benefits include base salaries, performance contract payments, vehicle allowances and contributions to employee benefit plans. Post-employment benefits include contributions to the Province's Public Service Pension Plan.

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Salaries and employee benefits	**10**	31
Post-employment benefits	**1**	2
	11	33

15. COMMITMENTS AND CONTINGENCIES

Due to the expiry of the Sub-lease, Twin Falls no longer has access to, or the ability to generate, hydroelectric power for sale. On December 22, 2014, a sub-lease agreement was signed between Hydro, Churchill Falls and Twin Falls, naming Hydro a lessee of the transmission lines and related assets from Labrador West to Churchill Falls. The original expiration date of this sub-lease was June 30, 2015 but it has been extended to June 30, 2016.

The results of an Environmental Site Assessment (ESA) conducted in 2002 at the Twin Falls Generating Station indicated higher than acceptable concentrations of contaminants in the soil and waters adjacent to the powerhouse. Further testing was conducted to determine the extent of contamination. The recommendations arising from this testing indicate that remediation is not required, but that further monitoring be carried out. Monitoring was performed in 2010 and again in 2013, with no remediation required. The 2013 sampling indicated that concentrations of total petroleum hydrocarbons (TPH) and PCBs in sediment and PCBs in fish have generally remained stable, or decreased, since 2010. Further sampling is recommended to be conducted in 2018 and it is recommended that fishing remain closed in Bonnell Creek.

The Twin Falls' Board of Directors is currently examining the extent, if any, of Twin Falls' responsibility for any environmental liabilities, or other obligations subsequent to 2015. The outcome is not determinable at this time.

16. CAPITAL MANAGEMENT

Twin Falls' capital consists of shareholders' equity, specifically, share capital and retained earnings. At present, Management is retaining all earnings in order to minimize long-term liquidity risk.

17. INCOME TAXES

Income tax (recovery) expense recognized in the Statement of Profit and Comprehensive Income is as follows:

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Current income tax (recovery) expense		
Current year	**(279)**	613
Deferred income tax recovery		
Origination and reversal of temporary differences	**(47)**	(11)
Total income tax (recovery) expense	**(326)**	602

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Reconciliation of effective tax rate:		
(Loss) profit before income taxes	**(1,493)**	2,283
Expected income tax at 26.4% (2014 - 26.4%)	**(394)**	603
Items non-deductible for tax purposes	**(1)**	-
Unrecognized deferred tax assets	**69**	-
Difference in rate applied to loss carry-back	**3**	-
Adjustments due to rounding	**(3)**	-
	(326)	603

The net deferred income tax liability of $52,637 (2014 - $99,817) consists of taxable temporary differences of $87,631 (2014 - $99,817) related to property, plant and equipment and deductible temporary differences related to environmental liabilities of $34,994 (2014 - $nil). In addition, a deductible temporary difference of $69,078 (2014 - $nil) related to environmental liabilities has not been reported as a deferred tax asset as it is not probable that the future income tax benefit will be realized.

Twin Falls has unused net-capital loss carry-forwards of $1,252,467 (2014 - $1,252,467) that have no expiry date. The realization of a potential future income tax benefit related to these net-capital losses is uncertain and cannot be viewed as probable. Accordingly, no deferred income tax asset has been recognized for accounting purposes.

18. SUPPLEMENTARY CASH FLOW INFORMATION

For the year ended December 31 (thousands of Canadian dollars)	**2015**	2014
Trade and other receivables	**3,380**	824
Prepayments	**(11)**	-
Trade and other payables	**(3,033)**	600
Environmental liabilities	**(100)**	(1,097)
Changes in non-cash working capital balances	**236**	327
Income taxes paid	**-**	487
Interest received	**75**	52
Interest paid	**8**	1