NALCOR ENERGY
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
March 31, 2016
(Unaudited)

NALCOR ENERGY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Unaudited)

As at (millions of Canadian dollars)	Notes	**March 31 2016**	December 31 2015
ASSETS			
Current assets			
Cash and cash equivalents		**101.5**	148.5
Restricted cash		**1,784.1**	1,836.3
Short-term investments		**783.1**	1,026.2
Trade and other receivables		**268.0**	270.9
Inventories		**77.3**	77.9
Current portion of sinking funds	6	**1.6**	1.6
Prepayments		**26.3**	14.1
Derivative assets		**7.5**	9.1
Total current assets		**3,049.4**	3,384.6
Non-current assets			
Property, plant and equipment	3	**8,848.8**	8,317.6
Intangible assets	4	**56.5**	56.2
Investment property		**1.0**	1.0
Investment in joint arrangement		**1.2**	1.2
Long-term investments	7	**61.6**	90.6
Other long-term assets	6	**329.4**	326.2
Total assets		**12,347.9**	12,177.4
Regulatory deferrals	5	**135.7**	144.3
Total assets and regulatory deferrals		**12,483.6**	12,321.7
LIABILITIES AND EQUITY			
Current liabilities			
Short-term borrowings	8	**83.0**	97.0
Trade and other payables		**905.4**	997.1
Current portion of long-term debt	8	**233.2**	233.4
Derivative liabilities		**-**	5.2
Current portion of other liabilities	10,11,12	**8.1**	6.1
Total current liabilities		**1,229.7**	1,338.8
Non-current liabilities			
Long-term debt	8	**6,008.0**	6,008.1
Class B limited partnership units	9	**250.4**	207.4
Deferred credits	10	**772.9**	670.3
Deferred contributions	11	**11.8**	11.6
Decommissioning liabilities	12	**102.9**	102.0
Long-term payables		**62.1**	62.6
Employee benefits liability		**137.2**	135.3
Total liabilities		**8,575.0**	8,536.1
Shareholder’s equity			
Share capital	15	**122.5**	122.5
Shareholder contributions	15	**2,266.4**	2,203.8
Reserves		**3.2**	2.3
Retained earnings		**1,155.0**	1,127.0
Total equity		**3,547.1**	3,455.6
Total liabilities and equity		**12,122.1**	11,991.7
Regulatory deferrals	5	**361.5**	330.0
Total liabilities, equity and regulatory deferrals		**12,483.6**	12,321.7

Commitments and contingencies (Note 22)
Subsequent event (Note 26)

See accompanying notes

NALCOR ENERGY
CONSOLIDATED STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

For the period ended March 31 (millions of Canadian dollars)	Notes	**Three months ended** **2016**	2015
			(Note 25)
Energy sales		**253.5**	275.1
Other revenue		**9.5**	10.9
Revenue		**263.0**	286.0
Fuels		**72.6**	81.3
Power purchased		**17.6**	18.2
Operating costs	16	**59.1**	63.0
Production costs	17	**5.2**	3.1
Depreciation, depletion and amortization	3,4	**29.5**	22.9
Exploration and evaluation		**-**	0.2
Net finance (income) expense	18	**19.0**	18.0
Other (income) expense	19	**(8.3)**	2.3
Profit before regulatory adjustments		**68.3**	77.0
Regulatory adjustments	5	**40.3**	47.7
Profit for the period		**28.0**	29.3
Other comprehensive income for the period		**0.9**	13.5
Total comprehensive income for the period		**28.9**	42.8

See accompanying notes

NALCOR ENERGY
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)

(millions of Canadian dollars)	Notes	Share Capital	Shareholder Contributions	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2016		**122.5**	**2,203.8**	**38.7**	**(36.4)**	**1,127.0**	**3,455.6**
Profit for the period		**-**	**-**	**-**	**-**	**28.0**	**28.0**
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments	**14**	**-**	**-**	**3.0**	**-**	**-**	**3.0**
Net change in fair value of cash flow hedge	**14**	**-**	**-**	**(3.3)**	**-**	**-**	**(3.3)**
Net change in fair value of financial instruments reclassified to profit or loss	**14**	**-**	**-**	**1.0**	**-**	**-**	**1.0**
Regulatory adjustment	**5,14**	**-**	**-**	**-**	**0.2**	**-**	**0.2**
Total comprehensive income for the period		**-**	**-**	**0.7**	**0.2**	**28.0**	**28.9**
Shareholder contributions	**15**	**-**	**62.6**	**-**	**-**	**-**	**62.6**
Balance at March 31, 2016		**122.5**	**2,266.4**	**39.4**	**(36.2)**	**1,155.0**	**3,547.1**
Balance at January 1, 2015		122.5	1,469.1	40.5	(56.3)	1,146.2	2,722.0
Profit for the period		-	-	-	-	29.3	29.3
Other comprehensive income							
Net change in fair value of available-for-sale financial instruments	14	-	-	16.5	-	-	16.5
Net change in fair value of cash flow hedge	14	-	-	(2.5)	-	-	(2.5)
Net change in fair value of financial instruments reclassified to profit or loss	14	-	-	(0.5)	-	-	(0.5)
Total comprehensive income for the period		-	-	13.5	-	29.3	42.8
Shareholder contributions	15	-	37.3	-	-	-	37.3
Balance at March 31, 2015		122.5	1,506.4	54.0	(56.3)	1,175.5	2,802.1

See accompanying notes

NALCOR ENERGY
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

For the period ended March 31 (millions of Canadian dollars)	Notes	**Three months ended 2016**	2015
Cash provided from (used in)			
Operating activities			
Profit for the period		**28.0**	29.3
Adjusted for items not involving a cash flow:			
Depreciation, depletion and amortization	3,4	**29.5**	22.9
Amortization of deferred contributions	11	**(0.3)**	(0.2)
Amortization of deferred credits	10	**(0.9)**	(0.5)
Accretion	18	**2.0**	1.3
Employee benefits		**1.9**	2.0
Loss on disposal of property, plant and equipment	19	**0.4**	0.1
Regulatory adjustments	5	**40.1**	47.7
Other		**(5.8)**	(0.6)
		94.9	102.0
Changes in non-cash working capital balances	23	**(19.1)**	(20.4)
Net cash provided from operating activities		**75.8**	81.6
Investing activities			
Additions to property, plant and equipment	24	**(451.2)**	(392.7)
Additions to intangible assets	4	**(2.5)**	(2.3)
Decrease in long-term receivables	6	**1.7**	28.6
Increase in sinking fund		**(2.3)**	(2.4)
Additions to financial transmission rights		**(1.4)**	(0.4)
Decrease in short-term investments		**243.1**	1.1
Decrease in long-term investments	7	**29.0**	419.1
Changes in non-cash working capital balances	23	**(79.8)**	(5.7)
Net cash (used in) provided from investing activities		**(263.4)**	45.3
Financing activities			
Retirement of long-term debt		**(0.1)**	-
Decrease (increase) in restricted cash		**52.2**	(147.9)
Class B limited partnership unit contributions	9	**38.3**	-
Decrease in short-term borrowings	8	**(14.0)**	(11.0)
Decrease in long-term payables		**(1.4)**	(1.6)
Increase in shareholder contributions	15	**62.6**	37.3
Increase (decrease) in deferred contributions	11	**0.5**	(3.5)
Increase in deferred credits		**2.5**	4.7
Net cash provided from (used in) financing activities		**140.6**	(122.0)
Net (decrease) increase in cash and cash equivalents		**(47.0)**	4.9
Cash and cash equivalents, beginning of period		**148.5**	60.8
Cash and cash equivalents, end of period		**101.5**	65.7
Interest received		**8.1**	14.2
Interest paid		**34.3**	34.2

See accompanying notes

1. DESCRIPTION OF BUSINESS

Nalcor Energy (Nalcor or the Company) is incorporated under a special act of the Legislature of the Province of Newfoundland and Labrador (the Province) as a Crown corporation and its business includes the development, generation and sale of electricity, oil and gas, industrial fabrication and energy marketing. Nalcor's head office is located at 500 Columbus Drive in St. John's, Newfoundland and Labrador A1B 0C9, Canada.

1.1 Subsidiaries

Nalcor holds interests in the following subsidiaries:

A 100.0% interest in Newfoundland and Labrador Hydro (Hydro), whose principal activity is the generation, transmission and sale of electricity. Hydro's operations include both regulated and non-regulated activities.

A 100.0% interest in Nalcor Energy – Oil and Gas Inc. (Oil and Gas), a company with a broad mandate to engage in upstream and downstream sectors of the oil and gas industry including exploration, development, production, transportation and processing.

A 100.0% interest in Nalcor Energy – Bull Arm Fabrication Inc. (Bull Arm Fabrication), an industrial fabrication site with a fully integrated infrastructure to support large-scale fabrication and assembly. Its facilities include onshore fabrication halls and shops, a dry-dock and a deep water site.

A 100.0% interest in Muskrat Falls Corporation (Muskrat Falls), created to develop, construct, finance and operate the Muskrat Falls plant, an 824 megawatt (MW) hydroelectric generating facility in Labrador.

A 100.0% interest in Labrador Transmission Corporation (Labrador Transco), created to develop, construct, finance and operate transmission assets connecting the Muskrat Falls plant to the existing hydroelectric generating facility in Churchill Falls.

A limited partnership interest in the Labrador-Island Link Limited Partnership (LIL LP), created to develop, construct, finance and operate the assets and property constituting the Labrador-Island Link (LIL), a transmission link to be constructed between the Muskrat Falls plant and the Newfoundland and Labrador Island Interconnected System. Labrador-Island Link Holding Corporation (LIL Holdco) holds 100.0% of the Class A and Class C limited partnership units.

A 100.0% interest in Labrador-Island Link General Partner Corporation (LIL GP) and LIL Holdco, created to control, manage and hold Nalcor's 65.0% interest in the LIL LP.

A 100.0% interest in Labrador-Island Link Operating Corporation (LIL Opco), created to operate and maintain the LIL.

A 100.0% interest in Lower Churchill Management Corporation (LCMC), created to carry out the project development and management functions for Phase 1 of the Lower Churchill Project (LCP) including planning, engineering and design management, construction management, risk management, finance, procurement and supply chain management.

A 100.0% interest in Nalcor Energy Marketing Corporation (Energy Marketing), a subsidiary established to market Nalcor's energy throughout North America.

Nalcor also holds a 100.0% interest in Gull Island Power Corporation (GIPCo) and a 51.0% interest in Lower Churchill Development Corporation (LCDC), both of which are inactive.

1.2 Investment in Joint Arrangement

Nalcor holds a 65.8% beneficial interest (through Hydro) in Churchill Falls (Labrador) Corporation Limited (Churchill Falls), a joint operation that owns and operates a hydroelectric generating plant and related transmission facilities situated in Labrador with a rated capacity of 5,428 MW.

Nalcor holds a 33.33% beneficial interest (through Churchill Falls) in Twin Falls Power Corporation (Twin Falls).

1.3 Variable Interest Entities

Nalcor consolidates the results of variable interest entities (VIEs) in which it holds a financial interest and is the primary beneficiary. Nalcor has determined that it is the primary beneficiary of the LIL Construction Project Trust (Project Trust) and as a result has included the financial statements of the Project Trust in these condensed consolidated interim financial statements. Nalcor has determined that it is not the primary beneficiary of the Muskrat Falls/Labrador Transmission Assets (MF/LTA) Funding Trust or the LIL Funding Trust and therefore the operations of these trusts are not reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of Compliance and Basis of Measurement

These condensed consolidated 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 consolidated financial statements for the year ended December 31, 2015.

These condensed consolidated interim financial statements do not include all of the disclosures normally found in Nalcor's annual audited consolidated financial statements and should be read in conjunction with the annual audited consolidated financial statements. Interim results will fluctuate due to the seasonal nature of electricity demand and water flows, as well as timing and recognition of regulatory items. Due to higher electricity demand during the winter months, revenue from electricity sales is higher during the first and fourth quarters.

These condensed consolidated interim financial statements have been prepared on a historical cost basis, except for financial instruments at fair value through profit or loss and available-for-sale financial assets which have been measured at fair value. The condensed consolidated interim financial statements are presented in Canadian Dollars (CAD) and all values rounded to the nearest million, except when otherwise noted. The condensed consolidated interim financial statements were approved by Nalcor's Board of Directors on May 12, 2016.

2.2 Basis of Consolidation

The condensed consolidated interim financial statements include the financial statements of Nalcor, its subsidiary companies and its share of investments in joint arrangements. In addition, the financial statements of all VIEs for which Nalcor has been determined the primary beneficiary are included in these condensed consolidated interim financial statements. Intercompany transactions and balances have been eliminated upon consolidation.

Effective June 18, 1999, Hydro, Churchill Falls, and Hydro-Québec entered into a shareholders' agreement (the Shareholders' Agreement) which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to approval jointly by representatives of Hydro and Hydro-Québec on Churchill Falls' Board of Directors. Although Hydro holds a 65.8% ownership interest, the agreement changed the nature of the relationship between Hydro and Hydro-Québec, with respect to Churchill Falls, from that of majority and minority shareholders, respectively, to that of a joint operation. Accordingly, Hydro has recognized its share of assets, liabilities and profit or loss in relation to its interest in Churchill Falls subsequent to the effective date of the Shareholders' Agreement.

Churchill Falls investment in Twin Falls is accounted for using the equity method.

Substantially all of Oil and Gas' activities are conducted jointly with others and, accordingly, these condensed consolidated interim financial statements reflect only Nalcor's proportionate interest in such activities.

3. PROPERTY, PLANT AND EQUIPMENT

(millions of Canadian dollars)	Generation Plant	Transmission and Distribution	Petroleum and Natural Gas Properties	Other	Construction in Progress	Total
Cost						
Balance at January 1, 2015	1,527.5	718.2	837.2	207.9	3,016.4	6,307.2
Additions	(0.2)	-	221.2	-	2,538.8	2,759.8
Disposals	(3.0)	(3.1)	-	(3.6)	-	(9.7)
Transfers	179.1	58.7	-	23.6	(261.4)	-
Decommissioning liabilities and revisions	0.5	(0.3)	58.4	-	-	58.6
Other adjustments	-	-	-	190.9	(111.6)	79.3
Balance at December 31, 2015	1,703.9	773.5	1,116.8	418.8	5,182.2	9,195.2
Additions	**-**	**-**	**50.6**	**-**	**508.3**	**558.9**
Disposals	**(0.2)**	**(0.2)**	**-**	**(0.3)**	**-**	**(0.7)**
Transfers	**0.1**	**-**	**-**	**-**	**(0.1)**	**-**
Balance at March 31, 2016	**1,703.8**	**773.3**	**1,167.4**	**418.5**	**5,690.4**	**9,753.4**
Depreciation, depletion and impairment						
Balance at January 1, 2015	369.6	118.6	95.9	64.3	-	648.4
Depreciation and depletion	44.1	21.9	14.8	12.0	-	92.8
Impairment	-	-	61.7	-	-	61.7
Disposals	(1.5)	(0.8)	-	(2.3)	-	(4.6)
Other adjustments	-	-	-	79.3	-	79.3
Balance at December 31, 2015	412.2	139.7	172.4	153.3	-	877.6
Depreciation and depletion	**11.7**	**5.8**	**6.7**	**3.1**	**-**	**27.3**
Disposals	**-**	**-**	**-**	**(0.3)**	**-**	**(0.3)**
Balance at March 31, 2016	**423.9**	**145.5**	**179.1**	**156.1**	**-**	**904.6**
Carrying value						
Balance at January 1, 2015	1,157.9	599.6	741.3	143.6	3,016.4	5,658.8
Balance at December 31, 2015	1,291.7	633.8	944.4	265.5	5,182.2	8,317.6
Balance at March 31, 2016	**1,279.9**	**627.8**	**988.3**	**262.4**	**5,690.4**	**8,848.8**

4. INTANGIBLE ASSETS

(millions of Canadian dollars)	Computer Software	Feasibility Studies	Exploration Assets	Intellectual Property	Total
Cost					
Balance at January 1, 2015	11.5	1.8	13.0	8.6	34.9
Additions	2.4	-	27.6	-	30.0
Balance at December 31, 2015	13.9	1.8	40.6	8.6	64.9
Additions	**1.2**	**-**	**1.3**	**-**	**2.5**
Balance at March 31, 2016	**15.1**	**1.8**	**41.9**	**8.6**	**67.4**
Amortization					
Balance at January 1, 2015	3.0	1.0	-	-	4.0
Amortization	1.4	0.2	3.1	-	4.7
Balance at December 31, 2015	4.4	1.2	3.1	-	8.7
Amortization	**0.3**	**0.1**	**1.8**	**-**	**2.2**
Balance at March 31, 2016	**4.7**	**1.3**	**4.9**	**-**	**10.9**
Carrying value					
Balance at January 1, 2015	8.5	0.8	13.0	8.6	30.9
Balance at December 31, 2015	9.5	0.6	37.5	8.6	56.2
Balance at March 31, 2016	**10.4**	**0.5**	**37.0**	**8.6**	**56.5**

5. REGULATORY DEFERRALS

	January 1 2016	Regulatory activity	**March 31 2016**	Remaining Recovery Settlement Period (years)
Regulatory asset deferrals				
Foreign exchange losses	56.2	(0.5)	**55.7**	25.75
Foreign exchange on fuel	0.7	(1.2)	**(0.5)**	n/a
Deferred lease costs	5.1	-	**5.1**	n/a
2014 cost deferral	38.6	(4.6)	**34.0**	n/a
2015 cost deferral	27.8	(0.7)	**27.1**	n/a
Fuel supply deferral	9.6	(1.7)	**7.9**	n/a
Deferred energy conservation costs	6.3	0.1	**6.4**	n/a
	144.3	(8.6)	**135.7**	
Regulatory liability deferrals				
Rate stabilization plan (RSP)	(324.6)	(31.7)	**(356.3)**	n/a
Insurance amortization and proceeds	(5.0)	0.2	**(4.8)**	n/a
Deferred power purchase savings	(0.4)	-	**(0.4)**	11.25
	(330.0)	(31.5)	**(361.5)**	

5.1 Regulatory Adjustments Recorded in the Consolidated Statement of Profit and Comprehensive Income

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2016**	2015
RSP amortization	**(4.4)**	20.5
Rural rate adjustment	**(2.0)**	3.5
RSP fuel deferral	**32.0**	19.6
RSP interest	**6.1**	4.7
Total RSP activity	**31.7**	48.3
Amortization of deferred foreign exchange losses	**0.5**	0.6
2014 cost deferral	**4.6**	-
2015 cost deferral	**0.7**	-
Fuel supply deferral	**1.7**	-
Deferred foreign exchange on fuel	**1.2**	(0.2)
Deferred energy conservation	**(0.1)**	(0.1)
Employee benefits actuarial loss	**0.2**	-
Insurance amortization and proceeds	**(0.2)**	(0.2)
Deferred lease costs	**-**	(0.7)
	40.3	47.7

The following section describes Hydro's regulatory deferrals which will be, or are expected to be, reflected in customer rates in future periods and have been established through the rate setting process. In the absence of rate regulation, these amounts would be reflected in operating results in the year and profit for the period ended March 31, 2016 would have increased by $40.3 million (2015 - $47.7 million).

5.2 Fuel Supply Deferral

Pursuant to Order No. P.U. 56 (2014), Hydro received approval in 2014 to defer $9.6 million as a regulatory asset in additional capacity related supply costs incurred during the three months ended March 31, 2014. Recovery of this balance is subject to a future PUB Order. In April 2016, Hydro received Order No. P.U. 13 (2016) which outlines the results of a Prudence Review of certain projects and expenditures of Hydro. As a result, Hydro recorded in regulatory adjustments an expense of $1.7 million and a corresponding reduction to the Fuel Supply Deferral. Please also refer to Note 22 of these condensed consolidated interim financial statements.

5.3 2014 Cost Deferral

As per Order No. P.U. 58 (2014), Hydro received approval in 2014 to defer $45.9 million in relation to Hydro's proposed 2014 revenue requirement with recovery subject to a future PUB Order. In 2015, Hydro decreased this regulatory asset by $7.3 million to recognize an allowance for adjustments to certain costs that were discussed through the General Rate Application (GRA) process. In April 2016, Hydro received Order No. P.U. 13 (2016) which outlines the results of a Prudence Review of certain projects and expenditures of Hydro. As a result, Hydro recorded an expense of $4.6M and a corresponding reduction to the 2014 Cost Deferral. Please also refer to Note 22 of these condensed consolidated interim financial statements.

5.4 2015 Cost Deferral

As per Order No. P.U. 36 (2015), Hydro received approval to defer $30.2 million in relation to Hydro's proposed 2015 net profit deficiency with recovery subject to a future PUB Order. Accordingly, these costs have been recognized as a regulatory asset. In 2015, Hydro decreased the regulatory asset by $2.4 million to recognize an allowance for adjustments to certain costs that were discussed through the GRA process. In April 2016, Hydro received Order No. P.U. 13 (2016) which outlines the results of a Prudence Review of certain projects and expenditures of Hydro. As a result, Hydro recorded an expense of $0.7 million and a corresponding reduction to the 2015 Cost Deferral. Please also refer to Note 22 of these condensed consolidated interim financial statements.

6. OTHER LONG-TERM ASSETS

As at (millions of Canadian dollars)		**March 31 2016**	December 31 2015
Long-term receivables	(a)	**1.9**	3.6
Long-term prepayments		**7.7**	9.2
Reserve fund		**30.9**	30.9
Sinking funds		**290.0**	283.6
Other		**0.5**	0.5
Other long-term assets, end of period		**331.0**	327.8
Less: current portion of sinking funds		**(1.6)**	(1.6)
		329.4	326.2

(a) As at March 31, 2016, long-term receivables include $1.6 million (2015 - $3.3 million) related to long-term advances to suppliers in relation to construction of the Lower Churchill Project. The current portion of $89.8 million (2015 - $88.8 million) is included in trade and other receivables. The remaining $0.3 million (2015 - $0.3 million) includes the non-current portion of receivables associated with customer payment plans and the long-term portion of employee purchase programs.

7. LONG-TERM INVESTMENTS

Long-term investments consist of structured deposit notes of $844.6 million (2015 - $1,115.8 million) related to Muskrat Falls, Labrador Transco and the LIL Partnership.

As at (millions of Canadian dollars)	Year of Maturity	**March 31 2016**	December 31 2015
Muskrat Falls			
$75.0 million Floating Rate Deposit Note, with interest paid at the one-month Canadian Dealer Offer Rate (CDOR) plus 0.38%.	2017	**57.0**	57.0
$478.2 million Amortizing Floating Rate Deposit Note, with interest paid at the one-month CDOR plus 0.38%.	2016	**38.6**	53.6
$1,912.7 million Amortizing Fixed Rate Deposit Note, with interest paid at a rate of 1.5937% per annum.	2016	**154.4**	214.2
Labrador Transco			
$75.0 million Floating Rate Deposit Note, with interest paid at the one-month Canadian Dealer Offer Rate (CDOR) plus 0.38%.	2017	**18.0**	18.0
$478.2 million Amortizing Floating Rate Deposit Note, with interest paid at the one-month CDOR plus 0.38%.	2016	**12.2**	16.9
$1,912.7 million Amortizing Fixed Rate Deposit Note, with interest paid at a rate of 1.5937% per annum.	2016	**48.8**	67.6
LIL LP			
$75.0 million Floating Rate Deposit Note, with interest paid at the one-month Canadian Dealer Offer Rate (CDOR) plus 0.38%.	2017	**75.0**	75.0
$883.5 million Amortizing Floating Rate Deposit Note, with interest paid at the one-month CDOR plus 0.38%.	2016	**176.2**	245.4
$1,325.3 million Amortizing Fixed Rate Deposit Note, with interest paid at a rate of 1.6182% per annum.	2016	**264.4**	368.1
Long-term investments, end of period		**844.6**	1,115.8
Less: redemptions to be received within one year	(a)	**(783.0)**	(1,025.2)
		61.6	90.6

(a) Redemptions to be received within one year have been reclassified to short-term investments.

8. DEBT

8.1 Short-term Borrowings

Nalcor maintains a $250.0 million CAD or USD equivalent committed revolving term credit facility with its banker, with a maturity date of January 31, 2017. There were no amounts drawn on this facility as at March 31, 2016 (2015 - $nil). Borrowings in CAD may take the form of Prime Rate Advances, Bankers' Acceptances (BAs) and letters of credit. Borrowings in USD may take the form of Base Rate Advances, London Interbank Offer Rate (LIBOR) Advances and letters of credit. The facility also provides coverage for overdrafts on Nalcor's bank accounts, with interest calculated at the Prime Rate.

Nalcor has issued eleven irrevocable letters of credit, with a total value of $20.1 million. Two of these letters, totaling $13.2 million, are in favour of Oil and Gas to ensure compliance with regulations relating to petroleum and natural gas exploration and production activities. On February 22, 2016, Nalcor, on behalf of Oil and Gas, issued an irrevocable letter of credit in the amount of $10.0 million to the Canada-Newfoundland and Labrador Offshore Petroleum Board. The purpose of the letter was to provide proof of financial responsibility with respect to the Hibernia South Extension project. This letter replaces a $1.5 million irrevocable letter of credit, which was previously issued by Nalcor on behalf of Oil and Gas, and cancelled during the quarter. Another nine letters, totaling $6.9 million, are in favour of Energy Marketing and relate to collateral requirements in the Quebec, Ontario, New York, New England, Midwest United States and Pennsylvania-New Jersey-Maryland (PJM) electricity markets.

Hydro maintains a $50.0 million CAD or USD equivalent unsecured demand operating credit facility with its banker and as at March 31, 2016 there were no amounts drawn on this facility (2015 - $nil). Borrowings in CAD may take the form of Prime Rate Advances, BAs and letters of credit, with interest calculated at the Prime Rate or prevailing Government BA fee. Borrowings in USD may take the form of Base Rate Advances, LIBOR Advances and letters of credit. The facility also provides coverage for overdrafts on Hydro's bank accounts, with interest calculated at the Prime Rate. Hydro has issued one irrevocable letter of credit for $0.3 million as a performance guarantee in relation to the Department of Fisheries and Oceans Fish Habitat Compensation Program.

In addition, Hydro utilized promissory notes to fulfil its short-term funding requirements. Total available short-term borrowings permitted under the promissory notes program is $300.0 million. As at March 31, 2016, there were $83.0 million in short-term borrowings outstanding with a maturity date of April 4, 2016 bearing an interest rate of 0.69% (2015 - $97.0 million).

Churchill Falls maintains a $10.0 million CAD or USD equivalent unsecured demand operating credit facility with its banker and as at March 31, 2016, there were no amounts drawn on this facility (2015 - $nil). Borrowings in CAD may take the form of Prime Rate Advances, BAs or letters of credit, with interest calculated at the Prime Rate or prevailing Government BA fee. Borrowings in USD may take the form of Base Rate Advances. The facility also provides coverage for overdrafts on Churchill Falls bank accounts, with interest calculated at the Prime Rate. Churchill Falls has issued three irrevocable letters of credit totaling $2.0 million to ensure satisfactory management of its waste management and compliance with a certificate of approval for the transportation of special hazardous wastes granted by the Department of Environment and Conservation.

Oil and Gas maintains a $5.0 million USD or CAD equivalent unsecured credit facility with its banker and as at March 31, 2016, there were no amounts drawn on this facility (2015 - $nil). Borrowings in CAD may take the form of Prime Rate Advances and letters of credit. Borrowings in USD may take the form of Base Rate Advances and letters of credit.

Energy Marketing maintains a $20.0 million CAD or USD equivalent demand operating credit facility with its banker, and as at March 31, 2016, there was $5.9 million drawn on this facility (2015 - $8.2 million), presented with cash and cash equivalents. This facility has an unconditional and irrevocable guarantee from Nalcor. Borrowings in CAD may take the form of Prime Rate Advances, BAs and letters of credit. Borrowings in USD may take the form of Base Rate Advances, LIBOR Advances and letters of credit.

8.2 Long-term Debt

The following table represents the value of long-term debt measured at amortized cost:

As at (millions of Canadian dollars)	Face Value	Coupon Rate %	Year of Issue	Year of Maturity	**March 31 2016**	December 31 2015
Hydro						
V*	0.2	10.50	1989	2014	**0.2**	0.3
X*	150.0	10.25	1992	2017	**149.8**	149.8
Y*	300.0	8.40	1996	2026	**294.7**	294.7
AB*	300.0	6.65	2001	2031	**305.7**	305.7
AD*	125.0	5.70	2003	2033	**123.8**	123.8
AE	225.0	4.30	2006	2016	**224.9**	224.8
AF	200.0	3.60	2014	2045	**197.1**	197.1
LIL LP						
Tranche A	725.0	3.76	2013	2033	**725.3**	725.3
Tranche B	600.0	3.86	2013	2045	**600.1**	600.1
Tranche C	1,075.0	3.85	2013	2053	**1,075.2**	1,075.2
Labrador Transco/Muskrat Falls						
Tranche A	650.0	3.63	2013	2029	**650.2**	650.2
Tranche B	675.0	3.83	2013	2037	**675.1**	675.1
Tranche C	1,275.0	3.86	2013	2048	**1,275.2**	1,275.2
Total debentures	6,300.2				**6,297.3**	6,297.3
Less: Sinking fund investments in own debentures					**56.1**	55.8
					6,241.2	6,241.5
Less: payments due within one year					**233.2**	233.4
Total debentures					**6,008.0**	6,008.1

*Sinking funds have been established for these issues.

Hydro's promissory notes and debentures are unsecured and unconditionally guaranteed as to principal and interest and, where applicable, sinking fund payments, by the Province. The Province charges Hydro a guarantee fee of 25 basis points annually on total debt (net of sinking funds) with a remaining term to maturity less than 10 years and 50 basis points annually on total debt (net of sinking funds) with a remaining term to maturity greater than 10 years. The fee for the period ended March 31, 2016 was $1.1 million (2015 - $1.1 million).

9. CLASS B LIMITED PARTNERSHIP UNITS

Debt and equity instruments issued by LIL LP are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

The Class B limited partnership units represent Emera NL's ownership interest in the Partnership. As described in the Partnership Agreement, these units have certain rights and obligations, including mandatory distributions, that indicate that the substance of the units represent a financial liability and are measured at amortized cost using the effective interest method. The return on the units is classified as a finance expense. All finance expenses associated with the units have been capitalized.

As at (millions of Canadian dollars)	**Units**	**March 31 2016**	Units	December 31 2015
Class B limited partnership units, beginning of period	**25**	**207.4**	25	79.4
Contributions	**-**	**38.3**	-	118.4
Accrued interest	**-**	**4.7**	-	9.6
Class B limited partnership units, end of period	**25**	**250.4**	25	207.4

10. DEFERRED CREDITS

Deferred credits consist of Hydro and Oil and Gas funding from the Province, deferred energy sales to Emera NL and deferred lease revenue.

(millions of Canadian dollars)	Hydro Wind Funding	Oil and Gas Program Funding	Deferred Energy Sales	Deferred Lease Revenue	Total
Deferred credits, beginning of period	0.5	5.9	659.0	8.9	674.3
Additions	0.8	-	103.0	1.7	105.5
Amortization	(0.6)	-	-	(0.3)	(0.9)
Deferred credits, end of period	0.7	5.9	762.0	10.3	778.9
Less: current portion	(0.7)	(3.6)	-	(1.7)	(6.0)
	-	2.3	762.0	8.6	772.9

Hydro has received funding from the Province for wind feasibility studies in Labrador. Oil and Gas has received funding from the Province for oil and gas exploration initiatives. Funding related to these studies and programs is amortized to income directly against the related expenditures as the costs are incurred.

Nalcor has recorded deferred energy sales of $762.0 million (2015 - $659.0 million) which equals the construction costs to date incurred by Emera. Nalcor has determined that it controls the Maritime Link asset for financial reporting purposes, and as such, has recorded the costs as a component of property, plant and equipment under construction.

11. DEFERRED CONTRIBUTIONS

Nalcor has received contributions in aid of construction of property, plant and equipment. These contributions are deferred and amortized to other revenue over the life of the related item of property, plant and equipment.

As at (millions of Canadian dollars)	**March 31 2016**	December 31 2015
Deferred contributions, beginning of period	**12.7**	15.8
Additions	**0.5**	1.4
Adjustments	**-**	(3.6)
Amortization	**(0.3)**	(0.9)
Deferred contributions, end of period	**12.9**	12.7
Less: current portion	**(1.1)**	(1.1)
	11.8	11.6

12. DECOMMISSIONING LIABILITIES

Nalcor has recognized liabilities associated with the retirement of portions of the Holyrood Thermal Generating Station, disposal of Polychlorinated Biphenyls and decommissioning liabilities resulting from its net ownership interests in petroleum and natural gas properties and related well sites.

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

As at (millions of Canadian dollars)	**March 31 2016**	December 31 2015
Decommissioning liabilities, beginning of period	**103.0**	43.2
Liabilities settled	**(0.1)**	(0.2)
Accretion	**1.0**	1.4
Revisions	**-**	58.6
Decommissioning liabilities, end of period	**103.9**	103.0
Less: current portion	**(1.0)**	(1.0)
	102.9	102.0

13. EMPLOYEE BENEFITS LIABILITY

13.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions of $2.9 million (2015 - $2.6 million) are expensed as incurred.

13.2 Other Benefits

Nalcor provides group life insurance and health care 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 $1.1 million (2015 - $1.1 million). An actuarial valuation was performed as at December 31, 2015, with an extrapolation to December 31, 2016.

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2016**	2015
Component of benefit cost		
Current service cost	**1.5**	1.5
Interest cost	**1.5**	1.6
Total benefit expense for the period	**3.0**	3.1

14. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

Items that may be reclassified to profit or loss:

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2016**	2015
Employee benefits liability		
Balance, beginning of period	**(36.4)**	(56.3)
Regulatory adjustment	**0.2**	-
Balance, end of period	**(36.2)**	(56.3)

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2016**	2015
Available-for-sale financial instruments		
Balance, beginning of period	**45.0**	44.6
Net fair value gain on available-for-sale during the period	**3.0**	16.5
Reclassification adjustments related to disposals during the period	**(2.5)**	(2.5)
Balance, end of period	**45.5**	58.6

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2016**	2015
Cash flow hedges		
Balance, beginning of period	**(6.3)**	(4.1)
Fair value losses during the period	**(3.3)**	(2.5)
Reclassification adjustments for amounts recognized in profit or loss	**3.5**	2.0
Balance, end of period	**(6.1)**	(4.6)

15. SHAREHOLDER'S EQUITY

15.1 Share Capital

	March 31	December 31
As at (millions of Canadian dollars)	**2016**	2015
Common shares of par value $1 each		
Authorized - unlimited		
Issued and outstanding - 122,500,000	**122.5**	122.5

15.2 Shareholder Contributions

	March 31	December 31
As at (millions of Canadian dollars)	**2016**	2015
Total shareholder contributions	**2,266.4**	2,203.8

During 2016, Nalcor's shareholder contributed capital in the amount of $62.6 million (2015 - $734.6 million) in relation to Nalcor's capital expenditures.

During 2016, the Churchill Falls (Labrador) Corporation Trust (the Trust) contributed capital in the amount of $nil (2015 - $0.1 million).

16. OPERATING COSTS

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2016**	2015
Salaries and benefits expense	**36.5**	36.7
Transmission rental	**5.1**	5.0
Maintenance and materials	**5.5**	6.5
Professional services	**3.9**	4.8
Travel and transportation	**1.5**	2.1
Rental and royalty expense	**2.5**	2.6
Equipment rental	**1.4**	1.4
Other operating costs	**2.7**	3.9
	59.1	63.0

17. PRODUCTION COSTS

For the period ended March 31 (millions of Canadian dollars)	**Three months ended** **2016**	2015
Processing and marketing expense	**1.0**	0.4
Transportation and transshipment expense	**0.8**	0.5
Project operating costs	**3.4**	2.2
	5.2	3.1

18. NET FINANCE (INCOME) EXPENSE

For the period ended March 31 (millions of Canadian dollars)	**Three months ended** **2016**	2015
Finance income		
Interest on sinking fund	**3.8**	3.5
Interest on reserve fund	**0.2**	0.2
Interest on investments	**3.7**	10.7
Interest on restricted cash	**3.6**	2.9
Other interest income	**0.3**	0.3
	11.6	17.6
Finance expense		
Long-term debt	**68.7**	68.7
Class B limited partnership units	**4.7**	1.7
Debt guarantee fee	**1.1**	1.1
Accretion	**2.0**	1.3
Other	**0.5**	0.4
	77.0	73.2
Interest capitalized during construction	**(46.4)**	(37.6)
	30.6	35.6
Net finance (income) expense	**19.0**	18.0

19. OTHER (INCOME) EXPENSE

For the period ended March 31 (millions of Canadian dollars)	**Three months ended** **2016**	2015
Mark-to-market of commodity swaps	**(1.7)**	(0.6)
Settlement of commodity swaps	**(9.5)**	(2.4)
Mark-to-market of foreign exchange forward contracts	**(0.6)**	3.4
Financial transmission rights income and amortization	**(0.1)**	(0.3)
Loss on disposal of property, plant and equipment	**0.4**	0.1
Asset disposal costs	**0.2**	(0.1)
Foreign exchange loss	**3.0**	2.2
Other (income) expense	**(8.3)**	2.3

20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

20.1 Fair Value

The estimated fair values of financial instruments as at March 31, 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 Nalcor might receive or incur in actual market transactions.

As a significant number of Nalcor'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 Nalcor 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 for the period ended March 31, 2016 and the year ended December 31, 2015.

	Level	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
(millions of Canadian dollars)		**March 31, 2016**		December 31, 2015	
Financial assets					
Derivative assets	**2,3**	**7.5**	**7.5**	9.1	9.1
Sinking funds - investments in same Hydro issue	**2**	**56.1**	**69.3**	55.8	69.9
Sinking funds - other investments	**2**	**290.0**	**290.0**	283.6	283.6
Long-term investments	**2**	**61.6**	**61.6**	90.6	90.6
Reserve fund	**2**	**30.9**	**30.9**	30.9	30.9
Long-term receivables[1]	**2**	**1.9**	**1.9**	3.6	3.6
Financial liabilities					
Derivative liabilities	**2**	**-**	**-**	5.2	5.2
Long-term debt including amount due within one year (before sinking funds)	**2**	**6,297.3**	**7,573.8**	6,297.3	7,557.1
Class B limited partnership units	**3**	**250.4**	**250.4**	207.4	207.4
Long-term payables[2]	**2**	**62.1**	**84.5**	70.0	86.4

[1]At March 31, 2016, the long-term receivable relating to the Annual Energy Base of $2.6 million (fair value - $2.8 million) was classified to trade and other receivables.

[2]At June 30, 2015, Oil and Gas' long-term payable balance of $7.1 million was reclassified to trade and other payables. At December 31, 2015, Churchill Falls' long-term payable balance of $0.3 million was reclassified to trade and other payables.

The fair value of cash and cash equivalents, restricted cash, short-term investments, trade and other receivables, short-term borrowings and trade and other payables approximates 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 derivative instruments are valued based on observable commodity future curves, broker quotes or other publicly available data. 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.

20.2 Risk Management

Nalcor 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 Nalcor's expected future cash flows.

Market Risk

Commodity Exposure

As at March 31, 2016, Oil and Gas had 10 remaining commodity price swaps with a notional value of $7.1 million USD. These contracts will provide an average fixed price of $59.96 USD per barrel on 117,937 barrels of production for the remainder of 2016. During 2016, $4.1 million in gains have been included in other (income) expense related to commodity price swaps and $2.9 million in unrealized gains have been included in other comprehensive income. As at March 31, 2016, the fair value of the derivative asset presented on the Statement of Financial Position was $2.9 million (2015 - $6.9 million).

As at March 31, 2016, Bull Arm Fabrication had 11 remaining foreign exchange forward contracts with a notional value of $14.8 million USD and an average rate of $1.33 CAD per USD. During 2016, $0.5 million in losses have been included in other (income) expense related to forward contracts and $1.7 million in unrealized gains have been included in other comprehensive income. As at March 31, 2016, the fair value of the derivative asset as presented on the Statement of Financial Position was $0.5 million.

As at March 31, 2016, Energy Marketing had 9 remaining foreign exchange forward contracts with a notional value of $24.9 million USD, and an average rate of $1.34 CAD/USD. During 2016, $0.9 million in losses have been included in other (income) expense related to foreign exchange forward contracts. At March 31, 2016, $2.3 million in unrealized gains were recognized in other comprehensive income related to the remaining contracts.

As all of the above outstanding contracts have been designated as hedging instruments, changes in fair value have been recorded in other comprehensive income.

As at March 31, 2016, Energy Marketing had 16 remaining fixed price commodity swaps with a notional value of $22.8 million USD, and an average price of $41.29 USD per megawatt hour (peak) and $20.46 USD per megawatt hour (off-peak). During 2016, $3.4 million in realized gains related to settled commodity swaps and $3.6 million in unrealized gains on remaining contracts were recognized in other (income) expense. As the above outstanding swaps have not been designated as hedging instruments, changes in fair value have been recorded in other income (expense).

During 2015, Energy Marketing purchased a series of annual, semi-annual, and monthly financial transmission rights with notional values of $847,800 USD and $78,900 CAD, respectively, to mitigate risk on congestion during peak transmission hours. During 2016, additional rights with notional values of $1.0 million USD were purchased to mitigate risk on congestion for the remainder of 2016 and a portion of 2017. As the rights have not been designated as hedging instruments, changes in fair value have been recorded in other (income) expense.

21. RELATED PARTY TRANSACTIONS

Nalcor enters into various transactions with its shareholder 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 Nalcor transacts are as follows:

Related Party	Relationship
The Province	100.0% shareholder of Nalcor
Churchill Falls	Joint arrangement of Hydro
Twin Falls	Joint venture of Churchill Falls
The Trust	Created by the Province with Churchill Falls as the beneficiary
LIL LP	Partnership in which Nalcor holds 75 Class A Partnership Units
Board of Commissioners of Public Utilities (PUB)	Agency of the Province

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

(a) Hydro is required to incur the costs of operations of the PUB as well as the cost of hearings and application costs. For the period ended March 31, 2016, Hydro incurred $0.3 million (2015 - $0.5 million) in costs related to the PUB. As at March 31, 2016, there is a balance of $2.6 million (2015 - $4.0 million) included in trade and other payables.

(b) In March 2016, Hydro paid the Province a debt guarantee fee of $4.5 million (2015 - $4.5 million). For the period ended March 31, 2016, $1.1 million (2015 - $1.1 million) has been recorded in net finance (income) expense.

(c) Hydro recognized contributions in aid of construction from the Province related to wind feasibility studies. As at March 31, 2016, $0.4 million (2015 - $0.4 million) has been recorded in deferred credits.

(d) For the period ended March 31, 2016, Hydro has purchased $6.1 million (2015 - $7.5 million) of power generated from assets related to Exploits Generation, which are held by the Province. In addition, Hydro operates these assets on behalf of Nalcor and recovered costs in the amount of $5.7 million (2014 - $2.0 million).

(e) Hydro recorded $0.6 million (2015 - $0.6 million) as an energy rebate from the Province to offset the cost of basic electricity consumption for Labrador rural isolated residential customers under the Northern Strategic Plan. As at March 31, 2016, there is a balance of $0.2 million outstanding in trade and other receivables (2015 - $0.4 million).

(f) Under the terms of the Lease and amendments thereto, Churchill Falls is required to pay the Province an annual rental of 8% of the consolidated net profits before income taxes and an annual royalty of $0.50 per horsepower year generated, as defined in the Lease. At March 31, 2016, $3.7 million (2015 - $3.9 million) was payable to the Province. Nalcor has recorded its share of $2.4 million (2015 - $2.6 million).

(g) Churchill Falls has entered into long-term power contracts with its shareholders for the sale of substantially all of the power produced by the generating plant. During 2016, revenue from Hydro-Québec was $46.9 million (2015 - $48.0 million), of which Nalcor has recognized its share of $30.5 million (2015 - $31.6 million).

(h) Churchill Falls tracks the value of differences between energy delivered and the Annual Energy Base over a four year period. The difference is then recovered from or refunded to Hydro-Québec over the subsequent four year period. The long-term receivable from Hydro-Québec as at March 31, 2016 is $4.0 million (2015 - $nil) and relates to September 1, 2012 to August 31, 2016. Nalcor has recorded its share of the long-term receivable as $2.6 million (2015 - $nil).

(i) On February 3, 2010, the Province established the Trust with Churchill Falls as the beneficiary. The purpose of the Trust is to fund the external costs and expenses incurred in relation to the motion filed by Churchill Falls seeking a modification to the pricing terms of the 1969 Power Contract. To date, $4.9 million (2015 - $4.8 million) has been received and $43.0 thousand (2015 - $17.0 thousand) has been accrued as receivable from the Trust. Nalcor has recorded its share of $3.3 million (2015 - $3.3 million) as received and $28.0 thousand (2015 - $11.0 thousand) accrued as receivable from the Trust.

(j) As at March 31, 2016, Churchill Falls capacity penalty payable was $0.4 million (2015 - $0.4 million), of which Nalcor has recorded its share of $0.3 million (2015 - $0.3 million). The capacity penalty relates to the supply of power to Hydro-Québec. Churchill Falls did not incur a capacity penalty in 2016 (2015 - $nil).

(k) Total funding to be received under the Petroleum Exploration Enhancement Program was $4.5 million over five years. For the period ended March 31, 2016, there were no funds provided. Included in deferred credits at March 31, 2016 is $1.1 million (2015 - $1.1 million) related to funding received.

(l) Total funding to be received under the Offshore Geoscience Data Project was $14.3 million over four years commencing in 2010. For the period ended March 31, 2016, no additional funding was received (2015 - $0.5 million). Included in deferred credits at March 31, 2016 is $2.0 million (2015 - $2.0 million) related to funding received.

(m) The Province provides cash to fund capital expenditures by way of shareholder contributions. For the period ended March 31, 2016, the Province provided $62.6 million (2015 - $37.3 million) in shareholder contributions relating to Oil and Gas, Muskrat Falls, Labrador Transco and LIL Holdco.

22. COMMITMENTS AND CONTINGENCIES

(a) Nalcor and its subsidiaries have received claims instituted by various companies and individuals with respect to power delivery claims and other miscellaneous matters. Although the outcome of such matters cannot be predicted with certainty, Management believes Nalcor’s exposure to such claims and litigation, to the extent not covered by insurance or otherwise provided for, is not expected to materially affect its financial position.

(b) Outstanding commitments for capital projects, excluding those related to Oil and Gas, total approximately $3.2 billion as at March 31, 2016 (2015 - $3.5 billion).

(c) As part of the LIL Project Finance Agreement (PFA), LIL LP has pledged its current and future assets as security to the Collateral Agent. Under the terms and conditions of the LIL Construction Project Trust (the IT) PFA, LIL LP has also provided a guarantee of the IT’s payment obligations to the Collateral Agent for the benefit of the Labrador-Island Link Funding Trust. LIL LP has pledged the escrow account, where the pre-funded equity contribution has been deposited, as security to the Collateral Agent.

(d) As part of the Muskrat Falls/Labrador Transmission Assets PFA, Muskrat Falls and Labrador Transco have pledged its present and future assets as security to the Collateral Agent.

(e) Energy Marketing entered into a three-year agreement with a transmission provider for 18 MW of firm transmission rights and 12 MW of non-firm transmission rights, effective April 1, 2016. Total committed payments for 2016 are $772,200 USD.

(f) The minimum lease payments associated with the lease arrangement of Bull Arm's assets and facilities over the next five years will be as follows:

(millions of Canadian dollars)	2016	2017	2018	2019	2020	Thereafter
Minimum lease payments	16.1	3.5	-	-	-	-

(g) On April 28, 2016, Hydro received Order No. P.U. 13 (2016) which outlines the results of a Prudence Review of certain projects and expenditures of Hydro. These condensed consolidated interim financial statements have been adjusted to reflect Management's best estimate of the impact of the Prudence Review on regulatory deferrals and financial results, based upon Management's initial interpretation of the Order’s impacts to the 2014 revenue requirement and the 2015 test year costs. Material adjustments may be required to the Statement of Financial Position, Profit and Comprehensive Income and Changes in Equity, pending further review through a compliance filing and final approval by the PUB. Please refer to Note 5 for additional information.

23. SUPPLEMENTARY CASH FLOW INFORMATION

	Three months ended	
For the period ended March 31 (millions of Canadian dollars)	**2016**	2015
Trade and other receivables	**2.9**	(35.4)
Prepayments	**(10.7)**	(1.4)
Inventories	**0.6**	5.2
Trade and other payables	**(91.7)**	5.5
Changes in non-cash working capital balances	**(98.9)**	(26.1)
Related to:		
Operating activities	**(19.1)**	(20.4)
Investing activities	**(79.8)**	(5.7)
	(98.9)	(26.1)

24. SEGMENT INFORMATION

Nalcor operates in seven business segments. Hydro Regulated activities encompass sales of electricity to customers within the Province. Churchill Falls operates a hydroelectric generating facility which sells electricity to Hydro-Québec and Hydro. Oil and Gas activities include exploration, development, production, transportation and processing sectors of the oil and gas industry. Energy Marketing includes the sale of electricity to markets outside the Province and other non-regulated electricity sales. Bull Arm Fabrication consists of an industrial fabrication site which is leased for major construction of development projects. Phase 1 of the Lower Churchill Project includes investments in the Muskrat Falls hydroelectric plant, the Labrador-Island Link and the Labrador Transmission Assets. Corporate and other activities encompass development activities including Phase 2 of the Lower Churchill Project and corporate activities. The segments' accounting policies are the same as those described in Note 2 of the annual audited consolidated financial statements. The designation of segments has been based on a combination of regulatory status and management accountability.

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Bull Arm	Phase 1 Lower Churchill Project	Corporate and Other Activities	Inter-Segment	Total
	For the three months ended March 31, 2016								
Energy sales	194.3	38.1	14.9	17.5	-	-	-	(11.3)	253.5
Other revenue	1.0	0.1	0.1	1.5	5.6	-	-	1.2	9.5
Revenue	195.3	38.2	15.0	19.0	5.6	-	-	(10.1)	263.0
Fuels	72.6	-	-	-	-	-	-	-	72.6
Power purchased	17.5	-	-	11.1	-	-	-	(11.0)	17.6
Operating costs	31.5	12.1	2.3	7.2	0.3	0.2	5.5	-	59.1
Production costs	-	-	5.2	-	-	-	-	-	5.2
Depreciation, depletion and amortization	16.9	4.0	8.4	-	-	-	0.2	-	29.5
Net finance (income) expense	18.8	(0.3)	0.8	0.1	-	(0.5)	0.1	-	19.0
Other (income) expense	0.5	-	(2.7)	(6.6)	0.5	0.1	(0.1)	-	(8.3)
Preferred dividends	-	(1.3)	-	-	-	-	-	1.3	-
Profit (loss) before regulatory adjustments	37.5	23.7	1.0	7.2	4.8	0.2	(5.7)	(0.4)	68.3
Regulatory adjustments	40.3	-	-	-	-	-	-	-	40.3
(Loss) profit for the period	(2.8)	23.7	1.0	7.2	4.8	0.2	(5.7)	(0.4)	28.0
Capital expenditures*	17.6	4.8	50.6	-	-	485.9	-	-	558.9
Total assets	2,228.7	544.9	1,067.4	15.9	4.4	8,349.4	303.3	(30.4)	12,483.6

***Capital expenditures include non-cash additions of $103.0 million related to the Maritime Link and $4.7 million related to Class B Limited Partnership Unit accrued interest. Total assets include total-to-date amounts of $764.3 million related to the Maritime Link and $26.0 million related to Class B Limited Partnership Unit accrued interest.**

(millions of Canadian dollars)	Hydro Regulated	Churchill Falls	Oil and Gas	Energy Marketing	Bull Arm	Phase 1 Lower Churchill Project	Corporate and Other Activities	Inter-Segment	Total
	For the three months ended March 31, 2015								
Energy sales	214.3	38.8	7.1	25.8	-	-	-	(10.9)	275.1
Other revenue	0.9	0.1	2.4	1.3	4.9	-	0.1	1.2	10.9
Revenue	215.2	38.9	9.5	27.1	4.9	-	0.1	(9.7)	286.0
Fuels	81.3	-	-	-	-	-	-	-	81.3
Power purchased	18.2	-	-	10.5	-	-	-	(10.5)	18.2
Operating costs	34.6	12.3	2.4	7.7	0.2	0.2	5.6	-	63.0
Production costs	-	-	3.1	-	-	-	-	-	3.1
Depreciation, depletion and amortization	15.5	3.6	3.7	-	-	-	0.1	-	22.9
Exploration and evaluation	-	-	0.2	-	-	-	-	-	0.2
Net finance (income) expense	18.2	(0.2)	0.1	-	-	(0.2)	0.1	-	18.0
Other (income) expense	1.3	-	(1.5)	2.0	0.3	-	0.2	-	2.3
Preferred dividends	-	(1.2)	-	-	-	-	-	1.2	-
Profit (loss) before regulatory adjustments	46.1	24.4	1.5	6.9	4.4	-	(5.9)	(0.4)	77.0
Regulatory adjustments	47.7	-	-	-	-	-	-	-	47.7
(Loss) profit for the period	(1.6)	24.4	1.5	6.9	4.4	-	(5.9)	(0.4)	29.3
Capital expenditures	18.1	2.4	52.6	0.1	-	420.1	0.8	-	494.1
Total assets	2,175.3	513.6	846.6	15.0	3.9	7,007.7	335.4	(24.7)	10,872.8

*Capital expenditures include non-cash additions of $99.7 million related to the Maritime Link and $1.7 million related to Class B Limited Partnership Unit accrued interest.
Total assets include total-to-date amounts of $432.0 million related to the Maritime Link and $13.3 million related to Class B Limited Partnership Unit accrued interest.

25. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the basis of presentation adopted during the current reporting period. The changes have been summarized as follows:

(millions of Canadian dollars)	Previously reported	Foreign exchange	Production cost reclass	Sale of power to LCP	Twin block reclass	**Reclassified balance**
Energy sales	276.4	-	-	(0.3)	(1.0)	**275.1**
Power purchased	19.2	-	-	-	(1.0)	**18.2**
Operating costs	66.1	-	(3.1)	-	-	**63.0**
Production costs	-	-	3.1	-	-	**3.1**
Net finance (income) expense	20.2	(2.2)	-	-	-	**18.0**
Other (income) expense	0.1	2.2	-	-	-	**2.3**

26. SUBSEQUENT EVENT

On April 4, 2016, Nalcor, on behalf of Oil and Gas, issued an irrevocable letter of credit in the amount of $4.9 million to the Canada-Newfoundland and Labrador Offshore Petroleum Board. The purpose of the letter was to provide proof of financial responsibility with respect to the Hebron project.