

TWIN FALLS POWER CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2015
Unaudited

DIRECTORS

CHRIS KIELEY
President

MAURICE McCLURE
Vice President, Finance and Strategy
Iron Ore Company of Canada

ORAL BURRY
Manager, Planning and Business Services
Churchill Falls (Labrador) Corporation Limited

PATRICK RYAN
Manager of Site
Cliffs Natural Resources

VAN ALEXOPOULOS
Director, Commercial Services
Iron Ore Company of Canada

CLIFFORD SMITH
Executive Vice-President
Seaborne Iron Ore

DERRICK STURGE
Vice President, Finance and Chief Financial Officer

GERARD McDONALD
Vice President, Human Resources
and Organizational Effectiveness
Nalcor Energy

WAYNE CHAMBERLAIN
General Counsel and Corporate Secretary
Nalcor Energy

TOLAVER RAPP¹
Director
Global Energy Procurement
Cliffs Natural Resources

TONY BEITING²
Mine Controller
Bloom Lake - ECIO

OFFICERS

CHRIS KIELEY
President

ORAL BURRY
General Manager

DERRICK STURGE
Vice President, Finance and Chief Financial Officer

ROBERT HULL
General Manager, Finance

SCOTT PELLEY
Corporate Treasurer

PETER HICKMAN
Corporate Secretary

HEAD AND CORPORATE OFFICE

500 Columbus Drive
P. O. Box 12500
St. John's, NL
Canada A1B 3T5

1 Resigned February 23, 2015

2 Resigned January 30, 2015

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
Unaudited

<i>As at (thousands of Canadian dollars)</i>	Notes	March 31 2015	December 31 2014
ASSETS			
Current assets			
Cash and cash equivalents		3,705	1,369
Short-term investments		2,017	5,247
Trade and other receivables		1,367	3,709
Total current assets		7,089	10,325
Non-current assets			
Property, plant and equipment	3	377	388
Total assets		7,466	10,713
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade and other payables		63	3,264
Environmental liabilities		621	621
Total current liabilities		684	3,885
Non-current liabilities			
Deferred income taxes		97	100
Total liabilities		781	3,985
Shareholders' equity			
Share capital	4	2,513	2,513
Retained earnings		4,172	4,215
Total shareholders' equity		6,685	6,728
Total liabilities and shareholders' equity		7,466	10,713

Description of business and going concern (Note 1)

Commitments and contingencies (Note 9)

See accompanying notes

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
Unaudited

<i>For the three months ended March 31 (thousands of Canadian dollars)</i>	Notes	2015	2014
Power sales		-	1,226
Revenue		-	1,226
Operating costs	5	(65)	(575)
Depreciation	3	(11)	(11)
Net finance income and expense	6	17	13
(Loss) profit before income taxes		(59)	653
Current income tax recovery (expense)		13	(169)
Deferred income tax recovery		3	3
Income tax recovery (expense)		16	(166)
(Loss) profit and comprehensive income for the period		(43)	487

See accompanying notes

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
Unaudited

<i>(thousands of Canadian dollars)</i>	Issued Capital	Retained Earnings	Total
Balance at January 1, 2015	2,513	4,215	6,728
Loss for the period	-	(43)	(43)
Balance at March 31, 2015	2,513	4,172	6,685
Balance at January 1, 2014	2,513	2,534	5,047
Profit and comprehensive income for the period	-	487	487
Balance at March 31, 2014	2,513	3,021	5,534

See accompanying notes

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF CASH FLOWS
Unaudited

<i>For the three months ended March 31 (thousands of Canadian dollars)</i>	Notes	2015	2014
Cash provided from (used in)			
Operating activities			
(Loss) profit for the period		(43)	487
Adjusted for items not involving a cash flow:			
Depreciation	3	11	11
Deferred income tax recovery		(3)	(3)
		(35)	495
Changes in non-cash working capital balances	7	(859)	(66)
Net cash (used in) provided from operating activities		(894)	429
Investing activity			
Decrease (increase) in short-term investments		3,230	(910)
Net cash provided from (used in) investing activity		3,230	(910)
Net increase (decrease) in cash and cash equivalents		2,336	(481)
Cash and cash equivalents, beginning of period		1,369	1,570
Cash and cash equivalents, end of period		3,705	1,089

Supplementary cash flow information (Note 7)

See accompanying notes

TWIN FALLS POWER CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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.

These condensed interim 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 (Labrador) Corporation Limited (Churchill Falls) for the right to develop hydroelectric power on the Unknown River (the Sub-lease) expired. Twin Falls, which is not a party to any power purchase agreements beyond December 31, 2014, is a party to various sub-lease 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, given Hydro's involvement.

As at March 31, 2015, Twin Falls has sufficient funds to discharge all known and measurable liabilities. Accordingly, these condensed interim 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

Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting and have been prepared using accounting policies consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2014.

These condensed interim financial statements do not include all of the disclosures normally found in Twin Falls' annual audited financial statements and should be read in conjunction with the annual audited financial statements.

These condensed interim financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) financial assets which have been measured at fair value. The condensed interim financial statements are presented in Canadian dollars and all values rounded to the nearest thousand, except when otherwise noted.

TWIN FALLS POWER CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

3. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Transmission and Terminals	Service Facilities and Other	Total
Cost			
Balance at January 1, 2014	6,122	431	66,997
Balance at December 31, 2014	6,122	431	66,997
Balance at March 31, 2015	6,122	431	66,997
Depreciation and impairment			
Balance at January 1, 2014	5,781	342	66,567
Depreciation expense	34	8	42
Balance at December 31, 2014	5,815	350	66,609
Depreciation expense	8	3	11
Balance at March 31, 2015	5,823	353	66,620
Carrying value			
Balance at January 1, 2014	341	89	430
Balance at December 31, 2014	307	81	388
Balance at March 31, 2015	299	78	377

4. SHAREHOLDERS' EQUITY

4.1 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.

<i>(thousands of Canadian dollars)</i>	March 31 2015	December 31 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

TWIN FALLS POWER CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

5. OPERATING COSTS

	Three Months Ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2015	2014
Power purchased	-	247
Rental and royalty expense	-	184
Maintenance and environmental costs	50	321
Capacity expansion	-	71
Other operating costs	15	(248)
	65	575

6. NET FINANCE INCOME AND EXPENSE

	Three Months Ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2015	2014
Interest on short-term investments	15	10
Other interest income	2	3
	17	13

7. SUPPLEMENTARY CASH FLOW INFORMATION

	Three Months Ended	
<i>For the period ended March 31 (thousands of Canadian dollars)</i>	2015	2014
Trade and other receivables	2,342	1,761
Trade and other payables	(3,201)	(1,827)
Changes in non-cash working capital balances	(859)	(66)
Income taxes paid	169	147
Interest received	7	4

8. RELATED PARTY TRANSACTIONS

Twin Falls enters into various transactions with its shareholders and other affiliates. These transactions occur in 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 (Wabush Mines)	12.5% shareholder of Twin Falls
Wabush Iron Ore Co. (Wabush Mines)	4.6% shareholder of Twin Falls
Hydro	65.8% shareholder of Churchill Falls
Nalcor Energy (Nalcor)	100.0% shareholder of Hydro

TWIN FALLS POWER CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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

	Churchill Falls	Hydro	Iron Ore Company of Canada	Wabush Mines	Nalcor	Total
<i>(thousands of Canadian dollars)</i>						
Three Months Ended March 31, 2015						
Power sales	-	-	-	-	-	-
Operating costs	(50)	(3)	-	-	(9)	(62)
Trade and other receivables	-	-	425	939	-	1,364
Trade and other payables	50	1	-	-	1	52
<i>(thousands of Canadian dollars)</i>						
Three Months Ended March 31, 2014						
Power sales	-	-	935	291	-	1,226
Operating costs	(842)	-	311	10	24	(497)
Trade and other receivables	-	-	2,189	549	-	2,738
Trade and other payables	627	-	-	-	12	639

- (a) During 2015, Twin Falls paid \$nil (2014 - \$521,000) to Churchill Falls for operating expenses associated with Twin Falls that were incurred by Churchill Falls, rental and royalties, and management fees.
- (b) During 2015, Twin Falls recorded sales of power to IOC and Wabush Mines in the amounts of \$nil (2014 - \$935,000) and \$nil (2014 - \$291,000), respectively. As at March 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 \$50,000 (2014 - \$321,000) 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 - \$311,000) and \$nil (2014 - \$10,000), respectively. As at March 31, 2015, maintenance costs of (\$37,000) (2014 - \$605,000) to IOC and \$671,000 (2014 - \$671,000) to Wabush Mines are recorded in trade and other receivables.
- (d) Trade and other receivables includes \$621,000 (2014 - \$1,688,000) associated with recovery of environmental liabilities related to PCBs and the remediation of water contamination. These costs are recoverable from IOC and Wabush Mines in the amounts of \$462,000 (2014 - \$1,256,000) and \$159,000 (2014 - \$432,000) respectively.
- (e) During 2015, Twin Falls incurred \$9,000 (2014 - \$24,000) and \$3,000 (2014 - \$nil) in operating expenses related to transition costs provided by Nalcor and Hydro, respectively.
- (f) In February 2014, Wabush Mines ceased operations in Labrador.

9. 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. On December 31, 2014, a lease agreement was signed between Wabush Resources Inc., Wabush Iron Co. Limited, Bloom Lake Railway Company Limited (collectively "Wabush Mines"), Hydro and Twin Falls whereby Wabush Mines leased to Hydro lands upon which the Wabush Terminal Station and the related transmission lines are located. To the extent that Twin Falls may have rights in or to the Wabush Terminal Station and the related transmission lines through a previous lease between Twin Falls and Wabush Mines, Twin Falls consented to and confirmed the aforementioned lease between Wabush Mines and Hydro, which will expire on June 30, 2015, unless it is terminated earlier in accordance with the terms of the lease or the written agreement of Wabush Mines and Hydro.

TWIN FALLS POWER CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)

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 2014. The outcome is not determinable at this time.