

TWIN FALLS POWER CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
March 31, 2016
(Unaudited)

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	Notes	March 31 2016	December 31 2015
ASSETS			
Current assets			
Cash and cash equivalents		5,519	5,558
Trade and other receivables		310	329
Prepayments		6	11
Total current assets		5,835	5,898
Non-current assets			
Property, plant and equipment	3	335	346
Total assets		6,170	6,244
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		197	231
Environmental liabilities		399	399
Total current liabilities		596	630
Non-current liabilities			
Deferred income taxes		50	53
Total liabilities		646	683
Shareholders' equity			
Share capital	4	2,513	2,513
Retained earnings		3,011	3,048
Total equity		5,524	5,561
Total liabilities and equity		6,170	6,244

Description of business and going concern (Note 1)

Commitments and contingencies (Note 9)

See accompanying notes

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2016	2015
Operating costs	5	50	65
Depreciation	3	11	11
Net finance (income) expense	6	(10)	(17)
Loss before income taxes		(51)	(59)
Current income tax recovery		(11)	(13)
Deferred income tax recovery		(3)	(3)
Income tax recovery		(14)	(16)
Loss for the period		(37)	(43)

See accompanying notes

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Share Capital	Retained Earnings	Total
Balance at January 1, 2016	2,513	3,048	5,561
Loss for the period	-	(37)	(37)
Balance at March 31, 2016	2,513	3,011	5,524
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

TWIN FALLS POWER CORPORATION LIMITED
STATEMENT OF CASH FLOWS
(Unaudited)

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Notes	Three months ended	
		2016	2015
Cash provided from (used in)			
Operating activities			
Loss for the period		(37)	(43)
Adjusted for items not involving a cash flow:			
Depreciation	3	11	11
Deferred income tax recovery		(3)	(3)
		(29)	(35)
Changes in non-cash working capital balances	10	(10)	(859)
Net cash used in operating activities		(39)	(894)
Investing activity			
Decrease in short-term investments		-	3,230
Net cash provided from investing activity		-	3,230
Net (decrease) increase in cash and cash equivalents		(39)	2,336
Cash and cash equivalents, beginning of period		5,558	1,369
Cash and cash equivalents, end of period		5,519	3,705
Interest received		15	7
Income taxes paid		-	169

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. 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. Twin Falls' head office is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 3T5, Canada.

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 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 March 31, 2016, 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

Statement of Compliance and Basis of Measurement

These condensed interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 Interim Financial Reporting and have been prepared using accounting policies consistent with those used in the preparation of the annual audited financial statements for the year ended December 31, 2015.

These condensed interim financial statements do not include all of the disclosures normally found in 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 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. The condensed interim financial statements were approved by Twin Falls' Board of Directors (the Board) on May 12, 2016.

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, 2015	6,122	431	6,553
Balance at December 31, 2015	6,122	431	6,553
Balance at March 31, 2016	6,122	431	6,553
Depreciation			
Balance at January 1, 2015	5,815	350	6,165
Depreciation	34	8	42
Balance at December 31, 2015	5,849	358	6,207
Depreciation	9	2	11
Balance at March 31, 2016	5,858	360	6,218
Carrying value			
Balance at January 1, 2015	307	81	388
Balance at December 31, 2015	273	73	346
Balance at March 31, 2016	264	71	335

4. 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.

<i>As at (thousands of Canadian dollars)</i>	March 31 2016	December 31 2015
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

5. OPERATING COSTS

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2016	2015
Maintenance and environmental costs	-	50
Other operating costs	50	15
	50	65

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

6. NET FINANCE (INCOME) EXPENSE

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2016	2015
Finance income		
Interest on short-term investments	(1)	(15)
Other interest income	(9)	(2)
Net finance (income) expense	(10)	(17)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

7.1 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 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 periods ended March 31, 2016 and December 31, 2015.

As at March 31, 2016 Twin Falls did not have any Level 3 instruments.

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

7.2 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.

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

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).

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.

8. 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

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

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

	Churchill Falls	Hydro	IOC	Wabush Mines	Nalcor	Total
<i>(thousands of Canadian dollars)</i>						
Three Months Ended March 31, 2016						
Operating costs	3	3	-	-	21	27
Trade and other receivables	-	-	-	780	-	780
Trade and other payables	2	1	37	-	9	49
<i>(thousands of Canadian dollars)</i>						
Three Months Ended March 31, 2015						
Operating costs	50	3	-	-	9	62
Trade and other receivables	-	-	425	939	-	1,364
Trade and other payables	50	1	-	-	1	52

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

- (a) As at March 31, 2016, power sales of \$nil (2015 - \$nil) to IOC and \$110,000 (2015 - \$110,000) to Wabush Mines are recorded in trade and other receivables.
- (b) Twin Falls incurred \$nil (2015 - \$50,000) in maintenance costs. This work was performed by Churchill Falls. As at March 31, 2016, maintenance costs of \$nil (2015 - \$nil) to IOC and \$670,000 (2015 - \$670,000) to Wabush Mines are recorded in trade and other receivables.
- (c) During 2016, Twin Falls incurred \$21,000 (2015 - \$9,000), \$3,000 (2015 - \$3,000) and \$3,000 (2015 - \$nil) in operating expenses related to transition costs provided by Nalcor, Hydro and Churchill Falls, respectively.
- (d) 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 March 31, 2016, Twin Falls has recorded accounts receivable from Wabush Mines totalling \$780,000 (2015 - \$780,000). Due to uncertainty related to recovery of this amount related to the proceeding, Twin Falls has provided \$780,000 (2015 - \$nil) as an allowance for doubtful accounts related to this amount receivable.

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. 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 Polychlorinated biphenyls (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.

10. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the period ended March 31 (thousands of Canadian dollars)</i>	Three months ended	
	2016	2015
Trade and other receivables	19	2,342
Prepayments	5	-
Trade and other payables	(34)	(3,201)
Changes in non-cash working capital balances	(10)	(859)