

TWIN FALLS POWER CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
September 30, 2016
(Unaudited)

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

<i>As at (thousands of Canadian dollars)</i>	Notes	September 30	December 31
		2016	2015
ASSETS			
Current assets			
Cash and cash equivalents		5,599	5,558
Trade and other receivables		49	329
Prepayments		17	11
Total current assets		5,665	5,898
Non-current assets			
Property, plant and equipment	3	314	346
Total assets		5,979	6,244
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		68	231
Environmental liabilities		399	399
Total current liabilities		467	630
Non-current liabilities			
Deferred income taxes		45	53
Total liabilities		512	683
Shareholders' equity			
Share capital	4	2,513	2,513
Retained earnings		2,954	3,048
Total equity		5,467	5,561
Total liabilities and equity		5,979	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 September 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Nine months ended	
		2016	2015	2016	2015
Operating costs	5	74	104	160	617
Depreciation	3	11	11	32	32
Net finance (income) expense	6	(11)	(5)	(29)	(37)
Loss before income taxes		(74)	(110)	(163)	(612)
Current income tax recovery		(43)	(37)	(61)	(155)
Deferred income tax recovery		(2)	(2)	(8)	(8)
Income tax recovery		(45)	(39)	(69)	(163)
Loss for the period		(29)	(71)	(94)	(449)

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	-	(94)	(94)
Balance at September 30, 2016	2,513	2,954	5,467
Balance at January 1, 2015	2,513	4,215	6,728
Loss for the period	-	(449)	(449)
Balance at September 30, 2015	2,513	3,766	6,279

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

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Nine months ended	
		2016	2015	2016	2015
Cash provided from (used in)					
Operating activities					
Loss for the period		(29)	(71)	(94)	(449)
Adjusted for items not involving a cash flow:					
Depreciation	3	11	11	32	32
Deferred income tax recovery		(2)	(2)	(8)	(8)
<hr/>					
Changes in non-cash working capital balances	10	(20)	(62)	(70)	(425)
<hr/>					
Net cash provided from (used in) operating activities		81	(14)	41	(550)
<hr/>					
Investing activities					
Increase in long-term receivables		-	-	-	(471)
Decrease in short-term investments		-	994	-	3,221
<hr/>					
Net cash provided from investing activities		-	994	-	2,750
<hr/>					
Net increase in cash and cash equivalents		81	980	41	2,200
Cash and cash equivalents, beginning of period		5,518	2,589	5,558	1,369
<hr/>					
Cash and cash equivalents, end of period		5,599	3,569	5,599	3,569
<hr/>					
Interest received		10	27	34	60
Interest paid		-	7	1	8
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 is 33.3% owned by Churchill Falls, of which Newfoundland and Labrador Hydro (Hydro) own 65.8% and whose parent company is Nalcor Energy (Nalcor). The remaining portion is owned 49.6% by Iron Ore Company of Canada (IOC), 12.5% by Wabush Resources Inc. (Wabush Mines) and 4.6% by Wabush Iron Co. Limited (Wabush Mines). 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 Hydro, Churchill Falls and third parties utilizing assets in which Twin Falls has an ownership interest. As such, Management currently has not made the decision to formally cease operations. 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 September 30, 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. 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 November 10, 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 September 30, 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	26	6	32
Balance at September 30, 2016	5,875	364	6,239
Carrying value			
Balance at January 1, 2015	307	81	388
Balance at December 31, 2015	273	73	346
Balance at September 30, 2016	247	67	314

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>	September 30 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 September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2016	2015	2016	2015
Maintenance and environmental costs	-	-	-	52
Bad debt expense	-	-	-	425
Other operating costs	74	104	160	140
	74	104	160	617

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

6. NET FINANCE (INCOME) EXPENSE

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2016	2015	2016	2015
Finance income				
Interest income on short-term investments	-	(10)	-	(40)
Other interest (income) expense	(11)	5	(29)	3
Net finance (income) expense	(11)	(5)	(29)	(37)

7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Fair Value

The estimated fair values of financial instruments as at September 30, 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 September 30, 2016 and December 31, 2015.

As at September 30, 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.

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:

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

Related Party	Relationship
Churchill Falls	33.3% shareholder of Twin Falls
IOC	49.6% shareholder of Twin Falls
Wabush Mines	17.1% shareholder of Twin Falls
Hydro	65.8% shareholder of Churchill Falls
Nalcor	100.0% shareholder of Hydro

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

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 December 31, 2016.

The results of an Environmental Site Assessment 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 and Polychlorinated biphenyls (PCBs) in sediment and PCBs in fish have generally remained stable, or decreased, since 2010. It is recommended that PCB and hydrocarbon sampling occur every 5 years. Further sampling is recommended to be conducted in 2018 and it is recommended that fishing remain closed in Bonnell Creek due to the presence of PCBs. An additional sampling program occurred in 2015. The objective was to assess the absence or presence of dioxin and furan impacts in fish, sediment and surface waters, and, if present, to assess the extent of impacts. Background concentrations were also determined. Surface water samples at the site were below guidelines. Impacts to fish and sediment were localized near and downstream of the powerhouse and Tailrace. It is recommended that a sediment and fish sampling program occur every 1 to 2 years to ensure that the dioxins and furans are not migrating further from site.

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 September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2016	2015	2016	2015
Trade and other receivables	250	56	280	3,127
Trade and other payables	(132)	9	(163)	(3,235)
Prepayments	(17)	(17)	(6)	(17)
Changes in non-cash working capital balances	101	48	111	(125)