

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
CONDENSED INTERIM FINANCIAL STATEMENTS
September 30, 2017
(Unaudited)

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF FINANCIAL POSITION
(Unaudited)

<i>As at (thousands of Canadian dollars)</i>	Notes	September 30 2017	December 31 2016
ASSETS			
Current assets			
Cash and cash equivalents		39,236	35,662
Trade and other receivables		20,211	20,393
Inventories		19,760	19,232
Current portion of reserve fund		13,251	7,466
Prepayments		3,371	2,063
Total current assets		95,829	84,816
Non-current assets			
Property, plant and equipment	3	684,653	654,198
Intangible assets	4	566	681
Investment in joint venture		1,894	1,868
Long-term investments		51,600	51,600
Reserve fund		9,209	15,132
Total assets		843,751	808,295
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		37,410	26,069
Rental and royalty payable		4,356	7,540
Current portion of deferred contributions		748	748
Total current liabilities		42,514	34,357
Non-current liabilities			
Deferred contributions		10,688	11,496
Decommissioning liabilities		2,024	1,970
Employee future benefits	5	28,325	27,548
Total liabilities		83,551	75,371
Shareholders' equity			
Share capital	7	82,900	82,900
Contributed capital	7	5,862	5,550
Reserves	6	(4,465)	(4,274)
Retained earnings		675,903	648,748
Total equity		760,200	732,924
Total liabilities and equity		843,751	808,295

Commitments and contingencies (Note 13)

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF PROFIT AND COMPREHENSIVE INCOME
(Unaudited)

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Notes	Three months ended		Nine months ended	
		2017	2016	2017	2016
			(Restated - Note 15)		(Restated - Note 15)
Power sales		25,274	23,962	75,596	84,165
Guaranteed winter availability		-	-	22,010	21,275
Other revenue		184	196	558	587
Revenue		25,458	24,158	98,164	106,027
Operating costs	8, 15	16,792	15,661	48,717	49,766
Depreciation and amortization	3,4	6,163	5,792	18,534	17,049
Net finance income	9	(337)	(204)	(957)	(1,089)
Other income	10	(333)	(281)	(120)	(99)
Share of loss (profit) of joint venture		10	9	(26)	31
Expenses		22,295	20,977	66,148	65,658
Profit for the period		3,163	3,181	32,016	40,369
Other comprehensive loss for the period					
Net fair value loss on available-for-sale financial instruments	6	(80)	(48)	(145)	(115)
Amounts reclassified to profit or loss	6	(15)	(59)	(46)	(169)
Other comprehensive loss for the period		(95)	(107)	(191)	(284)
Total comprehensive income for the period		3,068	3,074	31,825	40,085

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY
(Unaudited)

<i>(thousands of Canadian dollars)</i>	Notes	Share Capital	Contributed Capital	Fair Value Reserve	Employee Benefit Reserve	Retained Earnings	Total
Balance at January 1, 2017		82,900	5,550	226	(4,500)	648,748	732,924
Profit for the period		-	-	-	-	32,016	32,016
Other comprehensive income							
Net fair value loss on available-for-sale financial instruments	6	-	-	(145)	-	-	(145)
Amounts reclassified to profit or loss	6	-	-	(46)	-	-	(46)
Total comprehensive (loss) income for the period		-	-	(191)	-	32,016	31,825
Contributed capital	7	-	312	-	-	-	312
Preferred dividends	7	-	-	-	-	(4,861)	(4,861)
Balance at September 30, 2017		82,900	5,862	35	(4,500)	675,903	760,200
Balance at January 1, 2016 (Restated - Note 15)	15	82,900	4,966	851	(5,785)	604,303	687,235
Profit for the period (Restated - Note 15)		-	-	-	-	40,369	40,369
Other comprehensive income							
Net fair value loss on available-for-sale financial instruments	6	-	-	(115)	-	-	(115)
Amounts reclassified to profit or loss	6	-	-	(169)	-	-	(169)
Total comprehensive (loss) income for the period		-	-	(284)	-	40,369	40,085
Contributed capital		-	293	-	-	-	293
Preferred dividends	7	-	-	-	-	(9,076)	(9,076)
Balance at September 30, 2016		82,900	5,259	567	(5,785)	635,596	718,537

See accompanying notes

CHURCHILL FALLS (LABRADOR) 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	
		2017	2016	2017	2016
			(Restated - Note 15)		(Restated - Note 15)
Operating activities					
Profit for the period		3,163	3,181	32,016	40,369
Adjusted for items not involving a cash flow:					
Depreciation and amortization	3,4	6,163	5,792	18,534	17,049
Amortization of deferred contributions		(184)	(196)	(558)	(587)
Employee benefits		376	466	777	1,378
(Gain) loss on disposal of property, plant and equipment	10	(53)	(12)	150	6
Accretion of decommissioning liability	9	18	11	54	33
Net discount on reserve fund		(18)	(59)	(49)	(169)
Share of loss (profit) of joint venture		10	9	(26)	31
		9,475	9,192	50,898	58,110
Change in non-cash working capital balances	14	(9,007)	7,787	(7,238)	9,537
Net cash provided from operating activities		468	16,979	43,660	67,647
Investing activities					
Additions to property, plant and equipment	3	(26,517)	(26,025)	(52,395)	(52,458)
(Decrease) increase in short-term investments		22,137	(49)	-	(20,062)
(Addition to) withdrawal from reserve fund		(4)	7	(4)	7
Changes in non-cash working capital balances	14	6,113	3,099	13,741	6,987
Proceeds on disposal of property, plant and equipment		3,121	57	3,121	57
Net cash provided from (used in) investing activities		4,850	(22,911)	(35,537)	(65,469)
Financing activities					
Increase in long-term related party payable		-	-	-	7
Increase in shareholder contributions	7	296	16	312	293
Preferred dividends	7	(1,449)	(2,733)	(4,861)	(9,076)
Net cash used in financing activities		(1,153)	(2,717)	(4,549)	(8,776)
Net increase (decrease) in cash and cash equivalents		4,165	(8,649)	3,574	(6,598)
Cash and cash equivalents, beginning of period		35,071	56,975	35,662	54,924
Cash and cash equivalents, end of period		39,236	48,326	39,236	48,326
Interest received		156	471	593	1,255
Interest paid		17	21	28	56

See accompanying notes

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

1. DESCRIPTION OF BUSINESS

Churchill Falls (Labrador) Corporation Limited (Churchill Falls) is incorporated under the laws of Canada and operates a hydroelectric generating plant and related transmission facilities in Labrador with a rated capacity of 5,428 megawatts (MW). Churchill Falls operates under rights leased from the Province of Newfoundland and Labrador (the Province) for 99 years, which are renewable for a further term of 99 years under the Churchill Falls (Labrador) Corporation Limited (Lease) Act, 1961 (the Lease) as amended, covering the water power potential of the Upper Churchill watershed. Energy from Churchill Falls is provided to two customers: Hydro-Québec and Newfoundland and Labrador Hydro (Hydro). Churchill Falls is 65.8% owned by Hydro, whose parent company is Nalcor Energy (Nalcor). The remaining 34.2% is owned by Hydro-Québec. Effective June 18, 1999, the two shareholders of Churchill Falls, Hydro and Hydro-Québec, entered into a Shareholders' Agreement which provided, among other matters, that certain of the strategic operating, financing and investing policies of Churchill Falls be subject to joint approval by representatives of Hydro and Hydro-Québec. The head and corporate office for Churchill Falls is located at 500 Columbus Drive, St. John's, Newfoundland and Labrador, A1B 3T5.

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 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, 2016.

These condensed interim financial statements do not include all of the disclosures normally found in Churchill 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 are rounded to the nearest thousand, except when otherwise noted. The condensed interim financial statements were approved by Churchill Falls' Audit Committee on November 7, 2017.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

3. PROPERTY, PLANT AND EQUIPMENT

<i>(thousands of Canadian dollars)</i>	Hydroelectric Generation Plant	Transmission and Terminals	Service Facilities and Other	Construction in Progress	Total
Cost					
Balance at January 1, 2016	776,739	249,807	190,037	22,818	1,239,401
Additions	(78)	-	33	62,170	62,125
Decommissioning liabilities and revisions	-	1,096	-	-	1,096
Disposals	(2,239)	(1,044)	(2,582)	-	(5,865)
Transfers	26,383	22,028	20,068	(68,479)	-
Balance at December 31, 2016	800,805	271,887	207,556	16,509	1,296,757
Additions	-	55	-	52,340	52,395
Disposals	(1,300)	(8,138)	(2,050)	-	(11,488)
Transfers	1,481	-	389	(1,870)	-
Balance at September 30, 2017	800,986	263,804	205,895	66,979	1,337,664
Depreciation					
Balance at January 1, 2016	412,418	130,344	81,182	-	623,944
Depreciation	10,745	4,271	8,417	-	23,433
Disposals	(1,652)	(850)	(2,316)	-	(4,818)
Balance at December 31, 2016	421,511	133,765	87,283	-	642,559
Depreciation	8,454	3,541	6,424	-	18,419
Disposals	(970)	(5,646)	(1,351)	-	(7,967)
Balance at September 30, 2017	428,995	131,660	92,356	-	653,011
Carrying value					
Balance at January 1, 2016	364,321	119,463	108,855	22,818	615,457
Balance at December 31, 2016	379,294	138,122	120,273	16,509	654,198
Balance at September 30, 2017	371,991	132,144	113,539	66,979	684,653

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

4. INTANGIBLE ASSETS

<i>(thousands of Canadian dollars)</i>	Software
Cost	
Balance at January 1, 2016	1,238
Additions	161
Balance at December 31, 2016	1,399
Balance at September 30, 2017	1,399
Amortization	
Balance at January 1, 2016	570
Amortization	148
Balance at December 31, 2016	718
Amortization	115
Balance at September 30, 2017	833
Carrying value	
Balance at January 1, 2016	668
Balance at December 31, 2016	681
Balance at September 30, 2017	566

5. EMPLOYEE FUTURE BENEFITS

5.1 Pension Plan

Employees participate in the Province's Public Service Pension Plan, a multi-employer defined benefit plan. The employer's contributions for the period ended September 30, 2017 of \$1,823,000 (September 30, 2016 - \$1,870,000) are expensed as incurred.

5.2 Other Benefits

Churchill Falls provides group life insurance and healthcare benefits on a cost shared basis to retired employees, and in certain cases, their surviving spouses, in addition to a severance payment upon retirement. For the period ended September 30, 2017, cash payments to beneficiaries for its unfunded other employee future benefits were \$668,000 (December 31, 2016 - \$611,000). An actuarial valuation was performed as at December 31, 2016.

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2017	2016	2017	2016
Component of benefit cost		(Restated - Note 15)		(Restated - Note 15)
Current service cost	302	383	906	1,038
Interest cost	274	303	822	859
Total benefit expense for the period	576	686	1,728	1,897

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

6. ACCUMULATED OTHER COMPREHENSIVE INCOME

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

Items that will not be reclassified to profit or loss:

<i>(thousands of Canadian dollars)</i>	2017	2016
Employee benefits liability		(Restated - Note 15)
Balance at January 1	(4,500)	(5,785)
Net actuarial gain on defined benefit plan	-	-
Balance at September 30	(4,500)	(5,785)

Items that may or have been reclassified to profit or loss:

<i>(thousands of Canadian dollars)</i>	2017	2016
Available-for-sale financial instruments		
Balance at January 1	226	851
Net fair value loss	(145)	(115)
Amounts reclassified to profit	(46)	(169)
Balance at September 30	35	567

7. SHAREHOLDERS' EQUITY

7.1 Share Capital

	September 30	December 31
<i>As at (thousands of Canadian dollars)</i>	2017	2016
Common shares without nominal or par value		
Authorized - unlimited		
Issued, fully paid and outstanding - 8,759,999	82,900	82,900
Preferred shares without nominal or par value		
Authorized - 3		
Issued, fully paid and outstanding - 3	-	-

7.2 Contributed Capital

	September 30	December 31
<i>As at (thousands of Canadian dollars)</i>	2017	2016
Twin Falls Power Corporation Limited (Twin Falls)	55	-
Labrador Transmission Corporation (Labrador Transco)	198	198
Churchill Falls (Labrador) Corporation Trust (the Trust)	5,609	5,352
Total contributed capital	5,862	5,550

During 2017, Twin Falls contributed \$55,000 related to property, plant and equipment (2016 - \$nil), Labrador Transco contributed \$nil (2016 - \$198,000) related to property, plant and equipment and the Trust contributed \$257,000 (2016 - \$386,000).

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

7.3 Dividends Paid and Proposed

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2017	2016	2017	2016
Declared during the period				
Final preferred dividend for prior year	-	-	515	1,243
Interim preferred dividend for current period	1,449	2,733	4,346	7,833
	1,449	2,733	4,861	9,076

During the period, Churchill Falls did not pay any common dividends (2016 - \$nil).

8. OPERATING COSTS

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2017	2016	2017	2016
		(Restated - Note 15)		(Restated - Note 15)
Salaries and benefits expense	10,178	10,653	30,562	32,232
Maintenance and materials	3,850	3,025	7,673	6,705
Rental and royalty expense	624	473	4,356	5,169
Professional services	759	1,019	2,233	3,735
Insurance	902	676	2,273	1,993
Other operating costs	479	(185)	1,620	(68)
	16,792	15,661	48,717	49,766

9. NET FINANCE INCOME

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2017	2016	2017	2016
Finance income				
Interest on investments	198	49	541	61
Interest on reserve fund	110	300	330	915
Other interest income	64	131	168	408
	372	480	1,039	1,384
Finance expense				
Net interest on related party payable/receivable	-	246	-	231
Accretion of decommissioning liability	18	11	54	33
Other interest expense	17	19	28	31
	35	276	82	295
Net finance income	(337)	(204)	(957)	(1,089)

10. OTHER INCOME

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2017	2016	2017	2016
Realized foreign exchange gain	(136)	(55)	(208)	(197)
Unrealized foreign exchange loss (gain)	73	(40)	155	87
(Gain) loss on disposal of property, plant and equipment	(53)	(12)	150	6
Other asset disposal costs (recoveries)	6	(174)	6	5
Insurance proceeds	(223)	-	(223)	-
Other expense	(333)	(281)	(120)	(99)

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

11. FINANCIAL INSTRUMENTS

Fair Value

The estimated fair values of financial instruments as at September 30, 2017 and December 31, 2016 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 Churchill Falls might receive or incur in actual market transactions.

As a significant number of Churchill 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 Churchill 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, Churchill 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, 2017 and December 31, 2016.

As at September 30, 2017 and December 31, 2016, Churchill Falls did not have any Level 3 instruments.

	Level	Carrying Value	Fair Value	Carrying Value	Fair Value
		September 30, 2017		December 31, 2016	
<i>(thousands of Canadian dollars)</i>					
Financial assets					
Reserve fund	2	22,460	22,460	22,598	22,598

The fair values of cash and cash equivalents, short-term investments, trade and other receivables, trade and other payables, and rental and royalty payable approximate their carrying values due to their short-term maturity. The fair value of long-term investments approximates its carrying value due to the underlying nature of the investment.

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 fair values of other risk management assets and liabilities are determined using observable inputs other than unadjusted quoted prices, such as interest rate yield curves and currency rates.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

12. RELATED PARTY TRANSACTIONS

Churchill 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 Churchill Falls transacts are as follows:

<u>Related Party</u>	<u>Relationship</u>
Hydro	65.8% shareholder of Churchill Falls
Hydro-Québec	34.2% shareholder of Churchill Falls
Nalcor	100% shareholder of Hydro
The Province	100% shareholder of Nalcor
Twin Falls	Jointly controlled by Churchill Falls
Labrador Transco	100% owned subsidiary of Nalcor
The Trust	Churchill Falls (Labrador) Corporation Trust was created by the Province with Churchill Falls as the beneficiary

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Outstanding balances due to or from related parties are non-interest bearing with no set terms of repayment, unless otherwise stated.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

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

<i>As at (thousands of Canadian dollars)</i>	Related party	September 30 2017	December 31 2016		
Trade and other receivables:					
Power sales	Hydro-Québec	5,477	13,267		
Power sales and other	Hydro	8,107	4,384		
Engineering, technical, management, and administrative services	Other	1	12		
Property, plant and equipment and other	Labrador Transco	199	198		
Property, plant and equipment	Hydro	2,731	-		
CF Trust receivable	The Trust	79	13		
Engineering, technical, management, and administrative services	Hydro-Québec	339	521		
Trade and other payables:					
Other	Hydro-Québec	2,244	2,244		
Engineering, technical, management, and administrative services	Nalcor	764	845		
Rental and royalty payable	The Province	4,356	7,540		
		Three months ended 2017	2016		
		2017	2016		
<i>For the period ended September 30 (thousands of Canadian dollars)</i>					
Power sales:					
Long-term power contract	Hydro-Québec	14,604	13,607	43,336	51,319
Long-term power contract	Hydro	10,670	10,355	32,260	32,846
Guaranteed winter availability:					
Guaranteed winter availability contract	Hydro-Québec	-	-	22,010	21,275
Operating (recovery) costs:					
Engineering, technical, management, and administrative services	Hydro-Québec	(153)	(150)	(483)	(424)
Engineering, technical, management, and administrative services	Hydro	(43)	466	(258)	1,421
Rental and royalty expense	The Province	624	473	4,356	5,169
Engineering, technical, management, and administrative services	Other	764	701	2,148	1,893
Net finance income:					
Interest on related party payable/receivable	Hydro-Québec	-	246	-	231
Other income:					
Gain on disposal of property, plant and equipment	Hydro	-	-	259	-

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. The 1969 Power Contract, replaced by a Renewal Contract that commenced September 1, 2016 and expiring August 31, 2041, and a Guaranteed Winter Availability Contract, provide for the sale of electricity from this facility to Hydro-Québec. In addition, two power purchase agreements effective March 9, 1998 and January 1, 2015, provide for the sale of electricity to Hydro for use domestically and for resale in export markets.

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

The rate per the expired 1969 Power Contract was predetermined to be 2.5426 mills per kWh until August 31, 2016 and was recognized based upon the energy delivered to Hydro-Québec. The rate during the term of the Renewed Power Contract is 2.0 mills per kWh and revenue is recognized based upon an interim Annual Energy Base agreed upon by Churchill Falls and Hydro-Québec that may be different than the energy delivered. During 2017, revenue from Hydro-Quebec and Hydro was \$65,346,000 (September 30, 2016 - \$72,594,000) and \$32,260,000 (September 30, 2016 - \$32,846,000) respectively.

In July 2017, a long term sub-lease was signed by Churchill Falls and Hydro, transferring to Hydro its right, title and interest in the transmission line corridor running from the switchyard in Churchill Falls to the Wabush Terminal Station. The lease is effective July 1, 2017 and expires on May 16, 2060. The parties also signed a lease of identical term under which Churchill Falls leases equipment related to the transmission lines to Hydro. As a result, the transmission lines and related equipment have been transferred from Churchill Falls to Hydro during the quarter.

13. COMMITMENTS AND CONTINGENCIES

- (a) Outstanding commitments for capital projects total approximately \$45.4 million as at September 30, 2017 (December 31, 2016 - \$13.2 million).
- (b) Churchill Falls is subject to various legal proceedings and claims in the normal course of business. Although the outcome of such actions cannot be predicted with certainty, Management currently believes Churchill Falls' exposure to such claims and litigation, to the extent not covered by insurance policies or otherwise provided for, will not materially affect its financial position.
- (c) In August 2016, Churchill Falls received judgment from the Québec Court of Appeal upholding the 2014 Québec Superior Court ruling on the motion filed by Churchill Falls to address the inequities of the pricing terms of the 1969 Power Contract between Churchill Falls and Hydro-Québec. The Court ruled against Churchill Falls and the ruling requires Churchill Falls to pay court costs of \$1.4 million to Hydro- Québec. On April 20, 2017 Churchill Falls was granted leave to appeal the case to the Supreme Court of Canada. A hearing for the appeal has been scheduled for December 2017.
- (d) In August 2016, Churchill Falls received judgment from the Québec Superior Court regarding a Motion for Declaratory Judgment filed by Hydro-Québec relating to the interpretation of the 1969 Power Contract between Churchill Falls and Hydro-Québec and the associated Renewal Contract. The Court ruled in favour of Hydro-Québec and the ruling requires Churchill Falls to pay court costs of approximately \$0.4 million to Hydro-Québec. Churchill Falls has filed a Notice of Appeal with the Québec Court of Appeal. The date of the appeal hearing has not yet been set but it is anticipated that it will be scheduled for some time in 2018.

14. SUPPLEMENTARY CASH FLOW INFORMATION

<i>For the period ended September 30 (thousands of Canadian dollars)</i>	Three months ended		Nine months ended	
	2017	2016	2017	2016
Trade and other receivables	(8,979)	4,767	182	11,149
Inventories	(116)	67	(528)	164
Prepayments	(2,536)	(1,999)	(1,308)	(832)
Trade and other payables	8,113	7,577	11,341	8,628
Rental and royalty payable	624	474	(3,184)	(2,585)
Change in non-cash working capital balances	(2,894)	10,886	6,503	16,524
Related to:				
Operating activities	(9,007)	7,787	(7,238)	9,537
Investing activities	6,113	3,099	13,741	6,987
	(2,894)	10,886	6,503	16,524

CHURCHILL FALLS (LABRADOR) CORPORATION LIMITED
NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS (Unaudited)

15. PRIOR PERIOD ADJUSTMENTS

The January 1, 2016 and the three months and nine months ended September 30, 2016 figures have been restated as a result of a misstatement relating to the calculation of the other post-employment benefit ('OPEB') health and dental liabilities for retirees. The January 1, 2016 figures have been restated to reduce reserves by \$2,271,000 and increase opening retained earnings by \$1,935,000. The three and nine months ended September 30, 2016 have been restated to reduce operating costs by \$213,000.

The following table summarizes the adjustments to the affected accounts from the previously issued 2016 financial statements to the current year comparative figures:

	Previously stated 2016	Adjustment 2016	Restated 2016
<i>Three months ended September 30 (thousands of Canadian dollars)</i>			
Statement of Profit and Comprehensive Income			
Operating costs	15,732	(71)	15,661
Statement of Cash Flows			
Profit for the period	3,110	71	3,181
Employee benefits	537	(71)	466

	Previously stated 2016	Adjustment 2016	Restated 2016
<i>Nine months ended September 30 (thousands of Canadian dollars)</i>			
Statement of Profit and Comprehensive Income			
Operating costs	49,979	(213)	49,766
Statement of Cash Flows			
Profit for the period	40,156	213	40,369
Employee benefits	1,591	(213)	1,378

	Previously stated 2016	Adjustment 2016	Restated 2016
<i>(thousands of Canadian dollars)</i>			
Statement of Changes in Equity			
Employee Benefit Reserve, January 1	(8,056)	2,271	(5,785)
Retained earnings, January 1	602,368	1,935	604,303
Profit for the period ended September 30	40,156	213	40,369