

MINUTES OF THE FIFTY-SIXTH MEETING OF THE BOARD OF DIRECTORS OF NALCOR ENERGY HELD IN THE BOARDROOM, SIXTH LEVEL, HYDRO PLACE, ST. JOHN'S, NEWFOUNDLAND AND LABRADOR ON MONDAY, NOVEMBER 5, 2012 AT 01:00 P.M.

Present in Person: E. Martin

Present by Telephone: T. Styles, Chair
L. Abbass
E. Breen
T. Clift
A. Hawkins
K. Marshall
G. Shortall

Present by Invitation: D. Sturge, Vice-President Finance and Chief Financial Officer

Secretary: W. Chamberlain

729. CONSTITUTION OF THE MEETING

Notice for the meeting was forwarded to Directors on November 2, 2012. A quorum of Directors being present, the meeting was declared duly called and validly constituted for the transaction of business.

Mr. Sturge joined the meeting.

730. SAFETY MOMENT

Mr. Chamberlain circulated by email and provided a safety moment on Higher Speeds Drive Traffic Deaths Up.

731. LOWER CHURCHILL PROJECT UPDATE

Mr. Martin advised that the purpose of the meeting was to provide a brief update on the Lower Churchill Project and in particular the status of the federal loan guarantee and then respond to questions. He provided an overview of the documentation released publicly and the status of the federal loan guarantee (FLG) and stated that the issues being negotiated related primarily to the

56th Nalcor Energy Board Meeting
November 5, 2012
Page 2 of 4

amount and term of the FLG and whether the FLG was contingent on the inclusion of the Maritime Link. He advised that FLG discussions are progressing and there have also been discussions with the Government of Nova Scotia and Emera with respect to ensuring draw down of guaranteed debt for Muskrat Falls and the Labrador-Island Link is such that the FLG for them is not contingent upon the commencement of construction of the Maritime Link. He advised that the federal government is aware of the timeline sensitivities of the Project and he is cautiously optimistic that the FLG will be concluded within the timelines but will need to wait and see how negotiations progress in the coming weeks.

The Board members asked for clarification on an issue raised by one of the opponents to the Project regarding water management rights and the impact on existing contracts and in particular the Power Contract between CF(L)Co and Hydro-Quebec. Mr. Martin provided a brief overview of the discussions leading to the draft water management agreement between CF(L)Co and the Corporation, noting that both companies had separate internal and external legal counsel and each obtained external legal opinions with respect to the contractual and legislative matters pertaining to the agreement. He advised that the person raising the issues with respect to the water management agreement likely failed to take into consideration the renewed power contract between CF(L)Co and Hydro-Quebec which comes into effect in 2016 and includes a continuous energy provision. The continuous energy clause restricts Hydro-Quebec on what power it is entitled to demand on a monthly and yearly basis.

Mr. Martin referred to the CF(L)Co Shareholders' Agreement noting that the approval of at least one of Hydro-Quebec's representatives on the CF(L)Co Board of Directors is required with respect to related party agreements, subject to the agreements specifically excluded. A draft water management agreement was a related party agreement and was not approved by the CF(L)Co Board but was subsequently submitted by the parties to the PUB for consideration. The draft

water management agreement was subsequently imposed on the parties in accordance with the legislation.

The Board members advised that the water management issue was complicated and difficult to comprehend and it was noted that Mr. Bennett, in his response to the person raising the water management issue, referred to supporting external legal opinions. It was suggested that it would be helpful if the external legal opinions could be provided to Ms. Breen, being the only lawyer on the Board, to review on behalf of the Board in order to gain a better understanding and appreciation with respect to the issues raised and the response provided by Mr. Bennett.

Mr. Chamberlain, as General Counsel, advised that the external legal opinions are solicitor and client privileged and he would need to consider whether providing these legal opinions would impact the solicitor and client privilege. He advised that he will directly respond to Ms. Breen on whether the legal opinions can be provided and if not, determine what information can be provided to assist her to better understand the legislative and contractual aspects of the water management matter.

The Board members stated that they appreciated receiving the Project material and information provided by email after the last Board meeting and are satisfied with the level of information provided to date. It was suggested that the Corporation continue to communicate the message cleanly and clearly and that meetings should be held on a more frequent basis to provide the Board with updates on the Project.

Mr. Martin advised that the Project early works continue and informed the Board that a commitment of approximately \$15 million was recently made with respect to the bulk excavation contract regarding mobilization, clear-cutting and undertaking some of the excavation work at the powerhouse site. He further

56th Nalcor Energy Board Meeting
November 5, 2012
Page 4 of 4

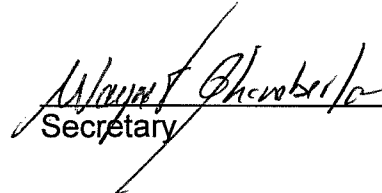
advised that a 250 unit accommodation camp was purchased at a very good price to provide accommodations for the bulk excavation work and if the Project is not sanctioned, it could be resold or used for other corporate purposes.

732. OTHER BUSINESS

The Secretary advised that the next regular meeting is scheduled for Friday, November 30, 2012 and will be held at the Holyrood Generating Station. It was agreed that the meeting would start no earlier than 9:30 a.m. to provide for the additional travel to this venue.


733. TERMINATION

There being no further business, the meeting was terminated.


Secretary

Verified at a meeting held on

January 18, 2013


Chairperson