

CONSTRUCTION REPORTDate: 20-December-2013**THE TORONTO-DOMINION BANK**

AS COLLATERAL AGENT  
66 Wellington Street West  
9th Floor  
Toronto, Ontario M5K 1A2

**MWH CANADA INC.**

AS INDEPENDENT ENGINEER  
505 Burrard Street, Suite 1500  
One Bentall Centre  
Vancouver, BC V7X 1M5

Gentlemen:

We refer you to the financing agreement dated as of November 29, 2013 entered into among Labrador - Island Link Limited Partnership (the "**Partnership**"), as borrower LIL Construction Project Trust (the "**Intermediary Trust**"), as lender, Labrador - Island Link Operating Corporation ("**Opco**") and Labrador - Island Link General Partner Corporation (the "**General Partner**"), as credit parties, and The Toronto-Dominion Bank, as collateral agent (the "**Collateral Agent**") (said agreement, as same may be amended, supplemented or restated from time to time is hereinafter referred to as the "**LIL Project Finance Agreement**").

We also refer you to the master definitions agreement entered into among, *inter alia*, the Collateral Agent, BNY Trust Company of Canada, as issuer trustee of Labrador-Island Link Funding Trust, BNY Trust Company of Canada, as trustee of the Intermediary Trust, Nalcor Energy, Labrador-Island Link Holding Corporation, Her Majesty The Queen In Right of the Province of Newfoundland and Labrador, the Partnership, as an obligor, Opco, as an obligor, the General Partner, as an obligor, and Computershare Trust Company of Canada, as the security trustee (the "**MDA**").

Unless otherwise defined herein or unless there be something in the subject or the context inconsistent therewith, all capitalized terms and expressions used herein shall have the same meaning as that ascribed to them from time to time in the MDA.

This Construction Report is delivered to you pursuant to subsection 7.3.2 and Section 11.3 of the LIL Project Finance Agreement in respect of the month ending on 30-November-2013 (the "**Applicable Month**").

I, Gilbert Bennett, the undersigned, Vice-President of Devco, and as Vice-President of the General Partner, without personal liability, do hereby certify that:

1. I have conducted such investigations as I have deemed necessary to provide the information set out in this report and in so doing I have verified all engineering related matters with a licensed professional engineer working on our behalf in respect of the Project;
2. Attached hereto as Schedule "A" is a true and accurate table detailing the Hard Costs incurred during the Applicable Month and compared as against the original Project Budget;



3. Attached hereto as Schedule "B" is a true and accurate analysis of the Cost to Complete as at the end of the Applicable Month;
4. Attached hereto as Schedule "C" is a true and accurate analysis of the Cost Variances as at the end of the Applicable Month, with a narrative explanation as to any variances from the original Project Budget;
5. The estimated Commissioning Date is currently 01-June-2018;
6. There are no material disputes with any Material Project Participant or related claims against the Partnership, other than as set out in Schedule "E" hereto;
7. Attached hereto as Schedule "F" is a true and accurate report describing the progress of the construction of the Project since the **Closing Date** and compared as against the originally established milestone in the Project Schedule;
8. The Project is being built substantially in all respects in accordance with the Project Plans and Good Utility Practice;
9. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, I have no reason to believe that the Project is being built in violation of any Applicable Laws or Authorizations in effect at the time of performance of the relevant work;
10. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, all Material Project Participants and other Persons participating or working toward the Commissioning of the Project, to the best of my Knowledge, are not in material default with respect to any of their respective obligations which would delay Commissioning beyond the Date Certain and the Partnership is not in material default in the payment of any sums due to such Persons in accordance with the terms agreed upon or in the fulfilment of any of its obligations with respect to such Persons, save and except with respect to such payments or obligations which the Partnership shall be contesting diligently and in good faith and in respect of which, in the event that such contestation should prove unsuccessful, no Lien shall be created or result upon or with respect to any LIL Assets and Rights now owned or hereafter acquired by the Partnership, except for Permitted Encumbrances;
11. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, all Authorizations which, under Applicable Law, as at the date hereof, are necessary to have been obtained in connection with the Project and the work currently being performed on the Project, have been obtained and are in full force and effect and do not contain any condition which could prevent or adversely affect the ability of the Partnership of attaining Commissioning by the Date Certain; and
12. Attached hereto as Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by the Partnership since the Closing Date.

Signed at St. John's, Newfoundland and Labrador, this 20<sup>th</sup> day of December, 2013.

A handwritten signature in blue ink, appearing to read "Gilbert Bennett".

---

Name: Gilbert Bennett, P.Eng.  
Title: Vice-President of Devco and the  
General Partner

**SCHEDULE "A"**

**Schedule "A" - Summary of Project Budget - Hard Costs  
 Lower Churchill Project-Phase 1  
 Labrador-Island Transmission Link (LIL)  
 Period Ending 30-Nov-2013**

Description	Project Budget	Planned Costs		Incurred Costs	
		Current Period	Project-to-Date	Current Period	Project-to-Date
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$4,258	\$76,332	\$1,856	\$72,958
Feasibility Engineering	\$34,012	\$320	\$33,827	\$0	\$33,913
Environmental & Regulatory Compliance	\$25,768	\$307	\$8,292	\$8	\$8,018
Aboriginal Affairs	\$2,244	\$18	\$467	\$0	\$449
Procurement & Construction	\$2,135,212	\$11,644	\$35,128	\$3,483	\$27,101
Commercial & Legal	\$22,490	\$1,178	\$10,255	\$5	\$9,489
Contingency	\$79,355	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$2,546,155</b>	<b>\$17,725</b>	<b>\$164,301</b>	<b>\$5,352</b>	<b>\$151,928</b>

Note: Costs in CAD (\$ Thousands)

**SCHEDULE "B"**

**Schedule "B" - Summary of Cost to Complete  
Lower Churchill Project-Phase 1  
Labrador-Island Transmission Link (LIL)  
Period Ending 30-Nov-2013**

Description	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
<b>NE-LCP Owners Team, Admin and EPCM Services</b>	\$247,074	\$72,958	\$247,074	\$174,116
Feasibility Engineering	\$34,012	\$33,913	\$34,012	\$99
Environmental & Regulatory Compliance	\$25,768	\$8,018	\$25,768	\$17,750
Aboriginal Affairs	\$2,244	\$449	\$2,244	\$1,795
Procurement & Construction	\$2,135,212	\$27,101	\$2,135,212	\$2,108,111
Commercial & Legal	\$22,490	\$9,489	\$22,490	\$13,001
Contingency	\$79,355	\$0	\$79,355	\$79,355
<b>Total</b>	<b>\$2,546,155</b>	<b>\$151,928</b>	<b>\$2,546,155</b>	<b>\$2,394,227</b>

Note: Costs in CAD (\$ Thousands)

Analysis:

Most of the construction contracts for LIL are pending award. To date, the only awarded contracts are related to the SOBI section and the HVdc specialties earthworks at Muskrat Falls and Soldier's Pond. Work has yet to commence at Soldier's Pond and the SOBI construction activities are in early stages.

Most of the construction and equipment procurement contracts have had bids received and will be awarded in 2014.

All indirect costs are incurred as the work progresses.

**SCHEDULE "C"**

**Schedule "C" - Summary of Cost Variances  
Lower Churchill Project-Phase 1  
Labrador-Island Transmission Link (LIL)  
Period Ending 30-Nov-2013**

Description	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$247,074	\$0
Feasibility Engineering	\$34,012	\$34,012	\$0
Environmental & Regulatory Compliance	\$25,768	\$25,768	\$0
Aboriginal Affairs	\$2,244	\$2,244	\$0
Procurement & Construction	\$2,135,212	\$2,135,212	\$0
Commercial & Legal	\$22,490	\$22,490	\$0
Contingency	\$79,355	\$79,355	\$0
<b>Total</b>	<b>\$2,546,155</b>	<b>\$2,546,155</b>	<b>\$0</b>

Note: Costs in CAD (\$ Thousands)

There are no variances between the final forecast cost and the Project Budget.

**SCHEDULE "D"**

There is currently no variance from the planned Commissioning Date of 01-June-2018 set forth in the LIL Project Schedule which would delay the Commissioning Date beyond the Date Certain.



**SCHEDULE "E"**

There are currently no material disputes with any Material Project Participant, or related claims against the Partnership.

AS



**SCHEDULE "F"**

<b>Labrador-Island Link - Milestone Schedule</b>			
<b>Milestone Description</b>	<b>Planned</b>	<b>Actual/Forecast</b>	<b>Status</b>
Project Sanction	17-Dec-2012	17-Dec-2012	Achieved
SOBI Cable Systems Ready	25-Oct-2016	25-Oct-2016	
Muskrat Falls Switchyard and Converter Station Ready for Operation	28-Feb-2017	28-Feb-2017	
HVdc Transmission Line Construction Complete and Connected	30-Jun-2017	30-Jun-2017	
Soldier's Pond Switchyard and Converter Station Ready for Operation	04-Oct-2017	04-Oct-2017	
Ready for Power Transmission	04-Oct-2017	04-Oct-2017	
Soldier's Pond Synchronous Condenser Ready for Operation	13-Nov-2017	13-Nov-2017	
Commissioning Complete - Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

Construction of the SOBI cable system is progressing as planned on the Newfoundland side of the crossing. Construction power, access roads and site preparation have been completed. The horizontal directional drilling spread was mobilized, and drilling of the first hole commenced on 19-November-2013. Site preparation is proceeding as planned on the Labrador side of the crossing with construction of the site access road.

Site preparation (earthworks) of the Muskrat Falls switchyard and converter station site was executed under package CH0006 and is nearing completion to the subgrade elevation.

The construction contract for the site preparation for the Soldier's Pond switchyard and converter station has been awarded however work is not planned to commence until spring 2014 and will be completed in accordance with the Milestone Schedule.

HS

**SCHEDULE "G"**

There were no Additional Material Project Documents entered into since the Closing Date.

*HS*