

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 Muskrat Falls Corporation ("**Musktrat**") and Labrador Transmission Corporation ("**Labrador Transco**"), as borrowers, Muskrat Falls/Labrador Transmission Assets Funding Trust (the "**Funding Vehicle**"), as lender, 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 "**Musktrat/LTA Project Finance Agreement**").

We also refer you to the master definitions agreement entered into among, *inter alia*, the Collateral Agent and lead arranger, BNY Trust Company of Canada, as issuer trustee of the Funding Vehicle, Computershare Trust Company of Canada, as security trustee, Nalcor Energy, Her Majesty The Queen In Right of the Province of Newfoundland and Labrador, Muskrat, as a credit party, and Labrador Transco, as a credit party (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 7.4.2 and Section 11.3 of the Muskrat/LTA 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, of Muskrat, and of Labrador Transco, without personal liability, do hereby certify the matters set forth in Section A and Section B below:

A. MUSKRAT MATTERS

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 MF Plant.

2. Attached hereto as Part I of Schedule "A" is a true and accurate table detailing the Hard Costs incurred as at the Effective Date in such prior month with respect to the MF Plant by and compared as against the original MF Project Budget.
3. Attached hereto as Part I of Schedule "B" is a true and accurate analysis of the Cost to Complete the MF Plant as at the end of the Applicable Month.
4. Attached hereto as Part I of Schedule "C" is a true and accurate analysis of the Cost Variances for the MF Plant as at the end of the Applicable Month, with a narrative explanation as to any variances.
5. The estimated Commissioning Date is currently 01-June-2018.
6. There are no material disputes with any Material Project Participant related to the MF Plant and any related claims against Muskrat, other than as set out in Part I of Schedule "E" hereto.
7. Attached hereto as Part I of Schedule "F" is a true and accurate report describing the progress of the construction of the MF Plant since the Closing Date.
8. The MF Plant is being built substantially in all respects in accordance with the MF Project Plans and Good Utility Practice.
9. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, I have no reason to believe that the MF Plant is being built in violation of any Applicable Laws or Authorizations pertaining to the MF Plant in effect at the time of performance of the relevant work.
10. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Authorizations which, under Applicable Law, at such time are necessary to have been obtained in connection with the MF Plant and the work currently being performed on the MF Plant, 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 Credit Parties of attaining Commissioning by the Date Certain.
11. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Material Project Participants related to the MF Plant and other Persons participating or working toward the Commissioning of the MF Plant, 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 Muskrat 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 Muskrat 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 of its Assets, except for Permitted Encumbrances.

12. Attached hereto as Part I of Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by Muskrat since the Closing Date.

B. LABRADOR TRANSCO MATTERS

13. 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 LTA.
14. Attached hereto as Part II of Schedule "A" is a true and accurate table detailing the Hard Costs incurred as at the Effective Date in such prior month with respect to the LTA and compared as against the original LTA Project Budget.
15. Attached hereto as Part II of Schedule "B" is a true and accurate analysis of the Cost to Complete the LTA as at the end of the Applicable Month.
16. Attached hereto as Part II of Schedule "C" is a true and accurate analysis of the Cost Variances for the LTA as at the end of the Applicable Month, with a narrative explanation as to any variances.
17. The estimated Commissioning Date is currently 01-June-2018.
18. There are no material disputes with any Material Project Participant related to the LTA and any related claims against Labrador Transco, other than as set out in Part II of Schedule "E" hereto.
19. Attached hereto as Part II of Schedule "F" is a true and accurate report describing the progress of the construction of the LTA since the Closing Date.
20. The LTA is being built substantially in all respects in accordance with the LTA Project Plans and Good Utility Practice.
21. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, I have no reason to believe that the LTA is being built in violation of any Applicable Laws or Authorizations pertaining to the LTA in effect at the time of performance of the relevant work.
22. Subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Authorizations which, under Applicable Law, at such time are necessary to have been obtained in connection with the LTA and the work currently being performed on the LTA, 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 Credit Parties of attaining Commissioning by the Date Certain.
23. That, subject to Sections 9.5 and 9.14 of the Muskrat/LTA Project Finance Agreement, all Material Project Participants related to the LTA and other Persons participating or working toward the Commissioning of the LTA, to the best of our Knowledge, are not in

material default with respect to any of their respective obligations which would delay Commissioning beyond the Date Certain and Labrador Transco 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 Labrador Transco 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 of its Assets, except for Permitted Encumbrances.

24. Attached hereto as Part II of Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by Labrador Transco since the Closing Date.

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



Name: Gilbert Bennett, P. Eng.
Title: Vice-President of Devco, Muskrat,
and Labrador Transco

SCHEDULE "A"

Part I - Hard Costs for the MF Plant

**Schedule "A" - Summary of Project Budget - Hard Costs
Lower Churchill Project-Phase 1
Muskrat Falls Generation
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	\$378,969	\$5,217	\$170,489	\$7,630	\$183,179
Feasibility Engineering	\$18,345	\$65	\$17,572	\$17	\$16,929
Environmental & Regulatory Compliance	\$20,312	\$420	\$11,769	\$9	\$8,664
Aboriginal Affairs	\$13,314	\$29	\$4,080	\$0	\$3,304
Procurement & Construction	\$2,719,626	\$72,025	\$460,157	\$47,431	\$427,857
Commercial & Legal	\$20,457	\$1,827	\$11,712	\$14	\$11,366
Contingency	\$94,255	\$0	\$0	\$0	\$0
Total	\$3,265,278	\$79,583	\$675,779	\$55,101	\$651,299

Note: Costs in CAD (\$ Thousands)

Part II - Hard Costs for the LTA

**Schedule "A" - Summary of Project Budget - Hard Costs
Lower Churchill Project-Phase 1
Labrador Transmission Asset (LTA)
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	\$76,238	\$1,833	\$40,394	\$2,760	\$35,145
Feasibility Engineering	\$256	\$17	\$241	\$0	\$202
Environmental & Regulatory Compliance	\$710	\$97	\$692	\$1	\$587
Aboriginal Affairs	\$188	\$0	\$0	\$0	\$0
Procurement & Construction	\$626,869	\$24,595	\$65,494	\$16,070	\$63,460
Commercial & Legal	\$2,030	\$180	\$980	\$1	\$517
Contingency	\$14,030	\$0	\$0	\$0	\$0
Total	\$720,322	\$26,722	\$107,801	\$18,832	\$99,911

Note: Costs in CAD (\$ Thousands)

SCHEDULE "B"

Part I - Muskrat Cost to Complete

Schedule "B" - Summary of Cost to Complete
Lower Churchill Project-Phase 1
Muskrat Falls Generation
Period Ending 30-Nov-2013

Description	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$183,179	\$378,969	\$195,790
Feasibility Engineering	\$18,345	\$16,929	\$18,345	\$1,416
Environmental & Regulatory Compliance	\$20,312	\$8,664	\$20,312	\$11,648
Aboriginal Affairs	\$13,314	\$3,304	\$13,314	\$10,010
Procurement & Construction	\$2,719,626	\$427,857	\$2,719,626	\$2,291,769
Commercial & Legal	\$20,457	\$11,366	\$20,457	\$9,091
Contingency	\$94,255	\$0	\$94,255	\$94,255
Total	\$3,265,278	\$651,299	\$3,265,278	\$2,613,979

Note: Costs in CAD (\$ Thousands)

Analysis:

The largest component of the cost to complete relates to the construction of the powerhouse, intake, spillway and transition dams which was awarded under contract CH0007 on 29-November-2013. Major contracts will be awarded by years end for hydro-mechanical equipment for the intake and spillway.

Incurred cost to date represents work done in excavation and supply and installation of the temporary facilities at MF (camp, admin buildings, temporary services) access roads, reservoir clearing, bulk excavation, and fabrication of the turbine and generator equipment.

Approximately 75% of the overall MF contracts have been awarded and/or had bids received. Almost all procurement packages for construction services and permanent equipment have had bids received and should be awarded in early 2014.

Engineering for MF is scheduled to be complete by end of 2013 with limited exceptions.

Part II - Labrador Transco Cost to Complete

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

Description	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$35,145	\$76,238	\$41,093
Feasibility Engineering	\$256	\$202	\$256	\$54
Environmental & Regulatory Compliance	\$710	\$587	\$710	\$123
Aboriginal Affairs	\$188	\$0	\$188	\$188
Procurement & Construction	\$626,869	\$63,460	\$626,869	\$563,409
Commercial & Legal	\$2,030	\$517	\$2,030	\$1,513
Contingency	\$14,030	\$0	\$14,030	\$14,030
Total	\$720,322	\$99,911	\$720,322	\$620,410

Note: Costs in CAD (\$ Thousands)

Analysis:

Incurred cost to date represents work done in right of way clearing of the HVac line, and the fabrication of the HVac line materials. It also includes work executed in the supply and installation of the construction camp at Churchill Falls.

Almost all procurement contracts for permanent equipment of the HVac line have been awarded and deliveries have commenced (tower steel, foundations, guy wire, hardware and conductor). The main HVac transmission line construction contract has not been awarded as at the end of the reporting period.

Civil works have commenced for the new Churchill Falls switchyard and site grading for the Muskrat Falls switchyard is near complete. The construction contract of the switchyards at Muskrat Falls and Churchill Falls is yet to be awarded but the bids have been received.

All indirect costs are incurred as work progresses with design engineering at LTA scheduled to be complete in early 2014.

SCHEDULE "C"

Part I - Muskrat Cost Variances

**Schedule "C" - Summary of Cost Variances
Lower Churchill Project-Phase 1
Muskrat Falls Generation
Period Ending 30-Nov-2013**

Description	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$378,969	\$0
Feasibility Engineering	\$18,345	\$18,345	\$0
Environmental & Regulatory Compliance	\$20,312	\$20,312	\$0
Aboriginal Affairs	\$13,314	\$13,314	\$0
Procurement & Construction	\$2,719,626	\$2,719,626	\$0
Commercial & Legal	\$20,457	\$20,457	\$0
Contingency	\$94,255	\$94,255	\$0
Total	\$3,265,278	\$3,265,278	\$0

Note: Costs in CAD (\$ Thousands)

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

Part II - Labrador Transco Cost Variances

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

Description	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$76,238	\$0
Feasibility Engineering	\$256	\$256	\$0
Environmental & Regulatory Compliance	\$710	\$710	\$0
Aboriginal Affairs	\$188	\$188	\$0
Procurement & Construction	\$626,869	\$626,869	\$0
Commercial & Legal	\$2,030	\$2,030	\$0
Contingency	\$14,030	\$14,030	\$0
Total	\$720,322	\$720,322	\$0

Note: Costs in CAD (\$ Thousands)

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



SCHEDULE "D"**Part I - Muskrat Estimated Commissioning Date**

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

Part II - Labrador Transco Estimated Commissioning Date

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



SCHEDULE "E"**Part I - Muskrat Material Disputes**

Material disputes with any Material Project Participant or related claims against Muskrat are listed below:

- CH0006 – Construction of Bulk Excavation Works and Associated Works:

The Contractor, IKC-ONE, submitted a Request for Equitable Adjustment dated 27-August-2013 in the approximate amount of \$31,000,000. The Contractor has stated that there were delays outside of its control and they were required to accelerate their work to meet their contract schedule. This claim has not been validated and an analysis is currently underway. The Request for Equitable Adjustment will not impact the MF Project Schedule as the work has been completed, on schedule.

Part II - Labrador Transco Material Disputes

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



SCHEDULE "F"

Part I - MF Plant Construction Progress

Muskrat Falls Generation - Milestone Schedule			
Milestone Description	Planned	Actual/Forecast	Status
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
North Spur Works Ready for Diversion	30-Nov-2015	30-Nov-2015	
River Diversion Complete	09-Nov-2016	09-Nov-2016	
Reservoir Impoundment Complete	19-Nov-2017	19-Nov-2017	
Powerhouse Unit 1 Commissioned - Ready for Operation	30-Dec-2017	30-Dec-2017	
First Power from Muskrat Falls	30-Dec-2017	30-Dec-2017	
Powerhouse Unit 2 Commissioned - Ready for Operation	18-Feb-2018	18-Feb-2018	
Powerhouse Unit 3 Commissioned - Ready for Operation	12-April-2018	12-April-2018	
Powerhouse Unit 4 Commissioned - Ready for Operation	22-May-2018	22-May-2018	
Full Power from Muskrat Falls	22-May-2018	22-May-2018	

Commissioning Complete - Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

Construction of the new 1500 person construction camp at Muskrat Falls continued throughout the reporting period under contract CH0002. Work is proceeding slower than planned however it will not have an impact on the mobilization of CH0007 due to the availability of the existing 300 person construction camp currently in operation.

Construction of the new materials testing laboratory and the fire and ambulance shelter under contract CH0003 is progressing as planned with foundations and steel structure underway. The permanent modular office complex is being manufactured off site with delivery expected in January 2014. Personnel are currently operating out of existing buildings in the Owner's laydown area.

Construction of the Caroline Brook resource road upgrade being undertaken under contract CH0004-1 is proceeding slightly slower than planned however the initial first phase has been opened in time to meet project requirements.

Bulk excavation works for the powerhouse and spillway structures was completed on schedule during the reporting period under contract CH0006. The contractor is continuing to complete minor deficiencies and has commenced demobilization.

Contract CH0007 for the construction of the intakes, powerhouse, spillway and transition dams was formally executed on 29-November-2013. The Contractor has been working on front end planning, procurement and other work preparations under a Limited Notice to Proceed since 24-September-2013.

Reservoir clearing being performed under contract CH0024 is proceeding on schedule.

Design and manufacturing of the turbines and generators under CH0030 is proceeding on schedule.

Part II - LTA Construction Progress

Labrador Transmission Asset - Milestone Schedule			
Milestone Description	Planned	Actual/Forecast	Status
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
Hvac Transmission Line Construction Complete	08-Jun-2016	08-Jun-2016	
Churchill Falls Switchyard Ready to Energize	31-May-2017	31-May-2017	
Muskkrat Falls Switchyard Ready to Energize	31-May-2017	31-May-2017	
Ready for Power Transmission	31-May-2017	31-May-2017	
Commissioning Complete- Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	
Date Certain	28-Feb-2019	28-Feb-2019	

Construction Narrative:

Construction of a 150 person temporary camp is nearing completion at the Churchill Falls switchyard site.



Clearing at the new Churchill Falls switchyard has been completed and excavation and backfill works has commenced under contract CD0503.

Site preparation, to subgrade level, is nearing completion at the Muskrat Falls switchyard site under contract CH0006.

The Labrador marshalling yard is nearing completion near the Muskrat Falls site under CT0354. Materials are being received for the HVac transmission line including steel towers, foundations, hardware, guy wire and conductor.

Clearing for the HVac right of way continued throughout the month of November 2013 under contract CT0341.

During the month of November 2013, the original contractor was terminated for unsatisfactory performance. A replacement contractor was mobilized immediately. There will be no impact on the project schedule for transmission line erection.

SCHEDULE "G"**Part I - Muskrat Additional Material Project Documents**

The following Additional Material Project Document was entered into since the Closing Date:

- CH0007 – Construction of Intakes & Powerhouse, Spillway and Transition Dams

Awarded to - Astaldi Canada Inc., Executed 29-November-2013

(Transmitted electronically via Aconex on 18-December-2013 - Transmittal No. LCP-CM-TRANSMIT-002247)

Part II - Labrador Transco Additional Material Project Documents

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