

MF/LTA 2015 COST OVERRUNS CERTIFICATEDate: **December 14, 2015****THE TORONTO-DOMINION BANK**

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

Gentlemen:

We refer you to the amended and restated financing agreement dated as of July 16, 2015 entered into among Muskrat Falls Corporation ("**Muskrat**") 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 "**Muskrat/LTA Project Finance Agreement**").

We also refer you to the amended and restated master definitions agreement entered into among, *inter alia*, the Collateral Agent, 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 (said agreement, as same may be amended, supplemented or restated from time to time is hereinafter referred to as 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 Cost Overruns Certificate is delivered to you pursuant to subsection 10.28.1 of the Muskrat/LTA Project Finance Agreement. Please note that all of the matters being certified below in paragraphs 2 to 4 and 7 to 9 may be impacted depending on how certain commercial negotiations currently being undertaken ultimately conclude (the "**Ongoing Commercial Negotiations Caveat**").

We, the undersigned, Gilbert Bennett and James Meaney, respectively the Vice-President and the General Manager, Finance of Devco, and of Muskrat, in our respective capacity as officers and without personal liability, subject to the Ongoing Commercial Negotiations Caveat, do hereby certify the matters set forth in Section A below, and we, the undersigned, Gilbert Bennett and James Meaney, respectively the Vice-President and the General Manager, Finance of Devco, and of Labrador Transco, in our respective capacity as officers and without personal liability, subject

to the Ongoing Commercial Negotiations Caveat, do hereby certify the matters set forth in Section B below:

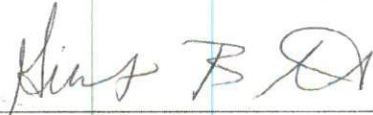
A. MUSKRAT MATTERS

1. We have conducted such investigations as we have deemed necessary to provide the information set out in this report;
2. attached hereto in Part I of Schedule "A" is a true and accurate analysis of the Cost to Complete with respect to the MF Plant as at the date hereof;
3. attached hereto in Part I of Schedule "B" is a true and accurate analysis of the Cost Overruns with respect to the MF Plant as at the date hereof, with a narrative explanation as to any variances from the Initial MF Project Budget;
4. the estimated Commissioning Date is currently June 1, 2018; and
5. the Cost Overruns with respect to the MF Plant identified in this Cost Overruns Certificate have been funded in accordance with the terms of the Muskrat/LTA Project Finance Agreement.

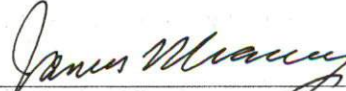
B. LABRADOR TRANSCO MATTERS

6. We have conducted such investigations as we have deemed necessary to provide the information set out in this report;
7. attached hereto in Part II of Schedule "A" is a true and accurate analysis of the Cost to Complete with respect to the LTA as at the date hereof;
8. attached hereto in Part II of Schedule "B" is a true and accurate analysis of the Cost Overruns with respect to the LTA as at the date hereof, with a narrative explanation as to any variances from the Initial LTA Project Budget;
9. the estimated Commissioning Date is currently June 1, 2018; and
10. the Cost Overruns with respect to the LTA identified in this Cost Overruns Certificate have been funded in accordance with the terms of the Muskrat/LTA Project Finance Agreement.

Signed at St. John's, this 14th day of December, 2015



Name: Gilbert Bennett
Title: Vice-President



Name: James Meaney
Title: General Manager, Finance

SCHEDULE "A"

Part I - Muskrat Cost to Complete

The Cost to Complete for the MF Plant is **\$2,031,961,853**, derived as follows:

**Summary of Cost to Complete
Lower Churchill Project-Phase 1
Muskrat Falls Generation (MF)**

Hard Costs

Description	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$293,667,959	\$408,723,289	\$115,055,330
Feasibility Engineering	\$17,948,964	\$17,948,964	\$0
Environmental & Regulatory Compliance	\$17,950,611	\$25,824,610	\$7,873,999
Aboriginal Affairs	\$6,860,701	\$13,314,334	\$6,453,632
Procurement & Construction	\$1,531,633,846	\$3,121,812,639	\$1,590,178,793
Commercial & Legal	\$14,980,932	\$25,239,216	\$10,258,284
Contingency	\$0	\$73,102,477	\$73,102,477
Total	\$1,883,043,014	\$3,685,965,529	\$1,802,922,515

Soft Costs

Description	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
Underwriting Fees	\$6,717,995	\$6,723,317	\$5,322
Collateral & Fiscal Agent Fees	\$147,600	\$465,539	\$317,939
Trustee & Administrator Fees	\$77,215	\$264,891	\$187,676
Credit Rating Agencies	\$3,605,303	\$4,136,107	\$530,804
Independent Engineer & Insurance Consultant	\$1,039,236	\$3,687,418	\$2,648,182
Legal & Financial Advisory	\$9,031,982	\$9,897,471	\$865,489
Administrative & Other Related Costs	\$644,154	\$1,021,048	\$376,894
Interest During Construction (Net)	\$104,050,049	\$313,153,728	\$209,103,679
Innu Payments	\$15,157,150	\$30,160,504	\$15,003,354
Total	\$140,470,684	\$369,510,022	\$229,039,338

NOTE:

1. Hard Cost figures above are per the MF/LTA Construction Report dated November 20, 2015.
2. Soft Cost figures above are per the MF/LTA Funding Request dated November 19, 2015.

SCHEDULE "A"

Part II - Labrador Transco Cost to Complete

The Cost to Complete for the LTA is **\$375,127,530**, derived as follows:

**Summary of Cost to Complete
Lower Churchill Project-Phase 1
Labrador Transmission Assets (LTA)**

Hard Costs

Description	Incurring Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$92,385,961	\$144,957,895	\$52,571,934
Feasibility Engineering	\$220,034	\$220,033	-\$1
Environmental & Regulatory Compliance	\$814,261	\$811,327	-\$2,934
Aboriginal Affairs	\$0	\$188,302	\$188,301
Procurement & Construction	\$444,544,434	\$709,643,025	\$265,098,591
Commercial & Legal	\$2,240,689	\$3,891,286	\$1,650,597
Contingency	\$0	\$17,845,509	\$17,845,509
Total	\$540,205,379	\$877,557,377	\$337,351,998

Soft Costs

Description	Incurring Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
Underwriting Fees	\$1,474,682	\$1,475,850	\$1,168
Collateral & Fiscal Agent Fees	\$32,400	\$102,192	\$69,792
Trustee & Administrator Fees	\$17,034	\$58,147	\$41,113
Credit Rating Agencies	\$799,570	\$996,333	\$196,763
Independent Engineer & Insurance Consultant	\$202,791	\$827,141	\$624,350
Legal & Financial Advisory	\$1,856,476	\$1,859,402	\$2,926
Administrative & Other Related Costs	\$165,700	\$222,485	\$56,785
Interest During Construction (Net)	\$33,482,315	\$70,264,951	\$36,782,636
Total	\$38,030,968	\$75,806,501	\$37,775,533

NOTE:

1. Hard Cost figures above are per the MF/LTA Construction Report dated November 20, 2015.
2. Soft Cost figures above are per the MF/LTA Funding Request dated November 19, 2015.

SCHEDULE "B"**Part I - Muskrat Cost Overruns**

The Cost Overruns for the MF Plant is **\$420,687,984**, derived as follows:

**Summary of Cost Overruns
Lower Churchill Project-Phase 1
Muskrat Falls Generation (MF)**

Hard Costs

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost Overruns
NE-LCP Owners Team, Admin and EPCM Services	\$378,968,667	\$408,723,289	\$29,754,622
Feasibility Engineering	\$18,344,723	\$17,948,964	-\$395,759
Environmental & Regulatory Compliance	\$20,311,595	\$25,824,610	\$5,513,015
Aboriginal Affairs	\$13,314,334	\$13,314,334	\$0
Procurement & Construction	\$2,719,626,411	\$3,121,812,639	\$402,186,228
Commercial & Legal	\$20,456,716	\$25,239,216	\$4,782,500
Contingency	\$94,255,099	\$73,102,477	-\$21,152,622
Total	\$3,265,277,545	\$3,685,965,529	\$420,687,984

Soft Costs

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost Overruns
Underwriting Fees	\$6,723,317	\$6,723,317	\$0
Collateral & Fiscal Agent Fees	\$465,539	\$465,539	\$0
Trustee & Administrator Fees	\$264,891	\$264,891	\$0
Credit Rating Agencies	\$4,136,107	\$4,136,107	\$0
Independent Engineer & Insurance Consultant	\$3,687,418	\$3,687,418	\$0
Legal & Financial Advisory	\$9,897,471	\$9,897,471	\$0
Administrative & Other Related Costs	\$1,021,048	\$1,021,048	\$0
Interest During Construction (Net)	\$313,153,728	\$313,153,728	\$0
Innu Payments	\$30,160,504	\$30,160,504	\$0
Total	\$369,510,022	\$369,510,022	\$0

NOTE:

1. Final Forecast Cost figures above are per the MF/LTA Construction Report dated November 20, 2015 the MF/LTA Funding Request dated November 19, 2015.
2. The explanation of cost variances compared to the MF Initial Project Budget is outlined in the attached "Muskrat Falls Project Cost Update" and "Muskrat Falls Project Update" documents presented to representatives of the Government of Canada and MWH Canada on July 22, 2014 and September 28, 2015, respectively.

SCHEDULE "B"**Part II - Labrador Transco Cost Overruns**

The Cost Overruns for the LTA is **\$157,235,450**, derived as follows:

**Summary of Cost Overruns
Lower Churchill Project-Phase 1
Labrador Transmission Assets (LTA)**

Hard Costs

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost Overruns
NE-LCP Owners Team, Admin and EPCM Services	\$76,238,494	\$144,957,895	\$68,719,401
Feasibility Engineering	\$256,102	\$220,033	-\$36,069
Environmental & Regulatory Compliance	\$709,697	\$811,327	\$101,630
Aboriginal Affairs	\$188,302	\$188,302	\$0
Procurement & Construction	\$626,869,403	\$709,643,025	\$82,773,622
Commercial & Legal	\$2,030,054	\$3,891,286	\$1,861,232
Contingency	\$14,029,875	\$17,845,509	\$3,815,634
Total	\$720,321,927	\$877,557,377	\$157,235,450

Soft Costs

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost Overruns
Underwriting Fees	\$1,475,850	\$1,475,850	\$0
Collateral & Fiscal Agent Fees	\$102,192	\$102,192	\$0
Trustee & Administrator Fees	\$58,147	\$58,147	\$0
Credit Rating Agencies	\$996,333	\$996,333	\$0
Independent Engineer & Insurance Consultant	\$827,141	\$827,141	\$0
Legal & Financial Advisory	\$1,859,402	\$1,859,402	\$0
Administrative & Other Related Costs	\$222,485	\$222,485	\$0
Interest During Construction (Net)	\$70,264,951	\$70,264,951	\$0
Total	\$75,806,501	\$75,806,501	\$0

NOTE:

1. Final Forecast Cost figures above are per the MF/LTA Construction Report dated November 20, 2015 the MF/LTA Funding Request dated November 19, 2015.
2. The explanation of cost variances compared to the MF Initial Project Budget is outlined in the attached "Muskrat Falls Project Cost Update" and "Muskrat Falls Project Update" documents presented to representatives of the Government of Canada and MWH Canada on July 22, 2014 and September 28, 2015, respectively.

SCHEDULE "B"

Please see attached "Muskrat Falls Project Cost Update" presentation dated July 22, 2014 and the "Muskrat Falls Project Update" presentation dated September 28, 2015.