

**MF/LTA 2016 COST OVERRUNS CERTIFICATE**Date: **December 13, 2016****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**").

We finally refer you to the MF/LTA request regarding the Commissioning Date and the Date Certain dated as of August 11, 2016 executed by the Muskrat, Labrador Transco and the Collateral Agent, pursuant to which the definition of "Date Certain" was amended as set forth therein (the "**Date Certain Agreement**").

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 6 to 8 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, 2020. In this regard, we note that as per the terms of the Date Certain Agreement, the expression "Date Certain" is to be read to mean a date falling beyond June 1, 2020, subject to the rights of extension to such date, currently contemplated under the definition of "Date Certain" in the MDA.

**B. LABRADOR TRANSCO MATTERS**

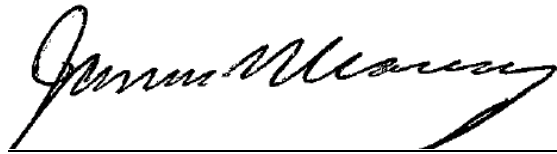
5. We have conducted such investigations as we have deemed necessary to provide the information set out in this report;
6. attached hereto in Part II of Schedule "A" is a true and accurate analysis of the Cost to Complete with respect to the LTA as at the date hereof;
7. attached hereto in Part II of 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;
8. the estimated Commissioning Date is currently June 1, 2020. In this regard, we note that as per the terms of the Date Certain Agreement, the expression "Date Certain" is to be read to mean a date falling beyond June 1, 2020, subject to the rights of extension to such date, currently contemplated under the definition of "Date Certain" in the MDA.

Signed at St. John's, this 13<sup>th</sup> day of December, 2016



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Name: Gilbert Bennett  
Title: Vice-President



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Name: James Meaney  
Title: General Manager, Finance

## SCHEDULE "A"

## Part I - Muskrat Cost to Complete

The Cost to Complete for the MF Plant is **\$2,341,820,794** derived as follows:

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

Hard Costs

Description	Incurring Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$357,050,305	\$536,422,965	\$179,372,660
Feasibility Engineering	\$17,625,535	\$17,625,535	\$0
Environmental & Regulatory Compliance	\$21,595,910	\$25,824,610	\$4,228,700
Aboriginal Affairs	\$9,094,773	\$15,369,836	\$6,275,063
Procurement & Construction	\$2,384,104,740	\$3,927,984,433	\$1,543,879,693
Commercial & Legal	\$18,791,514	\$42,430,555	\$23,639,041
Contingency	\$0	\$235,754,502	\$235,754,502
<b>Total</b>	<b>\$2,808,262,777</b>	<b>\$4,801,412,436</b>	<b>\$1,993,149,658</b>

Soft Costs

Description	Incurring Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
Underwriting Fees	\$6,717,995	\$6,717,995	\$0
Collateral & Fiscal Agent Fees	\$216,000	\$515,174	\$299,174
Trustee & Administrator Fees	\$103,106	\$272,774	\$169,668
Credit Rating Agencies	\$3,745,869	\$4,381,433	\$635,564
Independent Engineer & Insurance Consultant	\$1,392,984	\$3,648,900	\$2,255,915
Legal & Financial Advisory	\$9,402,306	\$10,535,898	\$1,133,592
Administrative & Other Related Costs	\$713,183	\$5,876,866	\$5,163,683
Interest During Construction (Net)	\$180,754,467	\$408,578,953	\$227,824,485
Bond Sinking Fund Payment	\$0	\$90,616,154	\$90,616,154
Innu Payments	\$20,393,405	\$40,966,305	\$20,572,900
<b>Total</b>	<b>\$223,439,316</b>	<b>\$572,110,451</b>	<b>\$348,671,135</b>

NOTE:

1. Hard Cost figures above are per the MF/LTA Construction Report dated November 20, 2016.
2. Soft Cost figures above are per the MF/LTA Funding Request dated November 21, 2016.

**SCHEDULE "A"**

**Part II - Labrador Transco Cost to Complete**

The Cost to Complete for the LTA is **\$257,037,147** 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	\$108,354,013	\$145,848,293	\$37,494,280
Feasibility Engineering	\$362,733	\$362,733	\$0
Environmental & Regulatory Compliance	\$813,975	\$811,348	-\$2,627
Aboriginal Affairs	\$0	\$188,302	\$188,302
Procurement & Construction	\$614,745,775	\$704,884,489	\$90,138,713
Commercial & Legal	\$2,767,800	\$3,891,286	\$1,123,486
Contingency	\$0	\$21,570,926	\$21,570,926
<b>Total</b>	<b>\$727,044,296</b>	<b>\$877,557,377</b>	<b>\$150,513,081</b>

**Soft Costs**

Description	Incurring Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
Underwriting Fees	\$1,474,682	\$1,474,682	\$0
Collateral & Fiscal Agent Fees	\$54,000	\$148,476	\$94,476
Trustee & Administrator Fees	\$25,392	\$77,479	\$52,087
Credit Rating Agencies	\$844,827	\$1,047,735	\$202,908
Independent Engineer & Insurance Consultant	\$284,968	\$970,469	\$685,502
Legal & Financial Advisory	\$2,023,106	\$2,344,683	\$321,577
Administrative & Other Related Costs	\$189,086	\$1,774,618	\$1,585,532
Interest During Construction (Net)	\$45,047,452	\$121,063,773	\$76,016,320
Bond Sinking Fund Payment	\$0	\$27,565,664	\$27,565,664
<b>Total</b>	<b>\$49,943,513</b>	<b>\$156,467,579</b>	<b>\$106,524,066</b>

**NOTE:**

3. Hard Cost figures above are per the MF/LTA Construction Report dated November 20, 2016.
4. Soft Cost figures above are per the MF/LTA Funding Request dated November 21, 2016.

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

The Cost OVERRUNS for the MF Plant is **\$1,738,735,319**, 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	\$536,422,965	\$157,454,298
Feasibility Engineering	\$18,344,723	\$17,625,535	-\$719,188
Environmental & Regulatory Compliance	\$20,311,595	\$25,824,610	\$5,513,015
Aboriginal Affairs	\$13,314,334	\$15,369,836	\$2,055,502
Procurement & Construction	\$2,719,626,411	\$3,927,984,433	\$1,208,358,022
Commercial & Legal	\$20,456,716	\$42,430,555	\$21,973,839
Contingency	\$94,255,099	\$235,754,502	\$141,499,403
<b>Total</b>	<b>\$3,265,277,545</b>	<b>\$4,801,412,436</b>	<b>\$1,536,134,891</b>

**Soft Costs**

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost OVERRUNS
Underwriting Fees	\$6,723,317	\$6,717,995	-\$5,322
Collateral & Fiscal Agent Fees	\$465,539	\$515,174	\$49,634
Trustee & Administrator Fees	\$264,891	\$272,774	\$7,883
Credit Rating Agencies	\$4,136,107	\$4,381,433	\$245,326
Independent Engineer & Insurance Consultant	\$3,687,418	\$3,648,900	-\$38,518
Legal & Financial Advisory	\$9,897,471	\$10,535,898	\$638,427
Administrative & Other Related Costs	\$1,021,048	\$5,876,866	\$4,855,819
Interest During Construction (Net)	\$313,153,728	\$408,578,953	\$95,425,224
Bond Sinking Fund Payment	\$0	\$90,616,154	\$90,616,154
Innu Payments	\$30,160,504	\$40,966,305	\$10,805,801
<b>Total</b>	<b>\$369,510,022</b>	<b>\$572,110,451</b>	<b>\$202,600,428</b>

**NOTE:**

- Final Forecast Cost figures above are per the MF/LTA Construction Report dated November 20, 2016 the MF/LTA Funding Request dated November 21, 2016.
- Additional details on the Final Forecast Cost figures outlined above were presented to representatives of the Government of Canada and the Independent Engineer in June/July 2016, including provision of the documents titled "Lower Churchill Project Government of Canada / Independent Engineer Briefing Document" and "Lower Churchill Project (Phase 1) Financing/Enhanced Loan Guarantee Update" which have already been made available via the secure Intralinks data room.

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

The Cost Overruns for the LTA is **\$237,896,528**, 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
<b>NE-LCP Owners Team, Admin and EPCM Services</b>	\$76,238,494	\$145,848,293	\$69,609,799
<b>Feasibility Engineering</b>	\$256,102	\$362,733	\$106,631
<b>Environmental &amp; Regulatory Compliance</b>	\$709,697	\$811,348	\$101,651
<b>Aboriginal Affairs</b>	\$188,302	\$188,302	\$0
<b>Procurement &amp; Construction</b>	\$626,869,403	\$704,884,489	\$78,015,086
<b>Commercial &amp; Legal</b>	\$2,030,054	\$3,891,286	\$1,861,232
<b>Contingency</b>	\$14,029,875	\$21,570,926	\$7,541,051
<b>Total</b>	<b>\$720,321,927</b>	<b>\$877,557,377</b>	<b>\$157,235,450</b>

**Soft Costs**

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost Overruns
<b>Underwriting Fees</b>	\$1,475,850	\$1,474,682	-\$1,168
<b>Collateral &amp; Fiscal Agent Fees</b>	\$102,192	\$148,476	\$46,284
<b>Trustee &amp; Administrator Fees</b>	\$58,147	\$77,479	\$19,333
<b>Credit Rating Agencies</b>	\$996,333	\$1,047,735	\$51,402
<b>Independent Engineer &amp; Insurance Consultant</b>	\$827,141	\$970,469	\$143,328
<b>Legal &amp; Financial Advisory</b>	\$1,859,402	\$2,344,683	\$485,280
<b>Administrative &amp; Other Related Costs</b>	\$222,485	\$1,774,618	\$1,552,133
<b>Interest During Construction (Net)</b>	\$70,264,951	\$121,063,773	\$50,798,822
<b>Bond Sinking Fund Payment</b>	\$0	\$27,565,664	\$27,565,664
<b>Total</b>	<b>\$75,806,501</b>	<b>\$156,467,579</b>	<b>\$80,661,078</b>

**NOTE:**

- Final Forecast Cost figures above are per the MF/LTA Construction Report dated November 20, 2016 the MF/LTA Funding Request dated November 21, 2016.
- Additional details on the Final Forecast Cost figures outlined above were presented to representatives of the Government of Canada and the Independent Engineer in June/July 2016, including provision of the documents titled "Lower Churchill Project Government of Canada / Independent Engineer Briefing Document" and "Lower Churchill Project (Phase 1) Financing/Enhanced Loan Guarantee Update" which have already been made available via the secure Intralinks data room.