

COST OVERRUNS CERTIFICATE

Date: December 8, 2014

THE TORONTO-DOMINION BANK

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

Gentlemen:

We refer you to the Muskrat/LTA project finance agreement dated as of November 29, 2013 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 master definitions agreement dated as of November 29, 2013 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.

I, James Meaney, the undersigned, the General Manager, Finance of Devco, and General Manager, Finance of Muskrat, in my capacity as an officer and without personal liability, do hereby certify the matters set forth in Section A below, and I, James Meaney, the undersigned, the General Manager, Finance of Devco, and General Manager, Finance of Labrador Transco, in my capacity as an officer and without personal liability, do hereby certify the matters set forth in 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;
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

1. I have conducted such investigations as I have deemed necessary to provide the information set out in this report;
2. 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;
3. 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;
4. the estimated Commissioning Date is currently June 1, 2018; and
5. 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, Newfoundland and Labrador this 8th day of December, 2014.


Name: James Meaney
Title: General Manager, Finance

SCHEDULE "A"

Part I - Muskrat Cost to Complete

The Cost to Complete for the MF Plant is \$2,529,978,856, 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	\$234,580,377	\$387,723,289	\$153,142,912
Feasibility Engineering	\$17,948,964	\$17,948,964	\$0
Environmental & Regulatory Compliance	\$17,012,094	\$25,061,595	\$8,049,501
Aboriginal Affairs	\$5,303,509	\$13,314,334	\$8,010,825
Procurement & Construction	\$842,397,098	\$2,776,794,556	\$1,934,397,458
Commercial & Legal	\$13,838,609	\$25,239,216	\$11,400,607
Contingency	\$0	\$125,906,727	\$125,906,727
Total	\$1,131,080,651	\$3,371,988,681	\$2,240,908,030

Soft Costs

Description	Incurring 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	\$73,800	\$465,539	\$391,739
Trustee & Administrator Fees	\$39,517	\$264,891	\$225,374
Credit Rating Agencies	\$3,390,448	\$4,136,107	\$745,659
Independent Engineer & Insurance Consultant	\$859,366	\$3,687,418	\$2,828,052
Legal & Financial Advisory	\$8,223,270	\$9,897,471	\$1,674,201
Administrative & Other Related Costs	\$597,831	\$1,021,048	\$423,217
Interest During Construction (Net)	\$50,491,970	\$313,153,728	\$262,661,758
Innu Payments	\$10,045,000	\$30,160,504	\$20,115,504
Total	\$80,439,197	\$369,510,022	\$289,070,825

NOTE:

1. Hard Cost figures above are per the MF/LTA Construction Report dated November 20, 2014.
2. Soft Cost figures above are per the MF/LTA Funding Request dated November 19, 2014.

SCHEDULE "A"

Part II - Labrador Transco Cost to Complete

The Cost to Complete for the LTA is \$624,360,212, 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	\$65,636,418	\$99,958,262	\$34,321,844
Feasibility Engineering	\$220,033	\$220,033	\$0
Environmental & Regulatory Compliance	\$656,772	\$667,318	\$10,546
Aboriginal Affairs	\$386	\$188,302	\$187,916
Procurement & Construction	\$200,678,819	\$687,986,129	\$487,307,310
Commercial & Legal	\$2,073,242	\$3,141,286	\$1,068,044
Contingency	\$0	\$39,783,741	\$39,783,741
Total	\$269,265,670	\$831,945,071	\$562,679,401

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	\$16,200	\$102,192	\$85,992
Trustee & Administrator Fees	\$8,671	\$58,147	\$49,476
Credit Rating Agencies	\$752,407	\$996,333	\$243,926
Independent Engineer & Insurance Consultant	\$105,000	\$827,141	\$722,141
Legal & Financial Advisory	\$1,542,013	\$1,859,402	\$317,389
Administrative & Other Related Costs	\$131,810	\$222,485	\$90,675
Interest During Construction (Net)	\$10,094,907	\$70,264,951	\$60,170,044
Total	\$14,125,690	\$75,806,501	\$61,680,811

NOTE:

1. Hard Cost figures above are per the MF/LTA Construction Report dated November 20, 2014.
2. Soft Cost figures above are per the MF/LTA Funding Request dated November 19, 2014.

SCHEDULE "B"

Part I - Muskrat Cost Overruns

The Cost Overruns for the MF Plant is \$106,711,136, 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	\$387,723,289	\$8,754,622
Feasibility Engineering	\$18,344,723	\$17,948,964	-\$395,759
Environmental & Regulatory Compliance	\$20,311,595	\$25,061,595	\$4,750,000
Aboriginal Affairs	\$13,314,334	\$13,314,334	\$0
Procurement & Construction	\$2,719,626,411	\$2,776,794,556	\$57,168,145
Commercial & Legal	\$20,456,716	\$25,239,216	\$4,782,500
Contingency	\$94,255,099	\$125,906,727	\$31,651,628
Total	\$3,265,277,545	\$3,371,988,681	\$106,711,136

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, 2014 the MF/LTA Funding Request dated November 19, 2014.
2. The explanation of cost variances compared to the MF Initial Project Budget is outlined on pages 10-12 of the attached "Muskrat Falls Project Cost Update" document presented to representatives of the Government of Canada and MWH Canada on July 22, 2014.

SCHEDULE "B"

Part II - Labrador Transco Cost Overruns

The Cost Overruns for the LTA is \$111,623,144, 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	\$99,958,262	\$23,719,768
Feasibility Engineering	\$256,102	\$220,033	-\$36,069
Environmental & Regulatory Compliance	\$709,697	\$667,318	-\$42,379
Aboriginal Affairs	\$188,302	\$188,302	\$0
Procurement & Construction	\$626,869,403	\$687,986,129	\$61,116,726
Commercial & Legal	\$2,030,054	\$3,141,286	\$1,111,232
Contingency	\$14,029,875	\$39,783,741	\$25,753,866
Total	\$720,321,927	\$831,945,071	\$111,623,144

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, 2014 the MF/LTA Funding Request dated November 19, 2014.
2. The explanation of cost variances compared to the LTA Initial Project Budget is outlined on pages 16-18 of the attached "Muskrat Falls Project Cost Update" document presented to representatives of the Government of Canada and MWH Canada on July 22, 2014.

SCHEDULE "B"

Please see attached "Muskrat Falls Project Cost Update" presentation dated July 22, 2014.