

LIL 2016 COST OVERRUNS CERTIFICATEDate: **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 Labrador - Island Link Limited Partnership (the "**Partnership**"), as borrower LIL Construction Project Trust (the "**Intermediary Trust**"), as lender, Labrador - Island Link Operating Corporation ("**Opc**") 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 amended and restated 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, Opc, as an obligor, the General Partner, as an obligor, and Computershare Trust Company of Canada, as the security trustee (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 LIL request regarding the Commissioning Date and the Date Certain dated as of August 11, 2016 executed by the Partnership 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 LIL Project Finance Agreement. Please note that all of the matters being certified below in paragraphs 2 to 4 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 the General Partner, in our respective capacity as officers and without personal liability, subject to the Ongoing Commercial Negotiations Caveat, do hereby certify that:

1. We have conducted such investigations as we have deemed necessary to provide the information set out in this report;
2. attached hereto as Schedule "A" is a true and accurate analysis of the Cost to Complete as at the date hereof;
3. attached hereto as Schedule "B" is a true and accurate analysis of the Cost Overruns as at the date hereof, with a narrative explanation as to any variances from the Initial Project Budget; and
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.

Signed at St. John's, this 13th day of December, 2016



Name: Gilbert Bennett
Title: Vice-President



Name: James Meaney
Title: General Manager, Finance

SCHEDULE "A"

The Cost to Complete for the Labrador-Island Link is **\$1,659,807,920** derived as follows:

**Summary of Cost to Complete
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)**

Hard Costs

Description	Incurring Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$204,543,889	\$306,766,897	\$102,223,008
Feasibility Engineering	\$19,469,748	\$19,469,748	\$0
Environmental & Regulatory Compliance	\$11,408,262	\$14,726,432	\$3,318,171
Aboriginal Affairs	\$612,016	\$1,752,510	\$1,140,494
Procurement & Construction	\$1,973,309,936	\$2,954,814,122	\$981,504,186
Commercial & Legal	\$14,410,342	\$21,038,942	\$6,628,600
Contingency	\$0	\$128,825,308	\$128,825,308
Total	\$2,223,754,193	\$3,447,393,959	\$1,223,639,766

Soft Costs

Description	Incurring Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
Underwriting Fees	\$7,748,523	\$7,748,523	\$0
Collateral & Fiscal Agent Fees	\$255,000	\$626,780	\$371,780
Trustee & Administrator Fees	\$191,444	\$424,744	\$233,300
Credit Rating Agencies	\$4,059,501	\$4,897,973	\$838,472
Independent Engineer & Insurance Consultant	\$1,132,102	\$3,847,257	\$2,715,154
Legal & Financial Advisory	\$11,515,474	\$12,853,576	\$1,338,103
Administrative & Other Related Costs	\$797,989	\$6,971,724	\$6,173,735
Interest During Construction (Net)	\$196,583,381	\$524,414,323	\$327,830,942
Bond Sinking Fund Payment	\$0	\$96,666,667	\$96,666,667
Total	\$222,283,414	\$658,451,567	\$436,168,154

NOTE:

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

SCHEDULE "B"

The Cost Overruns for the Labrador-Island Link is **\$1,199,631,857**, derived as follows:

**Summary of Cost Overruns
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)**

Hard Costs

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost Overruns
NE-LCP Owners Team, Admin and EPCM Services	\$247,074,444	\$306,766,897	\$59,692,453
Feasibility Engineering	\$34,012,162	\$19,469,748	-\$14,542,414
Environmental & Regulatory Compliance	\$25,767,534	\$14,726,432	-\$11,041,102
Aboriginal Affairs	\$2,244,469	\$1,752,510	-\$491,959
Procurement & Construction	\$2,135,211,562	\$2,954,814,122	\$819,602,560
Commercial & Legal	\$22,490,079	\$21,038,942	-\$1,451,137
Contingency	\$79,354,854	\$128,825,308	\$49,470,454
Total	\$2,546,155,104	\$3,447,393,959	\$901,238,855

Soft Costs

Description	Initial Project Budget	Final Forecast Cost (FFC)	Cost Overruns
Underwriting Fees	\$7,755,000	\$7,748,523	-\$6,477
Collateral & Fiscal Agent Fees	\$536,190	\$626,780	\$90,590
Trustee & Administrator Fees	\$352,048	\$424,744	\$72,696
Credit Rating Agencies	\$4,757,490	\$4,897,973	\$140,484
Independent Engineer & Insurance Consultant	\$4,167,285	\$3,847,257	-\$320,028
Legal & Financial Advisory	\$11,824,831	\$12,853,576	\$1,028,745
Administrative & Other Related Costs	\$1,094,905	\$6,971,724	\$5,876,819
Interest During Construction (Net)	\$329,570,817	\$524,414,323	\$194,843,506
Bond Sinking Fund Payment	\$0	\$96,666,667	\$96,666,667
Total	\$360,058,566	\$658,451,567	\$298,393,001

NOTE:

1. Final Forecast Cost figures above are per the LIL Construction Report dated November 20, 2016 the LIL Funding Request dated November 21, 2016.
2. 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.