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[\(xmartis@fasken.com\)](mailto:(xmartis@fasken.com)); [Meghan Felt](mailto:Meghan_Felt); [Jennifer Grandy](mailto:Jennifer_Grandy); [Tanya Power](mailto:Tanya_Power); [Karen O'Neill](mailto:Karen_O'Neill)
Subject: MFLTA and LIL Construction Reports June 20 2016
Date: Monday, June 20, 2016 3:43:02 PM
Attachments: [.png](#)
[.png](#)
[LIL Construction Report 20 June 2016.pdf](#)
[MFLTA Construction Report 20 June 2016.pdf](#)

Hi Folks

In accordance with the MF/LTA and LIL Project Finance Agreements, please find attached the respective Construction Reports dated 20 June 2016.

Regards

Jim



LIL Construction Report 20 June 2016.pdf



MFLTA Construction Report 20 June 2016.pdf

James Meaney

General Manager, Finance

PROJECT DELIVERY TEAM

Lower Churchill Project

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You owe it to yourself, and your family, to make it home safely every day. What have you done today so that nobody gets hurt?

CONSTRUCTION REPORT
LIL Project Finance Agreement

Date: 20-June-2016

THE TORONTO-DOMINION BANK
 AS COLLATERAL AGENT
 66 Wellington Street West
 9th Floor
 Toronto, Ontario M5K 1A2

MWH CANADA INC.
 AS INDEPENDENT ENGINEER
 Suite 740, 1185 W. Georgia Street
 Vancouver, BC V6E 4E6

Ladies and 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**").

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 7.3.2 and Section 11.3 of the LIL Project Finance Agreement in respect of the month ending on 31-May-2016 (the "**Applicable Month**").

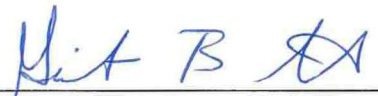
I, Gilbert Bennett, the undersigned, Vice-President of Devco, and as Vice-President of the General Partner, in my capacity as an officer and without personal liability, do hereby certify that:

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 Project;

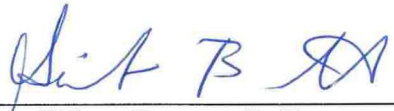
2. Attached hereto as Schedule "A" is a true and accurate table detailing the Hard Costs incurred during the Applicable Month and compared as against the original Project Budget;
3. Attached hereto as Schedule "B" is a true and accurate analysis of the Cost to Complete, as it relates to Hard Costs, as at the end of the Applicable Month;
4. Attached hereto as Schedule "C" is a true and accurate analysis of the Cost Variances, as they relate to Hard Costs, as at the end of the Applicable Month, with a narrative explanation as to any variances from the original Project Budget;
5. The planned Commissioning Date of 01-June-2018 is currently under review. Please refer to Schedule "D" hereto for details.
6. There are no material disputes with any Material Project Participant or related claims against the Partnership, other than as set out in Schedule "E" hereto;
7. Attached hereto as Schedule "F" is a true and accurate report describing the progress of the construction of the Project since the Previous Construction Report and compared as against the originally established milestone in the Project Schedule;
8. The Project is being built substantially in all respects in accordance with the Project Plans and Good Utility Practice;
9. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, I have no reason to believe that the Project is being built in violation of any Applicable Laws or Authorizations in effect at the time of performance of the relevant work;
10. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, all Material Project Participants and other Persons participating or working toward the Commissioning of the Project, 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 the Partnership 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 the Partnership 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 LIL Assets and Rights now owned or hereafter acquired by the Partnership, except for Permitted Encumbrances;
11. Subject to Sections 9.5 and 9.14 of the LIL Project Finance Agreement, all Authorizations which, under Applicable Law, as at the date hereof, are necessary to have been obtained in connection with the Project and the work currently being performed on the Project, 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 Partnership of attaining Commissioning by the Date Certain; and

12. Attached hereto as Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by the Partnership since the Previous Construction Report.

Signed at St. John's, Newfoundland and Labrador, this 20th day of June, 2016.



Name: Gilbert Bennett, P. Eng.
Title: Vice-President of the General Partner



Name: Gilbert Bennett, P. Eng.
Title: Vice-President of Devco

SCHEDULE "A"

**Schedule "A" - Summary of Project Budget - Hard Costs
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)
Period Ending 31-May-2016**

Description	Initial Project Budget	Project Budget	Planned Costs		Incurred Costs	
			Current Period	Project-to-Date	Current Period	Project-to-Date
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$221,293	\$5,047	\$186,333	\$4,404	\$187,169
Feasibility Engineering	\$34,012	\$21,252	\$0	\$21,252	\$0	\$21,252
Environmental & Regulatory Compliance	\$25,768	\$14,446	\$283	\$12,463	\$124	\$10,431
Aboriginal Affairs	\$2,244	\$2,684	\$77	\$1,224	\$0	\$612
Procurement & Construction	\$2,135,212	\$2,717,326	\$110,592	\$1,893,112	\$70,840	\$1,440,523
Commercial & Legal	\$22,490	\$16,490	\$81	\$13,985	\$86	\$13,878
Contingency	\$79,355	\$95,887	\$4,794	\$45,234	\$0	\$0
Total	\$2,546,155	\$3,089,378	\$120,875	\$2,173,602	\$75,454	\$1,673,865

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

Incurred Costs for the Current Period and Project-to-Date are lower than Project Budget baseline, primarily as a result of lower than expected activity in engineering, procurement and execution of civil works for the synchronous condensers under CD0534 within the category of “Procurement & Construction”; procurement and construction of the Muskrat Falls and Soldier’s Pond Converter Stations and Soldier’s Pond switchyard under CD0501/0502; Construction of the HVdc Transmission Line under Contract CT0327; as well as delays in the award of additional civil works packages and pending change requests related to the Converters in an effort to reach an agreeable settlement.

Incurred Costs for the Current Period are lower than Project Budget baseline under the category of “Owners Team, Admin and EPCM Services”; however, remain higher than planned Project-to-Date.

Incurred Costs for the Current Period and Project-to-Date are lower than Project Budget baseline under the categories of “Environmental & Regulatory Compliance”, and “Aboriginal Affairs”.

Incurred Costs for the Current Period are higher than Project Budget baseline under the category of “Commercial & Legal”; however, remain lower than planned Project-to-Date.

The incurring of the Contingency is reflected within the incurred and future incurred costs in the above categories as and where the work is performed.

SCHEDULE "B"

**Schedule "B" - Summary of Cost to Complete
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)
Period Ending 31-May-2016**

Description	Initial Project Budget	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$221,293	\$187,169	\$229,014	\$41,846
Feasibility Engineering	\$34,012	\$21,252	\$21,252	\$21,252	\$0
Environmental & Regulatory Compliance	\$25,768	\$14,446	\$10,431	\$14,446	\$4,015
Aboriginal Affairs	\$2,244	\$2,684	\$612	\$2,684	\$2,072
Procurement & Construction	\$2,135,212	\$2,717,326	\$1,440,523	\$2,798,055	\$1,357,531
Commercial & Legal	\$22,490	\$16,490	\$13,878	\$16,490	\$2,612
Contingency	\$79,355	\$95,887	\$0	\$7,437	\$7,437
Total	\$2,546,155	\$3,089,378	\$1,673,865	\$3,089,378	\$1,415,513

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Cost to Complete for “Owners Team, Admin and EPCM Services” has decreased from last month due to the incurred costs this period, notwithstanding the increase in Final Forecast Cost for this category.

The Cost to Complete for “Feasibility Engineering” and “Aboriginal Affairs” remains unchanged from the last reporting period.

The Cost to Complete for “Procurement & Construction” has decreased from last month due to the incurred costs this period, notwithstanding the increase in Final Forecast Cost for this category, and continues to remain significant as construction activities for work in progress are ongoing.

The Cost to Complete for “Contingency” has decreased from last month as a result of the decrease in Final Forecast Cost for this category.

The Cost to Complete for all other categories has decreased from last month by the incurred cost this period, as the Final Forecast Cost remains unchanged from the last reporting period.

SCHEDULE "C"

**Schedule "C" - Summary of Cost Variances
Lower Churchill Project-Phase 1
Labrador-Island Transmission Link (LIL)
Period Ending 31-May-2016**

Description	Initial Project Budget	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$247,074	\$221,293	\$229,014	\$7,722
Feasibility Engineering	\$34,012	\$21,252	\$21,252	\$0
Environmental & Regulatory Compliance	\$25,768	\$14,446	\$14,446	\$0
Aboriginal Affairs	\$2,244	\$2,684	\$2,684	\$0
Procurement & Construction	\$2,135,212	\$2,717,326	\$2,798,055	\$80,728
Commercial & Legal	\$22,490	\$16,490	\$16,490	\$0
Contingency	\$79,355	\$95,887	\$7,437	-\$88,450
Total	\$2,546,155	\$3,089,378	\$3,089,378	\$0

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Final Forecast Cost for “Owners Team, Admin and EPCM Services” has increased during the current reporting period by \$415 primarily as a result of the transfer of costs from “Procurement & Construction” for accommodations associated with CT0327-001 for the HVdc Transmission Line through use of third party hotels in lieu of Contractor’s Camp. As a result of this, the variance has increased from \$7,307 as reported last period.

The Final Forecast Cost for “Procurement & Construction” has increased during the current reporting period by \$42,416 as a result of the transfer of costs as noted above, however, mainly as a result of the facilitation to establish permanent access into the Long Range Mountains, along with facilitation of an all-season access road in the final interior section of Labrador given construction activities could not be concluded prior to spring break-up. These investments are considered risk mitigation tactics to reduce construction duration exposure due to the unpredictable and remote nature of both sections; and through extensive planning and design, Devco have been able to reduce the overall forecasted capital required to implement these risk mitigation measures. The overall increase is offset by a decrease in cost associated with camp usage under SH0018 for the Provision of Catering, Housekeeping & Janitorial Services. As a result of the above, the net variance in this category has increased from \$38,312 as reported last period.

The Final Forecast Cost for “Contingency” has decreased by a net amount of \$42,831 as a result of the changes described above.

The Final Forecast Costs for all other categories remain unchanged from the last reporting period, and there is no change to the overall Final Forecast Cost for LIL.

SCHEDULE "D"

Due to the schedule review under Muskrat Falls, the Commissioning Date of 01-June-2018 set forth in the LIL Project Schedule is under review; however it is anticipated not to extend past the Date Certain.

SCHEDULE "E"

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

SCHEDULE "F"

Milestone Description	Planned ⁽¹⁾	Actual/Forecast ⁽²⁾	Status
Project Sanction	17-Dec-2012	17-Dec-2012	Achieved
SOBI Cable Systems Ready	25-Oct-2016	25-Oct-2016	
Muskrat Falls Switchyard and Converter Station Ready for Operation	28-Feb-2017	22-Sept-2017	Ongoing mitigations being sought with Contractor to reduce risk of 60-90 day reported delay beyond the forecast date
HVdc Transmission Line Construction Complete and Connected	30-Jun-2017	03-July-2017	Ongoing mitigations being sought with Contractor to reduce risk of 90 - 120 day reported delay beyond the forecast date
Soldier's Pond Switchyard and Converter Station Ready for Operation	04-Oct-2017	22-Sept-2017	Ongoing mitigations being sought with Contractor to reduce risk of 60-90 day reported delay beyond the forecast date

Ready for Power Transmission	04-Oct-2017	21-Nov-2017	Ongoing mitigations being sought with Contractor to reduce risk of 60-90 day reported delay beyond the forecast date
Soldier's Pond Synchronous Condenser Ready for Operation	13-Nov-2017	31-July-2017	
Commissioning Complete - Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	Under Review (as a result of noted MF schedule review)
Date Certain	28-Feb-2019	28-Feb-2019	Under Review (as a result of noted MF schedule review)

- (1) Reflects Project Schedule associated with the Project Budget established in September 2015.
- (2) Reflects latest published forecast with any potential schedule risk beyond this outlined in the Status update.

Construction Narrative:

Installation of the submarine cable pull-in winch and equipment has been completed at Forteau Point; and preparations are ongoing for cable installation scheduled to commence in July. Armour clamp concrete formwork and rebar setup is complete at Forteau Point and ongoing at Shoal Cove. Concrete foundations for the spare cables storage turntable is substantially complete, with fabrication of the turntable ongoing. Nexans installation vessel, Skagerrak, is currently being loaded with cable in preparation for voyage to Newfoundland.

ROW clearing and access development is ongoing under the various CT0327 clearing and access contracts. By the end of May, approximately 2,616 hectares had been cleared to date in Newfoundland representing 63% of the clearing required on the Island, with 100% of the required clearing for Labrador fully completed in February. All clearing and access works is on target for completion by the end of 2016.

As previously reported, the final delivery of HVdc transmission line towers arrived from Texas, Dubai and India, and receiving, storage and handling activities at both the Port of Argentia marshalling yard and the Labrador marshalling yard to support HVdc construction is ongoing.

Devco continues to work with the CT0327-001 Contractor to increase overall production in both Labrador and on the Island.

By the end of May, activity had commenced on Workfront 3 (Long Range Mountains to Soldier’s Pond), and quantities produced for Work Fronts 1 (Labrador), 2 (Shoal Cove through Long Range Mountains), and 3 on the HVdc Transmission Line were as follows:

Work Front 1:

Commodity	Budget Total QTY	Planned to Date	Installed to Date	Variance	% Complete	SPI
Anchor Installation	1151	1151	671	(480)	58.30%	0.58
Anchor Testing	1151	1151	628	(523)	54.56%	0.55
Foundation Installation	1288	1285	818	(466)	63.51%	0.64
Tower Assembly	1288	1285	980	(305)	76.09%	0.76
Tower Erections	1288	1285	683	(602)	53.03%	0.53
Conductor Stringing	396,205	396,205	118,465	(277,740)	29.90%	0.30

Work Front 2:

Commodity	Budget Total QTY	Planned to Date	Installed to Date	Variance	% Complete	SPI
Anchor Installation	547	382	28	(354)	5.12%	0.07
Anchor Testing	547	361	5	(356)	0.91%	0.01
Foundation Installation	684	448	109	(339)	15.94%	0.24
Tower Assembly	684	348	104	(244)	15.20%	0.30
Tower Erections	684	191	42	(149)	6.14%	0.22
Conductor Stringing	226,593	0	0	0	0.00%	0.00

Work Front 3:

Commodity	Budget Total QTY	Planned to Date	Installed to Date	Variance	% Complete	SPI
Anchor Installation	1,085	605	0	(605)	0.00%	00.0
Anchor Testing	1,085	595	0	(595)	0.00%	0.00
Foundation Installation	1,257	679	14	(665)	1.11%	0.02
Tower Assembly	1,257	520	0	(520)	0.00%	0.00
Tower Erections	684	218	0	(218)	0.00%	0.00
Conductor Stringing	469,397	29,288	0	(29,288)	0.00%	0.00

Stringing of the HVdc conductor was put on hold this period due to a technical issue that has been identified. Devco is working with the cable supplier to determine the root cause and a methodology to resolve the issue.

Work is continuing on the preparation of management, technical, and commercial deliverables under contracts CD0501 for the Supply and Installation of Converters and Cable Transition

Compounds, CD0502 for Construction of AC Substations and CD0534 for EPC Synchronous Condensers at Soldiers Pond. Civil works activity for the Soldier's Pond Switchyard and Converter Stations at Soldier's Pond and Muskrat Falls continued during the period. Excavation, backfill, and placement of the control building drainage pipe at Soldier's Pond was completed, along with pouring of the circuit breaker control boxes, and the arrival of steel structures at site. At the converter transformer area in Soldier's Pond, floor slabs and sheeting have been completed in the valve halls; with completion of floor slabs and ongoing sheeting at the control building, and transformer pads now ready to accept the transformer units. At Muskrat Falls, work is ongoing and progressing with the floor slabs inside the valve halls and control building. Offsite, fabrication of the converter transformers continues; FAT's have been completed for two of the transformers for Muskrat Falls, and one for Soldier's Pond. Civil works at the Transition Compound site is ongoing at both Shoal Cove and at Forteau Point, with placement of pre-cast and pouring of cast-in-place in progress.

Civil works activity under CD0534 progressed at the Soldier's Pond site. Roofing, foundations, oil spill containment and transformer assembly are in progress, as well as installation of grounding connections. Electrical work has commenced; and offsite activities are continuing.

As outlined in the Milestone table above, completion of the Long Range Mountains portion of Segment 3 construction of the HVdc Transmission Line is indicating a risk of delay, thus impacting overall completion of the Line. Contractor recovery plans and mitigations are under review by Devco.

In addition, the Muskrat Falls and Soldier's Pond Converter Stations schedule indicates a risk of a 60-90 day delay and potential impact to the Ready for Power Transmission milestone date. Review and validation of the EPC Contractor's schedules is continuing, and Company is working with the Contractor to implement mitigation measures to this risk.

SCHEDULE "G"

There were no Additional Material Project Documents entered into since the Previous Construction Report.

CONSTRUCTION REPORT
Muskrat/LTA Project Finance Agreement

Date: 20-June-2016

THE TORONTO-DOMINION BANK
AS COLLATERAL AGENT
66 Wellington Street West
9th Floor
Toronto, Ontario M5K 1A2

MWH CANADA INC.
AS INDEPENDENT ENGINEER
Suite 740, 1185 W. Georgia Street
Vancouver, BC V6E 4E6

Ladies and 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 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 31-May-2016 (the "**Applicable Month**").

I, Gilbert Bennett, the undersigned, the Vice-President of Devco, and Vice-President 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, Gilbert Bennett, the undersigned, the Vice-President of Devco, and Vice-President 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 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 during the Applicable Month with respect to the MF Plant by and compared as against the 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 it relates to Hard Costs, 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 they relate to Hard Costs, as at the end of the Applicable Month, with a narrative explanation as to any variances from the MF Project Budget.
5. The planned Commissioning Date of 01-June-2018 is currently under review. Please refer to Part I of Schedule "D" hereto for details.
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 Previous Construction Report and compared as against the established milestones in the MF Project Schedule.
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, as at the date hereof 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.

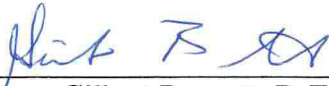
12. Attached hereto as Part I of Schedule "G" is a true and complete copy of each of the Additional Material Project Documents entered into by Muskrat since the Previous Construction Report.

B. LABRADOR TRANSCO MATTERS

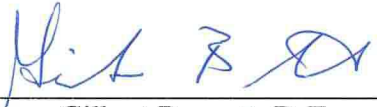
13. I have conducted such investigations as I have deemed necessary to provide the information set out in this report and in so doing I have verified all engineering related matters with a licensed professional engineer working on our behalf in respect of the LTA.
14. Attached hereto as Part II of Schedule "A" is a true and accurate table detailing the Hard Costs incurred during the Applicable Month with respect to the LTA and compared as against the LTA Project Budget.
15. Attached hereto as Part II of Schedule "B" is a true and accurate analysis of the Cost to Complete for the LTA, as it relates to Hard Costs, 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 they related to Hard Costs, as at the end of the Applicable Month, with a narrative explanation as to any variances from the LTA Project Budget.
17. The planned Commissioning Date of 01-June-2018 is currently under review. Please refer to Part II of Schedule "D" hereto for details.
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 Previous Construction Report and compared as against the established milestones in the LTA Project Schedule.
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, as at the date hereof 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 Previous Construction Report.


Signed at St. John's, Newfoundland and Labrador, this 20th day of June, 2016.



 Name: Gilbert Bennett, P. Eng.
 Title: Vice-President of Muskrat Falls Corporation



 Name: Gilbert Bennett, P. Eng.
 Title: Vice-President of Labrador Transmission Corporation



 Name: Gilbert Bennett, P. Eng.
 Title: Vice-President of Devco

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 31-May-2016

Description	Initial Project Budget	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	\$408,723	\$6,142	\$334,132	\$4,903	\$323,477
Feasibility Engineering	\$18,345	\$17,949	\$0	\$17,949	\$0	\$17,949
Environmental & Regulatory Compliance	\$20,312	\$25,825	\$301	\$19,463	\$62	\$19,065
Aboriginal Affairs	\$13,314	\$13,314	\$54	\$8,303	\$0	\$7,925
Procurement & Construction	\$2,719,626	\$3,121,813	\$84,745	\$2,023,587	\$89,591	\$1,943,989
Commercial & Legal	\$20,457	\$25,239	\$244	\$17,678	\$129	\$15,900
Contingency	\$94,255	\$73,102	\$3,430	\$30,975	\$0	\$0
Total	\$3,265,278	\$3,685,966	\$94,917	\$2,452,087	\$94,685	\$2,328,306

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

Incurred Costs for the Current Period and Project-to-Date are lower than Project Budget baseline primarily due to a reschedule of the award of Contract CH0031 for Supply and Install Mechanical & Electrical Auxiliaries, as well as a delay in civil works impacting the CH0030 Contract for Turbines and Generators; this is offset however, by an increase in labour on Contract CH0007 for Construction of the Intake, Powerhouse, Spillway and Transition Dams in order to recover from the non-execution of planned winter works scope; recovery of delays previously held on Contract CH0032 for Supply and Install Powerhouse Hydro-Mechanical Equipment; and a change in execution strategy for CH0009-Construction of North and South Dams from the September 2015 planned strategy. The increases described above contribute to Current Period Incurred Costs being higher than Project Budget baseline under the category of "Procurement & Construction".

Incurred Costs for the Current Period and Project-to-Date are lower than Project Budget baseline for all other categories outlined above.

The incurring of the Contingency is reflected within the incurred and future incurred costs in the above categories as and where the work is performed.

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 31-May-2016**

Description	Initial Project Budget	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	\$144,958	\$2,519	\$112,867	\$1,911	\$101,689
Feasibility Engineering	\$256	\$220	\$0	\$220	\$0	\$220
Environmental & Regulatory Compliance	\$710	\$811	\$0	\$811	\$0	\$811
Aboriginal Affairs	\$188	\$188	\$5	\$55	\$0	\$0
Procurement & Construction	\$626,869	\$709,643	\$18,616	\$632,501	\$11,883	\$559,847
Commercial & Legal	\$2,030	\$3,891	\$84	\$3,115	\$15	\$2,355
Contingency	\$14,030	\$17,846	\$748	\$6,729	\$0	\$0
Total	\$720,322	\$877,557	\$21,972	\$756,296	\$13,809	\$664,923

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

Incurred Costs for the Current Period and Project-to-Date are lower than Project Budget baseline primarily due to progress slippage in procurement and construction of the Muskrat Falls and Churchill Falls Switchyards under CD0502, as well as delays in the award of additional civil works packages.

Incurred Costs for the Current Period and Project-to-Date are lower than Project Budget baseline under the categories of “Owners Team, Admin and EPCM Services”, “Aboriginal Affairs”, and “Commercial & Legal”.

Incurred Costs for the Current Period and Project-to-Date for “Environmental & Regulatory Compliance” remain unchanged from the last reporting period.

The incurring of the Contingency is reflected within the incurred and future incurred costs in the above categories as and where the work is performed.

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 31-May-2016

Description	Initial Project Budget	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$408,723	\$323,477	\$410,037	\$86,560
Feasibility Engineering	\$18,345	\$17,949	\$17,949	\$17,949	\$0
Environmental & Regulatory Compliance	\$20,312	\$25,825	\$19,065	\$25,825	\$6,760
Aboriginal Affairs	\$13,314	\$13,314	\$7,925	\$13,314	\$5,389
Procurement & Construction	\$2,719,626	\$3,121,813	\$1,943,989	\$3,110,291	\$1,166,302
Commercial & Legal	\$20,457	\$25,239	\$15,900	\$30,239	\$14,339
Contingency	\$94,255	\$73,102	\$0	\$78,311	\$78,311
Total	\$3,265,278	\$3,685,966	\$2,328,306	\$3,685,966	\$1,357,660

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Note 5: As a result of the ongoing commercial negotiations between Nalcor and the CH0007 Contractor including potential impact on cost and schedule, the Final Forecast Cost/Cost to complete is subject to change and will be updated when the commercial negotiations are concluded

Analysis:

The Cost to Complete for “Owners Team, Admin and EPCM Services” has decreased from last month as a result of the decrease in Final Forecast Cost for this category.

The Cost to Complete for “Feasibility Engineering”, and “Aboriginal Affairs” remains unchanged from the last reporting period.

The Cost to Complete for “Procurement & Construction” has decreased from last month due to the incurred costs this period, notwithstanding the increase in Final Forecast Cost for this category, and continues to remain significant as construction activities for work in progress are ongoing, and the remaining major construction contract for MF (CH0031) is pending award.

The Cost to Complete for “Contingency” has decreased as a result of the decrease in Final Forecast Cost for this category.

The Cost to Complete for all other categories has decreased from last month by the incurred cost this period, as the Final Forecast Cost remains unchanged from the last reporting period.

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 31-May-2016**

Description	Initial Project Budget	Project Budget	Incurred Costs Project-to-Date	Final Forecast Cost (FFC)	Cost to Complete
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$144,958	\$101,689	\$156,403	\$54,714
Feasibility Engineering	\$256	\$220	\$220	\$220	\$0
Environmental & Regulatory Compliance	\$710	\$811	\$811	\$811	\$0
Aboriginal Affairs	\$188	\$188	\$0	\$188	\$188
Procurement & Construction	\$626,869	\$709,643	\$559,847	\$690,333	\$130,486
Commercial & Legal	\$2,030	\$3,891	\$2,355	\$3,891	\$1,536
Contingency	\$14,030	\$17,846	\$0	\$25,711	\$25,711
Total	\$720,322	\$877,557	\$664,923	\$877,557	\$212,635

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Cost to Complete for “Owners Team, Admin and EPCM Services” has decreased from last month, notwithstanding the increase in Final Forecast Cost for this category.

The Cost to Complete for “Feasibility Engineering”, “Environmental & Regulatory Compliance”, and “Aboriginal Affairs” remains unchanged from the last reporting period.

The Cost to Complete for “Procurement & Construction” has decreased from last month due to the incurred costs this period, as well as the decrease in Final Forecast Cost for this category, and continues to remain significant as construction activities for work in progress are ongoing.

The Cost to Complete for “Contingency” has decreased as a result of the decrease in Final Forecast Cost for this category.

The Cost to Complete for the remaining category has decreased from last month by the incurred cost this period, as the Final Forecast Cost remains unchanged from the last reporting period.

SCHEDULE "C"**Part I - Muskrat Cost Variances**

**Schedule "C" - Summary of Cost Variances
Lower Churchill Project-Phase 1
Muskrat Falls Generation
Period Ending 31-May-2016**

Description	Initial Project Budget	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$378,969	\$408,723	\$410,037	\$1,313
Feasibility Engineering	\$18,345	\$17,949	\$17,949	\$0
Environmental & Regulatory Compliance	\$20,312	\$25,825	\$25,825	\$0
Aboriginal Affairs	\$13,314	\$13,314	\$13,314	\$0
Procurement & Construction	\$2,719,626	\$3,121,813	\$3,110,291	-\$11,521
Commercial & Legal	\$20,457	\$25,239	\$30,239	\$5,000
Contingency	\$94,255	\$73,102	\$78,311	\$5,208
Total	\$3,265,278	\$3,685,966	\$3,685,966	\$0

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Note 5: As a result of the ongoing commercial negotiations between Nalcor and the CH0007 Contractor including potential impact on cost and schedule, the Final Forecast Cost/Cost to complete is subject to change and will be updated when the commercial negotiations are concluded

Analysis:

The Final Forecast Cost for "Owners Team, Admin and EPCM Services" has decreased during the current reporting period by \$500 primarily as a result of the transfer of costs to "Procurement & Construction" for third party engineering services at Muskrat Falls carried out under Contract SH0069. As a result of this, the variance has decreased from \$1,813 as reported last period.

The Final Forecast Cost for "Procurement and Construction" has increased during the current reporting period by \$1,741 primarily as a result of the transfer of costs as noted above, increases associated with the supply and installation of camp bedding, as well as camp usage costs under respective Contracts SH0051 for Provision of Buildings Maintenance Services and SH0018 for the Provision of Catering, Housekeeping & Janitorial Services; and storage of the powerhouse cranes under Contract CH0033; offset by savings associated with the circular passage liner under CH0007 for Construction of the Intake, Powerhouse, Spillway and Transition Dams, and a decrease in cost associated with the supply and delivery of concrete purchased from the CH0007 Contractor and sold to CT0319 Contractor to correct a prior period error. As a result of the above, the variance has increased from (\$13,262) as reported last period.

The Final Forecast Cost for "Contingency" has decreased by a net amount of \$1,241 as a result of the changes described above.

The Final Forecast Costs for all other categories remain unchanged from the last reporting period, and there is no change to the overall Final Forecast Cost for Muskrat Falls Generation.

Part II - Labrador Transco Cost Variances

**Schedule "C" - Summary of Cost Variances
Lower Churchill Project-Phase 1
Labrador Transmission Asset (LTA)
Period Ending 31-May-2016**

Description	Initial Project Budget	Project Budget	Final Forecast Cost (FFC)	Variance
NE-LCP Owners Team, Admin and EPCM Services	\$76,238	\$144,958	\$156,403	\$11,445
Feasibility Engineering	\$256	\$220	\$220	\$0
Environmental & Regulatory Compliance	\$710	\$811	\$811	\$0
Aboriginal Affairs	\$188	\$188	\$188	\$0
Procurement & Construction	\$626,869	\$709,643	\$690,333	-\$19,310
Commercial & Legal	\$2,030	\$3,891	\$3,891	\$0
Contingency	\$14,030	\$17,846	\$25,711	\$7,866
Total	\$720,322	\$877,557	\$877,557	\$0

Note 1: Costs in CAD (\$ Thousands)

Note 2: Initial Project Budget represents baseline set at Financial Close in November 2013

Note 3: Project Budget represents Authorization for Expenditure (AFE) approved by the Board of Directors in September 2015

Note 4: Analysis and statements made with regard to variances are reflective of Project Budget, not Initial Project Budget

Analysis:

The Final Forecast Cost for “Owners Team, Admin and EPCM Services” has increased during the current reporting period by \$993 primarily as a result of the transfer of costs from “Procurement & Construction” for camp usage services at Churchill Falls from Contract CT0319 for Construction of the HVac Transmission Line. As a result of this, the variance has increased from \$10,451 as reported last period.

The Final Forecast Cost for “Procurement & Construction” has decreased during the current reporting period by \$952 mainly as a result of the transfer of costs as noted above, offset by an increase in cost associated with supply and delivery of concrete purchased from the Muskrat Falls CH0007 Contractor and sold to CT0319 Contractor as outlined under Schedule “C” for MF. As a result of the above, the variance has decreased from (\$18,358) as reported last period.

The Final Forecast Cost for “Contingency” has decreased by a net amount of \$41 as a result of the changes described above.

The Final Forecast Costs for all other categories remain unchanged from the last reporting period, and there is no change to the overall Final Forecast Cost for LTA.

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

The planned Commissioning Date of 01-June-2018 set forth in the MF Project Schedule is under review; however it is anticipated not to extend past the Date Certain.

Part II - Labrador Transco Estimated Commissioning Date

Due to the schedule review under Muskrat Falls, the Commissioning Date of 01-June-2018 set forth in the LTA Project Schedule is under review; however it is anticipated not to extend past the Date Certain.

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

As part of ongoing commercial discussions between Devco and the CH0007 Contractor with respect to the cost to complete the work scope, the CH0007 Contractor has submitted its justification for the incremental cost it seeks to recover from Muskrat.

Near period end, the CH0032, Supply and Install Powerhouse & Spillway Hydro-Mechanical Equipment, Contractor submitted a formal statement of claim with the Newfoundland and Labrador Provincial Court to recover costs associated with the schedule delay of their scope. The CH0032 Contractor also submitted an injunction against Devco's ability to collect on the Letter of Credit.

Part II - Labrador Transco Material Disputes

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

SCHEDULE "F"

Part I - MF Plant Construction Progress

Milestone Description	Planned ⁽¹⁾	Actual/Forecast ₍₂₎	Status
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
North Spur Works Ready for Diversion	30-Nov-2015	28-Sep-2016	
River Diversion Complete (to 25m)	09-Nov-2016	09-Nov-2016	
Reservoir Impoundment Complete (to 39m)	19-Nov-2017	19-Nov-2017	Under Review
Powerhouse Unit 1 Commissioned - Ready for Operation	30-Dec-2017	30-Dec-2017	Under Review
First Power from Muskrat Falls	30-Dec-2017	30-Dec-2017	Under Review
Powerhouse Unit 2 Commissioned - Ready for Operation	18-Feb-2018	18-Feb-2018	Under Review
Powerhouse Unit 3 Commissioned - Ready for Operation	12-April-2018	12-April-2018	Under Review
Powerhouse Unit 4 Commissioned - Ready for Operation	22-May-2018	22-May-2018	Under Review
Full Power from Muskrat Falls	22-May-2018	22-May-2018	Under Review

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

- (1) Reflects Project Schedule associated with the Project Budget established in September 2015.
- (2) Reflects latest published forecast with any potential schedule risk beyond this outlined in the Status update.

Construction Narrative:

During the period, the CH0007 contractor responsible for the Intake, Powerhouse, Spillway, and Transition Dams made progress in the following areas:

- Concrete pour and placement activities continued during the period, along with formwork and rebar placement.
- Concrete placement for the spillway discharge liner commenced, and excavation continued.

Overall, Devco, and the Contractor for CH0007, continue to collaborate in the implementation of organizational and production changes at the construction management level. Development and review of the Muskrat Falls Generation work plan is ongoing, and implementation of an updated schedule will remain on hold pending acceptance of agreed actions and mitigations plan. Significant work is being undertaken to resolve issues with the Contractor.

An incident occurred during the period at the Muskrat Falls Site involving formwork collapse in the Powerhouse; there were no serious injuries. Joint investigations are being carried out by Devco, and the CH0007 Contractor.

Manufacturing of the Turbines and Generators under CH0030 is proceeding and is at 79% complete. The first draft tube liner embedment anchors were installed in Unit No. 1 during the period, and the last shipment of components from China has embarked from the Tianbao manufacturing facility en route for Shanghai.

Manufacturing of the primary anchor materials for the intake, powerhouse and spillway is continuing under contract CH0032 for the Supply and Installation of Hydro-Mechanical Equipment. During the period, the first section of the first spillway gate was installed, which is significant for activities associated with river diversion. Hoist tower erection commenced, and second stage concrete upstream has now been completed, with second stage concrete activities downstream ongoing.

Construction activities under CH0024 for Construction of Reservoir Clearing – North and South Banks continued during the period, including commencement of work on the south side of the river.

Excavation of the South Dam continued under CH0009 for Construction of North and South Dams during the period. Launch of the temporary bridge commenced, batch plant and crusher erection activities continued, along with commencement of construction of the by-pass road, the partial removal of cofferdams 2 and 3, and delivery/stockpile of impervious fills for river closure and the South Dam.

Construction activities recommenced during the period at the North Spur under CH0008 for Construction of North Spur Stabilization Works. Excavation downstream has commenced, along with embankment construction in both the upstream and downstream areas.

There is continued schedule pressure with the CH0032 contractor with respect to the target dates for River Ready for Diversion and there has been some minimal progress slippage. Recovery and mitigation plans are ongoing with the CH0032 and CH0009 Contractors, however despite this slippage the river diversion schedule is not considered to be at significant risk. The schedule for stabilization works was previously updated, and is not critical for the planned Winter Headpond (elev. 25 m) milestone date.

Part II - LTA Construction Progress

Milestone Description	Planned ⁽¹⁾	Actual/Forecast ⁽²⁾	Status
Project Sanction	17-Dec-2012	17-Dec-2012	Actual
HVac Transmission Line Construction Complete	08-Jun-2016	28-Sept-2016	
Churchill Falls Switchyard Ready to Energize	31-May-2017	11-June-2017	
Muskrat Falls Switchyard Ready to Energize	31-May-2017	22-July-2017	
Ready for Power Transmission	31-May-2017	23-July-2017	
Commissioning Complete- Commissioning Certificate Issued	01-Jun-2018	01-Jun-2018	Under Review (as a result of noted MF schedule review)
Date Certain	28-Feb-2019	28-Feb-2019	Under Review (as a result of noted MF schedule review)

(1) Reflects Project Schedule associated with the Project Budget established in September 2015.

(2) Reflects latest published forecast with any potential schedule risk beyond this outlined in the Status update.

Construction Narrative:

Work is continuing on the preparation of management, technical, and commercial deliverables under Contract CD0502 for Construction of AC Substations, along with civil works and building services activities at the Muskrat Falls and Churchill Falls sites. At Churchill Falls, mass backfilling around gantries and equipment foundations continued, along with the substantial completion of the GIS building wall and roof. Work continued on the Churchill Falls extension outside of the CF(L) Co fence line, with access to the existing yard now granted for fence removal and drilling work for foundations. Near term focus includes the initiation of construction work in the 735kV Churchill Falls Switchyard Extension.

Assembly and dressing of the transformer units commenced at Churchill Falls during the period under PD0537 for Supply of Power Transformers, AC Substations, and is scheduled to be complete by late June; assembly and dressing at Muskrat Falls is scheduled to commence in July.

A review of the CD0502 Contractor's schedule for the Switchyards previously indicated a potential slippage of a 30-60 day delay and potential impact to the Ready for Power Transmission Milestone date. While DevCo is working with the Contractor to implement mitigation measures to this risk, it should be noted that power transmission will be dependent on the availability of LIL.

The Labrador marshalling yard operation is ongoing and supporting the HVac transmission line construction activities. All materials have been received for HVac transmission line.

Construction activities for the HVac Transmission Line in Labrador under CT0319 continued to progress during the period with the finalization of conductor stringing, and by the end of May, 100% of the required foundations, anchor installation, testing, tower assembly and erection, and conductor stringing on the 315 kV line from Churchill Falls to Muskrat Falls was completed. Although installation of all quantities has been completed, reclamation and rework on some foundations is ongoing and expected to be completed in June.

The forecasted completion date for HVac Transmission line construction has been adjusted, but line construction activities continue to be forecasted to complete in advance of the AC switchyards. Resources and work priorities are being managed across both the LTA and the LIL to optimize progress on both.

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

There were no Additional Material Project Documents entered into since the Previous Construction Report.

Part II - Labrador Transco Additional Material Project Documents

There were no Additional Material Project Documents entered into since the Previous Construction Report.