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To Management of the Project:

Deloitte LLP ("Deloitte" or "we" or "us") has been engaged to provide assistance to the Lower Churchill Project (the "Project"), which includes Muskrat Falls Corporation, Labrador Transmission Corporation, Labrador-Island Link Limited Partnership and Lower Churchill Management Corporation (hereinafter referred to as the "Companies"), for completion of specified procedures on the capital expenditures of the Companies for the year ended December 31, 2018, as per the letter from the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee dated July 31, 2014 and our master services agreement dated February 9, 2017 and confirmation of changes letter dated September 29, 2017.

During the course of our audit for the year ended December 31, 2018, we selected a sample of 225 capital expenditures recorded in the Companies' accounts. For each sample selected, we tested the validity of the capital expenditure by verifying that the amount recorded agrees to supporting documentation in the form of supplier invoice.

We have performed the following additional audit procedures specified by you:

- Compared all samples selected as part of the year end audit to the approved capital budget for the Companies to ensure each expenditure is an approved budget item by performing the following procedures:
 - For each selection, obtained the total expenditures incurred for the respective contract to the date of the invoice selection and compared the balance to the commitment amount for the respective contract and ensured the amount billed to date did not exceed the commitment amount; and
 - For each selection, compared the commitment amount to the budget amount for the respective contract included in the Authorization for Expenditure approved by the Boards of Directors of the Companies in July 2017 and ensured the commitment amount did not exceed the budget amount.
- We obtained an understanding of the methodology used by the Companies to record internal shared costs and overhead allocations to the Project.
- For each sample selected, we verified that the expenditure was allocated to the Project in accordance with the Companies' methodology and is consistent with the appropriate standards under International Financial Reporting Standards.

As a result of applying the above procedures, we found one exception in which an amount capitalized was not consistent with capitalization criteria under International Financial Reporting Standards. The capitalized amount related to two expenditures for insurance premiums covering the period through 2020. As such, a portion of the amount should have been classified as a prepaid at December 31, 2018 and then subsequently charged to capital assets throughout 2019 and 2020. The total amount charged to capital assets in the current year which should have been classified as a prepaid was \$334,444 (\$66,894 in Labrador Transmission Corporation and \$267,550 in Labrador Island Link).

Management has advised that this misclassification was corrected in January 2019.

These procedures do not constitute an audit with the objective of expressing a separate opinion regarding the subject financial information and accordingly, we do not express an opinion on such information.

This report is intended solely for your use in connection with the letter from the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee dated July 31, 2014 referred to in our master services agreement dated February 9, 2017 and confirmation of changes letter dated September 29, 2017, and is not to be referred to or distributed to parties other than the Project and the Government of Newfoundland and Labrador Muskrat Falls Oversight Committee.

Deloitte LLP

Chartered Professional Accountants