

Twin Falls Power Corporation Limited

P. O. BOX 12500
ST. JOHN'S, NL
A1B 3T5

August 6, 2018

Churchill Falls (Labrador) Corporation
P. O. Box 12500, 500 Columbus Drive
St. John's, NL
A1B 3T5

Dear Sirs:

Re: Proposal for Provision of Indemnity by Churchill Falls (Labrador) Corporation Limited ("CF(L)Co") to Twin Falls Power Corporation Limited ("Twinco")

I write at this time on behalf of the management of Twinco.

With the termination of Twinco's land leases and power purchase agreements and the expiry of the term of the Operating Lease between CF(L)Co and Twinco, Twinco no longer has any activity or purpose and management is considering recommending to the Board of Twinco that Twinco be formally wound-up.

In order for the wind-up to occur, all liabilities of Twinco have to be discharged or adequately provided for. With respect to the potential liabilities of Twinco, its financial statements dated December 31, 2017 refer to commitments and contingencies associated with the results of an environmental site assessment conducted in 2002 at the Twin Falls Generating Station and to further testing and monitoring arising as a result of this assessment. The notes to the financial statements indicate that the scope of Twinco's responsibility for any environmental liabilities is not determinable at this time. The financial statements in Note 2.7 refer to the potential for decommissioning, restoration and environmental liabilities and refer to Twinco assets being located on land from a related party whose rights to the land are subject to renewal into the foreseeable future, and that the timing of any Twinco responsibility for the removal of these assets is not determinable at this time. The financial statements state further that if it is determined that the assets are to be removed by Twinco and it is possible to estimate the fair value of the cost of removing them, a decommissioning liability would be recognized at that time ("Decommissioning Liabilities") (hereinafter, any obligation or liability of Twinco to any person or government authority under any environmental law, or with respect to Decommissioning Liabilities, to be referred to as "Environmental Liabilities").

Management's view, with the aid of counsel advice, is that the Environmental Liabilities should be adequately provided for in order to wind-up Twinco. A course of action that management invites the Board and shareholders to consider is to adequately provide for the Environmental Liabilities through CF(L)Co providing to Twinco, its past, present and future officers, directors and employees (the "Twinco Indemnified Parties") with an indemnity through which CF(L)Co would agree to indemnify and save the Twinco Indemnified Parties harmless for any claim, damages, or obligations associated with the Environmental Liabilities. The consideration to CF(L)Co for this indemnity would be all or substantially all of the remaining cash and short-term investments of Twinco subject to a reasonable retention for costs associated with winding-up and any on-going administrative requirements. Twinco currently has cash on hand of \$439,446 and a short-term investment of \$5,450,000, maturing October 12, 2018. The indemnity would be on a without-admission-of-liability basis of any party thereto.

Twinco's counsel has advised us with respect to the broad scope of persons that may be held liable for adverse environmental conditions under federal and provincial laws with counsel advising, in particular, that under provincial law, a person responsible would include the owner or occupier of land on which an adverse environmental effect has or may occur, the owner or operator of an undertaking or a previous owner, or a person who has management or control of a site. In considering this proposal, we invite CF(L)Co to consider this scope of persons that may be held responsible for the Environmental Liabilities, the limited assets of Twinco remaining to cover any of the Environmental Liabilities, and the fact that CF(L)Co has been in control and possession of the Twinco assets since the early 1970s and had broad operating, repair and maintenance obligations under the Operating Lease with indemnification obligations with respect to these repair and maintenance obligations provided to Twinco under the Operating Lease. We also invite CF(L)Co to consider the fact that, with respect to the decommissioning liabilities, in particular, based upon legal advice to Twinco, that pursuant to the governing leases/sub-leases between Twinco and CF(L)Co, the land upon which these assets referenced in the financial statements are located are now owned by CF(L)Co and in the possession of CF(L)Co or third parties through arrangements with CF(L)Co, and Twinco had no obligation to remove or decommission these assets upon termination of the lease/sublease arrangements. Twinco's view, therefore, is that any future decommissioning/removal responsibilities would be the sole obligation of CF(L)Co in any event.

In summary, although Twinco is of the view that it will not have Environmental Liabilities, it believes the contingency should be dealt with and the provision by CF(L)Co of an indemnity as proposed would be an appropriate way to do so in the circumstances.

We also reference the Participation Agreement entered into between the shareholders of Twinco in 1977 (the "Participation Agreement"). Twinco's counsel has noted to management that Section 12 of the Participation Agreement provides that Twinco shall not, without the

approval of all shareholders, "make any major corporate change, such as the sale of substantially all of the Twinco assets".

We are of the view, based upon the advice of counsel, that a transaction that would see the primary remaining assets of Twinco, being the bulk of its cash reserves, being paid to CF(L)Co as consideration for the indemnity, coupled with the final wind-up of Twinco, would be a material transaction that would require unanimous shareholder approval pursuant to Section 12 of the Participation Agreement. As a result of this guidance from counsel, we have discussed the indemnity proposal with the Iron Ore Company of Canada Limited ("IOC") to gauge whether IOC would be amicable to the indemnity proposal. Based upon these discussions, it is our understanding that IOC would support the proposal on the conditions that:

1. Any definitive indemnity agreement entered into would include IOC, its past and present directors, officers and employees, as indemnified parties (the "IOC Indemnified Parties"); and
2. The liabilities which would be subject to indemnification from CF(L)Co would include the Environmental Liabilities as well as any other obligation or liability of Twinco of whatsoever nature for which the indemnified parties, including the IOC Indemnified Parties, may become subject to.

We have not had discussions with the Wabush Resources Inc. or Wabush Iron Co. Limited shareholders (collectively, "Wabush Mines Shareholders") in relation to this indemnity proposal. We understand based upon our conversations with IOC that IOC has had some general discussions with the Wabush Mines Shareholders in relation to the matter and IOC advises us that based upon these discussions, it believes the Wabush Mines Shareholders would be generally supportive of the indemnity proposal as proposed subject to the Wabush Mines Shareholders, their past and present directors, officers and employees, also being added as indemnified parties.

We seek your position as to whether CF(L)Co would be interested in pursuing a discussion with respect to the provision of an indemnity that is consistent with the general principles outlined herein. If so, these discussions would hopefully lead to a term sheet followed by a definitive indemnity agreement. If discussions are to continue, given that it is being proposed that the shareholders will be party to the indemnity agreement and that the indemnity will require unanimous shareholder approval, management will recommend that the discussion/ negotiations occur at the shareholder level between the appropriate representatives of the shareholders. Management of Twinco can take part in and act as a facilitator for these discussions and act as an information source to the shareholders.

We look forward to hearing from you in this regard.

Yours truly,

TWIN FALLS POWER CORPORATION

Per:

A handwritten signature in black ink, appearing to read "R. Hull", with a long horizontal stroke extending to the right.

Robert L. Hull, CPA, CA
President