



350 Torbay Road Suite 2
St. John's, NL Canada A1A 4E1
t. 709.737.1440 or 709.752.3460 f. 709.754.0787
nalcorenergy.com

06 June 2014

Valard Construction LP
Suite 301, 4209 99 Street
Edmonton, Alberta
T6E 5V7

Attention: Mr. Adam Budzinski, President

Mr. Budzinski

**Re: Package No. CT0327 Construction of 350 kV HVdc Transmission Line
Letter Agreement Pending Formal Agreement**

This Letter Agreement is made as of the 6th day of June, 2014 (the "Effective Date").

This Letter Agreement authorizes Valard Construction LP ("Contractor") to commence work on CT0327 Construction of 350 kV HVdc Transmission Line associated with the Lower Churchill Project (the "Work"), on the following basis:

1. Contractor shall perform only the following Work: Initial Mobilization of personnel, camps and equipment.
2. Until such time as a formal agreement, including Articles of Agreement and all Exhibits and attachments thereto, ("Formal Agreement") is executed by Contractor and Labrador-Island Link Limited Partnership (the "Company"), the Articles and Schedules attached hereto shall apply to and govern those parts of the Work performed under this Letter Agreement.
3. If any provision in this Letter Agreement conflicts with a provision in the Articles and/or Schedules attached hereto, the provision in this Letter Agreement shall prevail.
4. Concurrent with Contractor commencing the Work under this Letter Agreement, both Company and Contractor (collectively, the "Parties") shall use their best efforts to proceed as expeditiously as possible to negotiate in good faith and mutually agree to final wording and signature of a Formal Agreement. Notwithstanding this Clause 4, Clause 7 and Clause 9 herein, Company may

Mr. Adam Budzinski
Valard Construction LP
06 June 2014

2

terminate the negotiations contemplated by this Letter Agreement without any liability whatsoever (except for those costs referenced in Clause 5 herein and incurred prior to such termination) and for any cause whatsoever prior to entering into a Formal Agreement or the Contract Deadline Date (as referenced in Clause 7 herein).

5. If the Parties fail to enter into a Formal Agreement, the compensation to be paid by Company to Contractor for performance of the Work authorized in Clause 1 of this Letter Agreement shall be:
 - (a) only the documented and Company approved costs incurred by Contractor relating to the mobilization of camps and equipment, subject to a maximum limit of Two Million Five Hundred Thousand Canadian Dollars (\$2,500,000.00 CDN); and
 - (b) payment of Company approved invoices for Contractor's project management personnel time and expenses, up to a maximum of Five Hundred Thousand Canadian Dollars (\$500,000.00 CDN), in accordance with Contractor's rate sheet attached as Schedule "A";exclusive of HST. Such payments shall be subject to, and be in accordance with, the compensation and payment terms in the attached Articles.
6. Upon execution of a Formal Agreement by the Parties, Company's payment to Contractor for the Work authorized in Clause 1 of this Letter Agreement shall be in accordance with Exhibit 2 - Compensation of the Formal Agreement. Compensation for any part of the Work performed under this Letter Agreement, for which Company has not paid Contractor prior to execution of the Formal Agreement, shall be payable under and in accordance with the terms and conditions of the Formal Agreement.
7. This Letter Agreement shall terminate on June 30, 2014 (the "Contract Deadline Date") and all Work thereunder shall cease unless (a) a Formal Agreement is executed by the Parties on or prior to such date, at which time this Letter Agreement shall terminate subject only to the survival of Clause 6 herein, or (b) the Contract deadline Date is extended by a written amendment to this Letter Agreement executed by the Parties.
8. If a Formal Agreement is not executed for any reason and this Letter Agreement terminates as described in Clause 4 or Clause 7 herein, the Contractor is entitled to be paid by Company for only the compensation referenced in Clause 5 herein and

Mr. Adam Budzinski
Valard Construction LP
06 June 2014

3

determined in accordance with generally accepted accounting principles and practices.

9. Subject to the Parties' good faith obligation as referenced in Clause 4 herein, neither Party shall be liable to the other whatsoever, on any basis, for such Party's failure to agree and execute a Formal Agreement, except for amounts to be paid as referenced in Clause 8 herein.
10. Company shall have the sole authority to develop for release to the media and/or public any statement relating to this Letter Agreement. No other announcement or press release regarding the existence of this Letter Agreement will be made without the express written consent of Company.
11. This Letter Agreement does not constitute or create a joint venture, partnership or any other similar arrangement between the Parties. Each Party is an independent contractor and neither of them is the agent of, nor has the authority to bind, the other Party for any purpose.
12. Notwithstanding anything to the contrary elsewhere in this Letter Agreement, in no event shall either Party or its representatives, affiliates, subcontractors, vendors or suppliers be liable to the other Party or its representatives in connection with this Letter Agreement for any loss of profit, loss of revenue, cost of capital, loss of opportunity, or any indirect or consequential damages, regardless of whether such liability arises out of contract, tort (including negligence), strict liability or otherwise.
13. Unless otherwise provided, any notice, demand, request or communication under this Letter Agreement shall be deemed given when delivered either by Aconex, hand or courier, or mailed by certified mail, to the following addresses:

Labrador-Island Link Limited Partnership
Lower Churchill Project
350 Torbay Road, Suite No. 2
St. John's, NL
A1A 4E1
Attn: Pat Hussey
Email: pathussey@lowerchurchillproject.ca

Mr. Adam Budzinski
Valard Construction LP
06 June 2014

4

Valard Construction LP
Suite 301, 4209 99 Street
Edmonton, Alberta
T6E 5V9
Attn: Mr. Adam Budzinski
Email: abudzinski@valard.com

Notices shall be effective at the time and date recorded by Aconex for delivery to the recipient (in the case of delivery by Aconex), actual receipt or deemed delivered three (3) days after mailing. The designation and title of the person to be notified or the address of such person may be changed at any time by written notice given in accordance with this paragraph.

14. The Parties acknowledge that they each have reviewed this Letter Agreement and have had access to legal counsel. Any rule of interpretation that would otherwise require any aspect of this Letter Agreement to be interpreted least favourably against the Party primarily responsible for its drafting shall not be employed in the interpretation of this Letter Agreement.
15. Each Party shall bear its own expenses in negotiating and concluding a Formal Agreement and with regard to this Letter Agreement, including, without limiting the foregoing, legal fees and fees of other advisors.
16. For the purposes of this Letter Agreement, each Party represents to the other that it has the power and authority to enter into this Letter Agreement.
17. This Letter Agreement, and the Articles and Schedules attached hereto, constitute the entire agreement and understanding among the Parties with respect to the subject matter hereof. Except for the Memorandum of Understanding effectively dated March 28, 2014 between Lower Churchill Management Corporation, Quanta Services, Inc. and Valard Construction LP, this Letter Agreement cancels, replaces and supersedes all previous verbal or written agreements among the Parties with respect to the subject matter hereof.
18. This Letter Agreement shall be governed by, construed, interpreted and enforced in accordance with the substantive law of the Province of Newfoundland and Labrador, excluding any conflict of law principles. Each Party irrevocably submits to the exclusive jurisdiction of the Courts of the Province of Newfoundland and

Mr. Adam Budzinski
Valard Construction LP
06 June 2014

Labrador, and irrevocably waives any objection which it may have at any time to the forum of any proceedings brought in any such Court. Nothing in this Letter Agreement precludes either Party from enforcing in any jurisdiction any judgment, order or award obtained in such Court.

- 19. Except as otherwise expressly and specifically stated in the provisions of this Letter Agreement, the terms and conditions contained in the Articles and Schedules attached hereto shall be in force and effect.
- 20. This Letter Agreement may be executed in any number of counterparts, and any Party may transmit by facsimile or email in portable document format to the other Party a copy of this Agreement executed by that Party, the receipt of which shall have the same force and effect as if the original thereof had in fact been delivered at the same time. Any original, facsimile copy, portable document format or photocopy of this Agreement bearing one or more signatures on behalf of a Party shall be admissible against that Party in any legal proceeding as evidence of the execution and delivery of this Agreement by that Party and without the requirement to produce an executed original of the Agreement.

If you agree that the foregoing accurately states the agreement of the Parties, please sign the enclosed copy of this Letter Agreement and return to me.

Signed for and on behalf of Labrador-Island Link Limited Partnership, by its general partner Labrador-Island Link General Partner Corporation

Signature: _____
Name: Pat Hussey
Title: Supply Chain Manager

Signature: _____
Name: Ron Power
Title: Project General Manager

Mr. Adam Budzinski
Valard Construction LP
06 June 2014

6

**Agreed and accepted on behalf of
Valard Construction LP
as of this ____ day of _____, 2014:**

Signature: _____

Name: _____

Title: _____

Execution Page to the Letter Agreement effectively dated the 6th day of June, 2014
between Labrador-Island Link Limited Partnership and Valard Construction LP.

Mr. Adam Budzinski
 Valard Construction LP
 06 June 2014

Schedule "A"

Rate Sheet

This is Schedule "A" to the Letter Agreement effectively dated June 6, 2014 between Labrador-Island Link Limited Partnership and Valard Construction LP.

Discipline Position	Hrly Rate
Project Manager	200.00
Project Administrator	122.66
Electrical Line Workers - General Foreperson	171.22
Field Supervisor	171.22
Environmental Supervisor	235.00
Environmental Monitor	171.22
Site Health and Safety Supervisor	171.22
Quality Assurance Supervisor	171.22
First Aid Attendant	171.22
Project Engineer	200.00
Geotechnical Scientist	235.00
Geotechnical Engineer	235.00
Geotechnical Technician	109.00
3rd Party Density Tester	189.00
Right of Way Coordinator	171.22
Drafting Technician	88.00